

# BARNESLEY METROPOLITAN BOROUGH COUNCIL

**REPORT OF:** Executive Director – Core Services & Service Director – Finance  
(Section 151 Officer)

**TITLE:** CORPORATE FINANCE PERFORMANCE Q2 2022/23

|                                 |                         |
|---------------------------------|-------------------------|
| <b>REPORT TO:</b>               | <b>Cabinet</b>          |
| <b>Date of Meeting</b>          | <b>14 December 2022</b> |
| <b>Cabinet Member Portfolio</b> | <b>CORE</b>             |
| <b>Key Decision</b>             | <b>No</b>               |
| <b>Public or Private</b>        | <b>Public</b>           |

## **Purpose of report**

**To consider the financial performance of the Authority during the second quarter ended 30th September 2022 and assess the implications against the Council’s Medium-Term Financial Strategy (MTFS).**

## **Council Plan Priority**

**All**

## **Recommendations**

### **That Cabinet:**

- 1. Note the financial position for the Council as at Quarter 2 is a projected operational overspend of £12.5M for 22/23;**
- 2. As highlighted in Quarter 1 it is proposed to release resources earmarked as part of the 22/23 budget setting and 21/22 final accounts processes to temporarily address the net pressure;**
- 3. That the action plans requested at Q1 to mitigate overspends in the service areas listed below are finalised and submitted to Cabinet / Audit and Governance Committee for consideration during Q3:**
  - Children in Care [Children’s Services]**
  - Assessment & Care Management [Children’s Services]**
  - Estates – Commercial Rental Income [Growth & Sustainability]**

- **Car Parking Income [Growth & Sustainability]**
  - **Home to School Transport [Growth & Sustainability]**
4. **Note the current 22/23 forecast of a balanced position on the Housing Revenue Account.**
  5. **Approve the write off of historic bad debts totalling £1.0M as detailed in the report.**
  6. **Note the forecast position on the approved Capital Programme and the ongoing review of the programme;**
  7. **Note the key messages from the Council's Q2 Treasury Management activities.**

**1. INTRODUCTION**

1.1 The Council's 2022/23 budget was agreed by Full Council on 24<sup>th</sup> February 2022/23. This was predicated on the delivery of several key assumptions, whilst also highlighting significant emerging risks that would also require addressing over the planning period. As such, the updated MTFs set aside one-off resources to temporarily mitigate these anticipated pressures pending the development of a transformation and efficiency plan to address the anticipated budget gaps on a sustainable basis over the medium term.

**2. PROPOSAL**

**Overall General Fund Position for the Quarter Ending September 2022**

2.1 The table below summarises the Council's financial performance as at Q2 for 22/23.

| Directorate                                 | Approved Net Budget 2022/23 | Projected Net Outturn 2022/23 | Variance      |
|---|-----------------------------|-------------------------------|---------------|
|   | £'000                       | £'000                         | £'000         |
| <b>Children's Services</b>                  | 41,938                      | 48,361                        | 6,423         |
| <b>Growth &amp; Sustainability</b>          | 50,239                      | 55,306                        | 5,067         |
| <b>Place Health &amp; Adult Social Care</b> | 60,631                      | 58,440                        | -2,191        |
| <b>Public Health &amp; Communities</b>      | 10,616                      | 10,176                        | -440          |
| <b>Core Services</b>                        | 20,370                      | 20,664                        | 294           |
| <b>Service Totals</b>                       | <b>183,794</b>              | <b>192,947</b>                | <b>9,153</b>  |
| <b>Corporate / General Items</b>            | 28,398                      | 31,746                        | 3,348         |
| <b>TOTAL General Fund</b>                   | <b>211,395</b>              | <b>223,896</b>                | <b>12,501</b> |
| HRA   | 75,444                      | 75,444                        | -             |

2.2 The current forecast is for a year-end overspend in the region of £12.5M comprised of a Directorate/Service overspend of £9.2M together with an overspend on corporate budgets of £3.3M.

- 2.3 In line with the agreed financial strategy, the £12.5M pressures will be addressed in year from resources set aside specifically for this purpose, pending the development of a transformation and efficiency plan to address the anticipated budget gaps on an ongoing and sustainable basis over the medium term. Further updates on the MTFS and the proposed programme of transformational activity will be submitted to Cabinet later in the financial year.
- 2.3 Further detail on each Directorate's position is highlighted below in paragraph 2.9. However, the overspends in the **Children Services** and **Growth and Sustainability Directorates**, continue to be of particular concern both of which are reporting significant and deteriorating overspend positions.
- 2.4 **As recommended at Q1, Executive Directors are requested to finalise action plans to mitigate these overspends as far as is possible and that those are submitted to Cabinet/Audit and Governance Committee for consideration during Q3.**

#### Corporate Resources

- 2.6 As highlighted previously the above position excludes any impact in relation to core taxation (council tax and business rates). Council tax collection is currently forecast to be 95.3%, 0.7% below the stretch target of 96%. Each 1% equates to around £1M. Council tax collection will be closely monitored especially over the winter months with the ongoing 'cost of living' crisis contributing to significantly affect household finances.
- 2.7 Business Rates collection is also slightly below target by 0.46% at 97.04% compared to the target of 97.5%. Similar to Council Tax, business rates collection will be closely monitored as high levels of inflation and increasing energy costs continuing to impact the business community.
- 2.8 Overall the current arrears (debt) position as at the end of September stood at £19.4M, a net reduction of £2.9M since Quarter 1, (£0.6M on brought forward debt and £2.3M on new in year debt). The Council's overall bad debt provision has been revised to reflect current arrears with approval also sought to write off £1.009M of arrears that has become uneconomical to collect.

