**BARNSLEY METROPOLITAN BOROUGH COUNCIL**

**REPORT OF:** **The Director of Finance (Section 151 Officer)**

**TITLE:** **CORPORATE FINANCE PERFORMANCE Q2 2023/24**

| | |
|---|---|
| **REPORT TO:** | **Cabinet** |
| **Date of Meeting** | **13 December 2023** |
| **Cabinet Member Portfolio** | **Core Services** |
| **Key Decision** | **No** |
| **Public or