#### DIRECTORATE UPDATES

- 2.9 The following detailed updates have been provided by Executive Directors.

## Executive Director's Summary for Children's Services

### Highlights

The latest approved budget for 22/23 for the Children's Directorate is **£41.938M**. The Directorate is forecasting an outturn of **£48.361M** as at the end of Quarter 2, resulting in an overspend of **£6.423M**.

Of particular concern is **Children's Social Care and Safeguarding** which has increased further since Q1. Key highlights include:

- Increased numbers of Looked After Children
- Rising LAC placements cost
- High case loads

### **Quarter 2 Position to the End of the Quarter Ending September 2022.**

| Childrens Directorate               | Approved Net Budget 2022/23<br>£'000 | Projected Net Outturn 2022/23<br>£'000 | Variance<br>£'000 |
|-------------------------------------|--------------------------------------|--|-------------------|
| Education, Early start & Prevention | 8,847                                | 8,781                                  | -66               |
| Children Social Care & Safeguarding | 32,463                               | 38,953                                 | 6,489             |
| <b>Sub-Total</b>                    | <b>41,310</b>                        | <b>47,733</b>                          | <b>6,423</b>      |
| Schools                             | 628                                  | 628                                    | -                 |
| <b>Total – Childrens</b>            | <b>41,938</b>                        | <b>48,361</b>                          | <b>6,423</b>      |

### Explanation of Key Variances

#### **BU1 Education, Early Start & Prevention (*underspend of £0.066M*)**

- 2.10 An operational **underspend** of **£0.066M** is forecast for the Business Unit and mainly relates to staff vacancies and slippage on the supported families grant funding. These underspends are offset by the increased cost of additional positions within Early Help and LAC Commissioning Services in line with the Children's Services Development Plan.

#### **BU3 Children Social Care & Safeguarding (*overspend of £6.489M*)**

- 2.11 The overspend in Children's Social Care and Safeguarding predominately relates to Children in Care placement costs (**£3.907M**). Barnsley's LAC number at the end of Q2 was 378, an increase of 30 since the end of March 2022. Whilst this exceeds the planned number for the year (360), and profiled for the period to date, movements and changes in placements due to complexity of needs is the significant factor for the increased forecast cost. The rise in the number of LAC placements in private residential children's homes continue to exert pressure on the budget with an overspend of £2.829M forecast for the year. There are currently 39 young people placed in external care homes (including 18 in semi-independent accommodation) at the end of Q2, compared to the planned number of 30 (including x2 high-cost secure welfare and remand placements).

- 2.12 The position is further exacerbated by inflationary uplifts to fee levels; and the increasing number of high tariff placements due to complexity of needs (7x placements with weekly cost above £8,000). The high tariff cost on some placements reflects competitive pressures in the care market in relation to the placements of young people with complex needs.
- 2.13 There is also a net cost pressure in fostering (**£0.090M**) across in-house and external foster care due to more children being in foster care placements (287) than budgeted for at this time in the financial year (263). Independent fostering placements have increased by 7 since March 2022, whilst the number with BMBC is currently 210 which is an increase of 26 since the end of March.
- 2.14 An overspend of **£1.617M** is forecast within Children's Assessment and Care Management, predominately relating to staffing costs due to the use of agency staff to cover vacancies, sickness & maternity leave (£1.156M). This is aimed at increasing capacity and addressing caseloads pressures as outlined in the CSC Development Plan (see para 2.16 below). In addition, there is a cost pressure relating to legal / external counsel support (£0.461M).
- 2.15 Children's Disability & Short Breaks has a forecast overspend of **£0.271M** due to the increase in the number of support packages (23 since March 2022) being provided to families with disabled children, exacerbated by a forecast reduction in Continuing Care funding.
- 2.16 As highlighted above the forecast position includes costs (**£3.5M**) in 22/23 relating to the implementation of a range of actions included in the Children's Social Care Development Plan aimed at strengthening Children Services through the following:
- addressing caseloads / capacity pressures by the use of agency staff across case holding teams to cover vacancies / absences (£1.9M).
  - establishing a development board to improve senior management line of sight / performance framework as well as implementing a practice hub / model to develop and embed practice standards across the service (£0.2M).
  - creating a variety of additional permanent staffing roles across the business unit to further develop the service, quality, compliance, and outcomes for children (£0.5M).
  - increasing capacity in the Early Help Service (by creating additional family support worker posts) to address increased caseloads (£0.6M)
  - Other investment proposals (£0.3M) including retention payments, additional LAC commissioning capacity, etc.

### **Schools Dedicated Schools Grant (DSG)**

- 2.17 A significant overspend continues to be forecast within Special Education Needs. The current outturn is a forecast deficit of £4.2M against a planned deficit of £2.6M. This is an increase of £0.8M when compared with the Q1

position. A revised DSG management plan was submitted to the DfE in August 2022. This plan provides the basis for managing the risks / cost pressures in relation to SEND /high needs. It outlines the actions and measures to ensure spend is brought in line with the budget over the medium term to the period 2024/25. Discussions with the DfE are ongoing around the plan and the possible future funding of the deficit, with the introductory Safety Valve Programme meeting held in October 2022.

## **Executive Director’s Summary for Growth and Sustainability**

### **Highlights**

The latest approved budget for 2022/23 for the Growth and Sustainability Directorate is **£50.239M**. The Directorate is forecasting an outturn of **£55.306M** as at the end of Quarter 2, resulting in an overspend of **£5.067M**. Key areas that require focus include:

- Commercial income from the Council’s business units
- Home to School Transport
- Car Parking Income
- Rising cost of energy

### **Quarter 2 Position to the End of the Quarter Ending September 2022.**

| Directorate                              | Approved Net Budget 2022/23 | Projected Net Outturn 2022/23 | Variance     |
|--|-----------------------------|-------------------------------|--------------|
|  | £'000                       | £'000                         | £'000        |
| Regeneration & Culture                   | 16,647                      | 19,048                        | 2,401        |
| Environment & Transport                  | 33,592                      | 36,258                        | 2,666        |
| <b>Total Growth &amp; Sustainability</b> | <b>50,239</b>               | <b>55,306</b>                 | <b>5,067</b> |
| Housing Revenue Account                  | 75,444                      | 75,444                        | 0            |

### **Key Variances**

#### **Regeneration & Culture – (overspend of £2.401M)**

- 2.18 Regeneration and Culture are reporting an overspend of £2.401M. The Business Unit continues to forecast overspends on underachievement of commercial income (£0.659M), and on general service delivery costs (£0.462M). These pressures are in part mitigated by an underspend on salary costs due to difficulties recruiting to a number of vacancies across the Business Unit (£0.849M).
- 2.19 Unpredicted significant rises in utility prices over the last financial year have also affected the Business Unit’s financial position, specifically in relation to asset / property costs. The latest data suggests a pressure of £2.128M as at Quarter 2, including the estimated impact of the energy relief scheme for gas costs (£0.7M)

based on known information at this time. The expected relief to be received for electricity is yet to be determined so the above cost may change (subject to price and usage).

### **Environment & Transport – (overspend of £2.666M)**

- 2.20 The Environment and Transport Business Unit is reporting an overspend of **£2.666M**. Home to School Transport costs remains the largest single pressure where the service is currently forecasting a £1.011M overspend, an increase of £0.466M since Q1. This is mainly due to a continued increase in student numbers and higher prices from service providers. Car parking income also continues to show a shortfall against expected levels with an overspend of £0.554M currently forecast due to lower usage than anticipated. This is partly offset by increased income from street works and waste disposal.
- 2.21 There has also been an increase in the cost of energy for the borough's street lighting (£1.083M) together with an increase in the cost of fuel for the Council's fleet of vehicles (£0.236M).

### **Housing Revenue Account – (balanced position)**

- 2.22 The HRA is reporting a **balanced position** as at Quarter 2.
- 2.23 Dwelling rents are projected to achieve the budgeted level based upon projected stock levels accounting for additions and Right To Buy sales during the year. However, the ongoing cost-of-living crisis may lead to a rise in tenant rent arrears. This will be closely monitored with Berneslai Homes with any movement being reported to Cabinet accordingly.
- 2.24 The housing repairs and maintenance budget (£20.7M) is also forecast to be balanced.
- 2.25 Berneslai Homes are managing the responsive demand within the agreed budget for the HRA with a contingency being ring-fenced to offset any potential unanticipated demand. This position also includes anticipated inflationary pressures at 10%.
- 2.26 General expenses within the HRA have, however, risen to a projected overspend of £0.373M which includes increased costs for the Housing Ombudsman together with tenants related expenses including the furnished tenancy scheme.
- 2.27 This overspend is mitigated by the repayment of loans and associated costs on the HRA capital financing budget (£1.1M).
- 2.28 However, significant rises in Gas and Electricity prices are expected to impact the District Heating schemes which provides the energy for communal tenancies (£1.2M).
- 2.29 A review of the Council's recharges into the HRA is expected to produce savings to mitigate the impact of these cost rises in this financial year.

## Executive Director's Summary for Place Health and Adult Social Care

### Highlights

The latest approved budget for 2022/23 for the Place Health and Adult Social Care Directorate is **£60.631M**. The Directorate is forecasting an outturn of **£58.440M** as at Quarter 2, resulting in an underspend position of **£2.191M** for the Directorate. The main area of concern is:

- Assisted Living Technology

### **Quarter 2 Position to the End of the Quarter Ending September 2022.**

| Directorate                  | Approved<br>Net Budget<br>2022/23<br>£'000 | Projected<br>Net Outturn<br>2022/23<br>£'000 | Variance<br>£'000 |
|------------------------------|--|--|-------------------|
| Older People                 | 31,756                                     | 31,146                                       | (610)             |
| Working Age Adults           | 26,589                                     | 26,551                                       | (38)              |
| SD/Management                | 2,286                                      | 743  | (1,543)           |
| <b>Total for Directorate</b> | <b>60,631</b>                              | <b>58,440</b>                                | <b>(2,191)</b>    |

### Key Variances

- 2.32 The Place Health and Adult Social Care Directorate is currently projecting an underspend of **£2.191M**.
- 2.33 The **Older People Service** is currently forecasting an underspend of (£0.610M). This underspend relates to staffing vacancies within the Locality (£0.320M) and Reablement teams (£0.043M) as well as a reduced net cost of care provision totalling (£0.436M). These underspends are partly offset by overspends in the Assisted Living Technology Service (£0.189M) due in the main to unachieved income relating to sales of equipment as well as staff overtime costs.
- 2.34 **Working Age Adults** – An overall underspend of (£0.038M) is reported for the Working Age Adults Service. This underspend relates to staffing vacancies within Place Based Services (£0.107M) and minor underspends on other operating costs across the service totalling (£0.013M). These are offset by increased net costs on the care provision budget (£0.082M).
- 2.35 **Service Director/Management** – An underspend is reported within the Service Director account (£1.543M) mainly as a result of currently uncommitted funding for anticipated demographic pressures that are yet to materialise.
- 2.36 The above reported position, assumes the full commitment of the resources carried forward from 2021-22 and earmarked for specific programmes (e.g. Better Lives Programme) and spend commitments.



## Executive Director's Statement for Public Health & Communities

### Highlights

The latest approved net budget for the Public Health & Communities Directorate is **£10.616M**. The Directorate is projecting a net outturn for the year of **£10.176M** (after earmarkings of £2.156M), resulting in a forecast underspend of **£0.440M**. The main area of concern is:

- Rising cost of accommodation for the homeless

### **Quarter 2 Position to the End of the Quarter Ending September 2022.**

| Public Health & Communities Directorate | Approved Net Budget<br>2022/23<br>£'000 | Projected Net Outturn<br>2022/23<br>£'000 | Variance<br>£'000 |
|---|---|---|-------------------|
| Public Health                           | 3,869                                   | 3,636                                     | (233)             |
| Stronger, Safer & Healthier Communities | 6,747                                   | 6,540                                     | (207)             |
| <b>Public Health &amp; Communities</b>  | <b>10,616</b>                           | <b>9,999</b>                              | <b>(440)</b>      |

### Key Variances

- 2.37 An overall underspend of £0.440M is forecast for the **Public Health and Communities Directorate**.

#### **Public Health – (Underspend of £0.233M)**

- 2.38 The underspend within the **Public Health Business Unit (£0.233M)** predominately relates to vacancies in Health Protection and Regulatory services (£0.183M). There has also been an underspend due to staff vacancies/turnover, and the Integrated Sexual Health Service is also reporting an underspend of (£0.050M) due to the reduction in costs of out of area GUM clinics.

- 2.39 The above reported position, assumes the full commitment of the resources carried forward from 2021-22 and earmarked for specific programmes including the extension of the Covid 19 response and recovery structure to the end of March 2023.

#### **Stronger, Safer and Healthier Communities – (Underspend of £0.207M)**

- 2.40 The **Stronger, Safer and Healthier Communities Business Unit** is projecting an overall underspend of **(£0.207M)**. This underspend is predominantly due to staff vacancies and a reduction in the costs of Supplies & Services (£0.507M), this has been offset by an increase in temporary accommodation costs (£0.300M).

## Executive Director's Statement for Core

### Highlights

The latest approved budget for 22/23 for the Core Directorate is **£20.369M**. The Directorate is forecasting an outturn of **£20.664M** as at the end of Quarter 2, resulting in an overspend of **£0.294M**. Key areas of concern are:

- Rising cost of food supplies with Catering services
- Increased legal fees
- Loss of income within Governance services

### Quarter 2 Position to the End of the Quarter Ending September 2022.

| Directorate              | Approved Net Budget<br>2022/23<br>£'000 | Projected Net Outturn<br>2022/23<br>£'000 | Variance<br>£'000 |
|--------------------------|---|---|-------------------|
| CID                      | 7,290                                   | 7,290                                     | -                 |
| Finance                  | 3,185                                   | 3,475                                     | 290               |
| Business Imp, HR & Comms | 4,522                                   | 4,334                                     | (188)             |
| Legal Services           | 5,373                                   | 5,565                                     | 192               |
| <b>Total – Core</b>      | <b>20,370</b>                           | <b>20,664</b>                             | <b>294</b>        |

### Key Variances

- 2.41 The Core Directorate is currently forecasting an overspend of £0.294M as at Quarter 2:
- 2.42 **Customer Information & Digital Services** are projecting a balanced position, primarily due to an underspend on staffing, offset by temporary agency spend to undertake one-off development work and residual Code Green spend following the closure of the service.
- 2.43 **Finance** is projecting an overspend of £0.290M. This relates to an overspend on Catering Services (0.335M) due to the rising cost of food which is not currently being passed on to customers, partly offset by an underspend on staffing costs (£0.045M).
- 2.44 The **Business Improvement, HR and Communication** business unit is projecting an underspend of £0.188M which relates to underspends on staffing costs due to vacancies (£0.235M), offset by other minor underspends across the Business Unit (£0.048M).
- 2.45 **Law and Governance** are projecting an overspend of £0.192M, relating to the rising cost of agency spend in Legal (£0.293M) and lost SLA income from Sth Yorkshire Joint Authorities (£0.399M). These costs have been partly offset by vacancies across the Business Unit (£0.500M).

## **Corporate / Council Wide Budgets**

### **Highlights**

There is currently a projected overspend within Corporate Budgets of **£3.348M**.

- 2.46 Corporate budgets are currently projecting an overspend of £3.348M. This is predominately due to the increased cost of the proposed pay award of £1925 for all staff (£5.570M).
- 2.47 However, these costs have been partly offset by an underspend in borrowing costs as a result of the agreed Treasury Management Strategy to fix out £58 million of borrowing early (last November), meaning the Council is not impacted by as much as it would have been as a result of rising interest rates. The Council is also seeing higher returns on investments held/surplus cash balances. (See the Treasury Management update below).
- 2.48 See Appendix 1 for detailed variances of the above positions

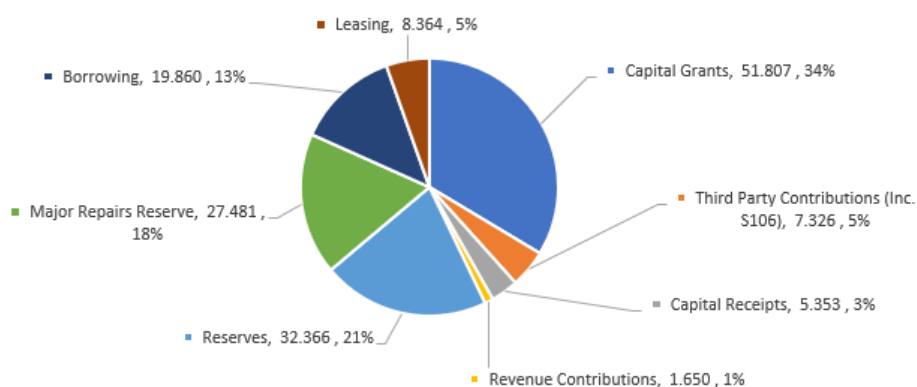
## Overall Capital Programme Position as at the end of September 2022

- The Council's Capital Programme for 22/23 as at Quarter 2 is currently forecasting expenditure totaling **£134.201M** against an approved budget of **£154.207M**, resulting in an overall lower than anticipated expenditure of **£20.006M**, this is predominantly due to scheme slippage.
- The Council's Capital Programme over the five year period to 2026/27 is currently projecting overall higher than anticipated expenditure of **£0.534M**.
- New schemes/allocations, predominately within the HRA, have also been approved during the Quarter totaling **£7.162M**.

2.49 The Council's capital programme is planned over the five-year period 22/23 through 26/27 and has a total projected cost of £182.0M. Current forecast spend in 22/23 totals £134.2M as highlighted in the table below:

| <u>Directorate</u>               | <b>2022/23<br/>Capital<br/>Programme<br/>£M</b> | <b>2022/23<br/>Actuals<br/>£M</b> | <b>2022/23<br/>Projected<br/>Outturn<br/>£M</b> | <b>2022/23<br/>Variance<br/>£M</b> | <b>Total<br/>Capital<br/>Programme<br/>£M</b> | <b>Total<br/>Projected<br/>Outturn<br/>£M</b> | <b>Total<br/>Variance<br/>£M</b> |
|----------------------------------|---|-----------------------------------|---|------------------------------------|---|---|----------------------------------|
| Children's Services              | 3.947   | 1.854                             | 4.113   | 0.166                              | 6.557   | 6.758   | 0.201                            |
| Growth & Sustainability          | 94.389  | 16.413                            | 79.094  | (15.294)                           | 117.046                                       | 117.321                                       | 0.275                            |
| Public Health & Communities      | 0.075   | 0.034                             | 0.132   | 0.058                              | 0.075   | 0.132   | 0.058                            |
| Place Health & Adult Social Care | 8.716   | 1.620                             | 4.300   | (4.416)                            | 8.716   | 8.716   | -                                |
| Core Services                    | 6.111   | 0.501                             | 5.591   | (0.520)                            | 8.109   | 8.109   | -                                |
| Housing Revenue Account          | 40.969  | 7.869                             | 40.969  | -                                  | 40.969  | 40.969  | -                                |
| <b>Total</b>                     | <b>154.207</b>                                  | <b>28.291</b>                     | <b>134.201</b>                                  | <b>(20.006)</b>                    | <b>181.472</b>                                | <b>182.006</b>                                | <b>0.534</b>                     |

2.50 The above costs are to be funded from a variety of sources as highlighted in the chart below, the majority of which are from external grants and reserves specifically earmarked for capital priorities:



2.51 It should be noted that the information above relates only to capital projects where funding has been formally approved by Cabinet. There is currently a

further £32.629M of funding which has been identified for future schemes to be incorporated into the programme within the five-year period to 2026/27.

## Key Variances

### Scheme Slippage

2.52 There has been programme slippage across several schemes during Q2 totalling £19.5M (where expenditure plans are expected to be utilised in a future year rather than the current year, due to events largely outside of the Council's control). Significant scheme slippage is explained below:

| Directorate                      | Scheme                                    | £M                | Explanation   |
|----------------------------------|---|-------------------|---|
| Place Health & Adult Social Care | Disabled Facilities Grant (DFG)           | (£4.416M)         | This scheme relates to the provision of adaptation works on private homeowners/landlords properties in the form of either direct works or the provision of grants. Whilst the DFG team are continuing to reduce waiting times and are receiving more referrals year on year, shortages and delays with materials needed in construction, due to the ongoing economic issues has resulted in DFG spending less than the allocation in 22/23. |
| Growth & Sustainability          | Youth Zone                                | (£4.002M)         | The Youth Zone is a project directly managed by the charitable organisation Onside. The project designs have been submitted to planning for consideration, with the procurement of a principal contractor to follow by the end of the year. It was initially anticipated that some construction may have commenced in 2022/23, however this is now scheduled to start in 2023/24.   |
| Growth & Sustainability          | Glass Works Phase 2 - Leasing             | (£3.400M)         | Whilst the vast majority of the Glassworks scheme is complete, leasing of the remaining unlet space is likely to be completed during 23/24.   |
| Growth & Sustainability          | Market Gate Bridge                        | (£2.844M)         | This scheme relates to the construction of the Market Gate Bridge as part of the overall Glass Works project. Good progress has been made by the contractor in respect of offsite bridge fabrication works, however some on site delays have been experienced due to statutory diversion issues within the first half of the financial year.  |
| Growth & Sustainability          | Members Local Priority Schemes (Highways) | (£2.000M)         | The 22/23 Highways Capital Programme includes an allocation of £2m for highways and roads investment, where members were asked to submit scheme proposals. The prioritisation and approval process for the proposed schemes has not yet concluded and as such it is unlikely that the allocation will be fully utilised in this financial year.   |
| Growth & Sustainability          | M1 Junction 36 Phase 2                    | (£0.813M)         | Planning permission has been secured and works are expected to start during Q3, with completion expected during Q1 of 23/24. The contribution from the Council to the scheme has been deferred in order to maximise the DLUHC Towns Fund grant secured for the scheme.  |
|                                  | Other                                     | (£3.065M)         | A number of other schemes have reported slippage, totalling £3.065M.  |
|                                  | <b>Total</b>                              | <b>(£19.540M)</b> |   |

## Variation in Scheme Costs

2.53 An amount totalling £0.534M relates to an estimated net increase in expenditure across a number of schemes as a result of cost variations / scheme completion. This variance is comprised of schemes within Growth & Sustainability and Childrens Services, significant amounts detailed below. The overall increase will be contained within uncommitted resources which represents effective programme management within the totality of the available resources.

| <b>Key Variances in Scheme Costs</b>  | <b>Directorate</b>      | <b>Capital Programme<br/>£M</b> |
|---------------------------------------|-------------------------|---------------------------------|
| Penistone Grammar School - SEN Places | Childrens               | 0.087                           |
| Sudworth Primary                      | Childrens               | 0.033                           |
| Penistone St Johns                    | Childrens               | 0.030                           |
| Thurgoland Bank Stabilisation         | Growth & Sustainability | 0.306                           |
| Planned patching programme            | Growth & Sustainability | 0.320                           |
| Drainage Planned Maintenance          | Growth & Sustainability | 0.250                           |
| A616 Whams Road                       | Growth & Sustainability | (0.402)                         |
| Carriageways Planned Maintenance      | Growth & Sustainability | (0.302)                         |
| Local Rads Reactive Drainage          | Growth & Sustainability | (0.230)                         |
| Other                                 | Various                 | 0.058                           |
| <b>TOTAL Variance in Scheme Costs</b> |                         |                                 |

## New Approvals

2.54 In addition to the above, a number of new approvals and allocations have taken place during the quarter totalling £7.1M as summarised in the table below:

| <b>Reconciliation Between 22/23 Quarter One and Quarter Two Positions:</b> | <b>Directorate</b>      | <b>Capital Programme<br/>£M</b> |
|--|-------------------------|---------------------------------|
| <b>Quarter 1 Approved Total Position</b>                                   |                         | <b>147.045</b>                  |
| <b><u>Approved Schemes During Quarter 2:</u></b>                           |                         |                                 |
| Smoke Alarms & Carbon Monoxide   | HRA                     | 2.044                           |
| Fire Safety  | HRA                     | 1.500                           |
| Water Ingress  | HRA                     | 1.000                           |
| Transforming Cities Fund   | Growth & Sustainability | 0.950                           |
| Asbestos Removal – Aldham House & Royston                                  | HRA                     | 0.600                           |
| Commerce House Refurbishment   | Core Services           | 0.400                           |
| Other  |                         | 0.667                           |
| <b>Total New Approvals</b>   |                         | <b>7.162</b>                    |
| <b>TOTAL QUARTER 2 CAPITAL PROGRAMME</b>                                   |                         | <b>154.207</b>                  |

## **Future Funding**

2.55 The following paragraphs outline some of the key capital funding opportunities that are currently being pursued:

- **Levelling Up Round 2** – the Council recently submitted two bids for Levelling Up Round 2 Funding:
  - **Town Centre** – this bid includes proposals for the Town Centre and has a total scheme value in the region of £12.5m – this includes a £10m ask for LUF funds.
  - **Barnsley East** – this bid is centred around the Elsecar Heritage site and has a total scheme value in the region of £18m, of which £16m is an ‘ask’ from LUF funding.

A decision on the outcome of each bid submission is expected during November.

- **Brownfield Sites** - £40M is to be passed directly to SCR (£8M per year over a 5-year period) by MHCLG to develop housing on brownfield sites. The Council has a number of pending bids.

## **Treasury Management Update as at September 2022**

### **Economic Summary**

- The UK Bank Rate increased from 1.25% to 2.25% during the quarter;
- This led to a sharp increase in PWLB borrowing rates over the second quarter of 2022/23 due to volatility within the economy;
- Latest forecasts are for the Bank Rate to peak at around 5% by Spring 2023;
- Consumer Price Index (CPI) inflation in the UK stood at 10.1% in September.

### **Borrowing Activity**

- No new borrowing undertaken during the quarter;
- A total external borrowing requirement of up to £240.3 Million by the end of 2024/25;
- Fixed rate exposure targets for the period to 2024/25 have been revised in light of current uncertainties within the economy and a sharp rise in the cost of borrowing;
- £64.4 Million would need to be addressed through fixed rate borrowing in order to meet the Council's revised interest rate exposure targets.

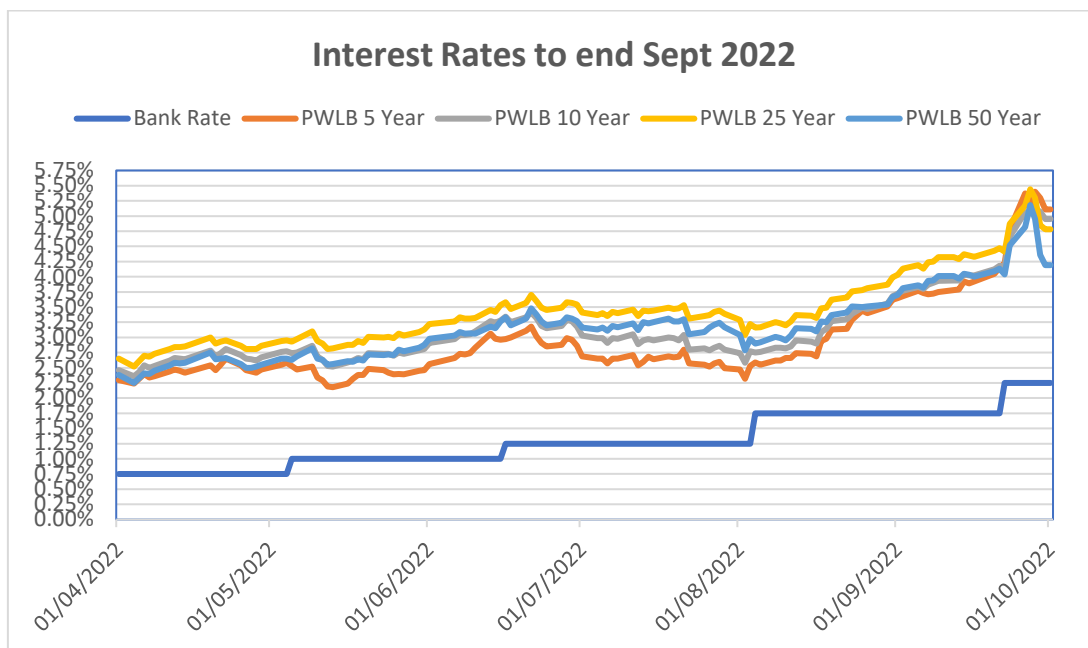
### **Investment Activity**

- A net decrease in investment balances of £17.7 Million during the quarter;
- In line with the strategy on investments being security and liquidity, an appropriate balance of cash was deposited in secure Money Market Funds and instant access accounts during the Quarter with officers also taking advantage of the competitive rates offered on short term local authority deposits;
- Investment rates have increased sharply during Quarter 2 of 2022/23 and are expected to improve further, in-line with the Bank Rate forecast.

## **Key Messages – Economic Summary**

- 2.56 There have been many unprecedented economic events during the second quarter of 2022/23, including the announcement of a 'mini budget' by the then chancellor, Kwasi Kwarteng, which lead to turmoil within financial markets and the pound dropping to a record low against the US dollar. The new chancellor Jeremy Hunt has since reversed many of the previous decisions in the 'mini budget'.
- 2.57 PWLB rates reacted to the events in the financial markets and have continued on an upward trajectory over the period to the end of September 2022. A period of high volatility in PWLB rates occurred at the end of the quarter following the 'mini budget' announcement and as a result officers continue to closely monitor interest rates.





2.58 Inflation fell for the first time in almost a year in August as a drop in fuel prices offered some unexpected, and probably brief, respite to CPI. However, it rose again in September standing at 10.1%. Economists are forecasting for inflation to peak at around 11% in October when the new household energy tariff cap begins and have stated that it could be slow to fall due to underlying macro-economic pressures.

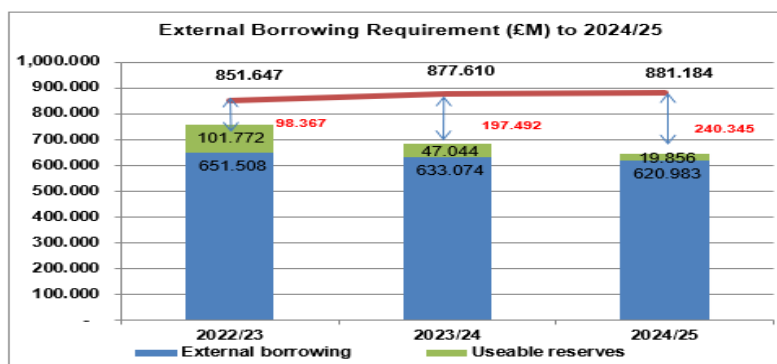
2.59 The Base Rate increased to 2.25% in September 2022. It is anticipated that the rate will continue to rise and may peak at 5.00% in Spring 2023:

|   | Latest | Dec-22 | Mar-23 | Sep-23 | Mar-24 | Sep-24 | Mar-25 |
|---|--------|--------|--------|--------|--------|--------|--------|
| UK Base Rate ~ Link Group                   | 2.25%  | 4.00%  | 5.00%  | 5.00%  | 4.00%  | 3.25%  | 2.75%  |
| UK Base Rate ~ Capital Economics            | 2.25%  | 4.25%  | 5.00%  | 5.00%  | 4.75%  | 3.75%  | -      |
| PWLB Certainty 50 Years ~ Link Group        | 5.18%  | 4.80%  | 4.60%  | 4.20%  | 3.80%  | 3.40%  | 3.30%  |
| PWLB Certainty 50 Years ~ Capital Economics | 5.18%  | 4.90%  | 4.90%  | 4.80%  | 4.60%  | 4.30%  | -      |

### Key Messages – Borrowing Activity

2.60 As outlined previously the Council’s borrowing strategy is to limit its exposure to interest rate risk whilst maintaining an appropriate level of internal borrowing in order to minimise its financing costs.

2.61 No new borrowing was undertaken during the first quarter, however, based on current capital plans it is anticipated that the Council will need to borrow up to £240.3M by the end of 2024/25.

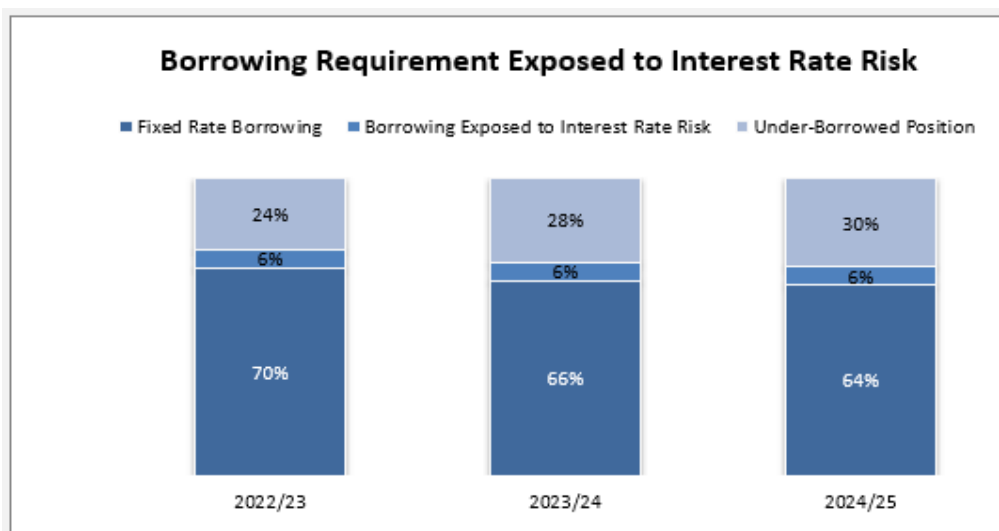


| <b>Projected external borrowing requirement 2022/23 – 2024/25</b> | <b>£M</b>      |
|---|----------------|
| Planned capital investment  | 54.674         |
| Maturing loans / reduced support from useable reserves            | 201.034        |
| Amounts set aside to repay debt                                   | (15.363)       |
| <b>Total</b>  | <b>240.345</b> |

2.62 In light of the current economic climate, a recent review of the fixed / variable rate exposure targets has been undertaken and the limits on variable rate borrowing / unfinanced CFR have been revised. This agile approach to our treasury strategy and these updated targets will enable the Council to achieve optimum value and help to manage risk exposure in the long-term. Ongoing reviews will be undertaken by treasury officers and any further recommendations by the Section 151 Officer in relation to the prevailing interest rate environment and exposure targets will be reported to Members.

| <b>Interest Rate Risk Exposure</b>                                | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|---|----------------|----------------|----------------|
| <b>PREVIOUS</b> Limit on Variable Rate Borrowing / Unfinanced CFR | 30%            | 25%            | 25%            |
| <b>REVISED</b> Limit on Variable Rate Borrowing / Unfinanced CFR  | 30%            | 30%            | 30%            |

2.63 The following graph shows that the borrowing target for 2022/23 has been achieved early (70% fixed rate). Based on the latest projections, should the Council take no further fixed rate borrowing there would be an exposure of 34% to variable rates in 2023/24 and 36% in 2024/25. The Council's strategy is to mitigate the risk of this interest rate exposure and the advice of the Section 151 Officer is to operate within the revised 70% fixed rate target over the period to 2024/25.



2.64 To deliver against the revised exposure targets, it is anticipated that the Council will need to fix out an additional £64.4M by the end of 2024/25. The remainder could be funded through temporary borrowing or utilising internal cash resources. Treasury officers continue to monitor opportunities for borrowing and achieving best value for the Council in the prevailing interest rate environment.

|   | 2022/23<br>(£M) | 2023/24<br>(£M) | 2024/25<br>(£M) |
|---|-----------------|-----------------|-----------------|
| Fixed Rate Borrowing Requirement (Cumulative) | -               | 49.841          | 64.434          |
| Temporary Borrowing Requirement (Cumulative)  | 98.367          | 147.651         | 175.911         |
| <b>Total</b>                                  | <b>98.367</b>   | <b>197.492</b>  | <b>240.345</b>  |

### **Key Messages - Investments**

- 2.65 There has been a net decrease in investment balances of £17.7M during the second quarter.
- 2.66 The Council's investment strategy remains focused on security (loss avoidance) and liquidity (ensuring cash is available when needed to meet the Council's spending commitments).
- 2.67 To reflect this strategy, officers continue to place investments in secure Money Market Funds and instant access accounts. The Council has also placed a significant level of short-term deposits with reputable banks and other local authorities to diversify the investment portfolio and help spread counterparty risk.

## **3. IMPLICATIONS OF THE DECISION**

### **3.1 Financial and Risk**

- The Authority's outturn currently stands at an overspend of £12.5M.
- Executive Directors are requested to finalise the action plans to mitigate these overspends as far as is possible and that those are submitted to Cabinet / Audit and Governance Committee as part of the Q2 performance management update.
- Any remaining cost pressure after this exercise will be funded temporarily via the use of one-off reserves in this financial year pending the development of a mitigation / transformation plan to address anticipated financial pressures in 23/24 and beyond.

### **3.2 Legal**

There are no legal implications as a result of this report.

### **3.3 Equality**

Not applicable as individual EIA's have been completed in relation to the budget proposals as appropriate.

### **3.4 Sustainability**

Decision wheel not applicable.

### 3.5 Employee

There are no direct employee implications as a result of this report.

### 3.6 Communications

Communication will be made in line with the normal performance monitoring arrangements of the Council

## 4. CONSULTATION

N/A

## 5. ALTERNATIVE OPTIONS CONSIDERED

5.1 N/A

## 6. REASONS FOR RECOMMENDATIONS

6.1 Whilst some of the pressures currently being experienced were anticipated as part of the 2022/23 budget setting process, the overspend position reported at Quarter 2 is significantly higher than expected. Therefore, Executive Directors are requested to bring forward action plans to address the pressures within their respective areas to address the current position.

## 7. GLOSSARY

N/A

## 8. LIST OF APPENDICES

Appendix 1 - Detailed Variances

## 7. BACKGROUND PAPERS

- Service and Financial Planning 2022/23 – The Council’s Medium Term Financial Strategy – 2022/23 Budget recommendations (Cab.09.02.2022/6 refers).

|                                   |   |
|-----------------------------------|---|
| <b>8. REPORT SIGN OFF</b>         | Senior Financial Services officer consulted and date. |
| Financial consultation & sign off |   |
| Legal consultation & sign off     | Legal Services officer consulted and date             |

**Report Author: Neil Copley**

**Post: Service Director Finance and S151 Officer**

**Date: 01/11/22**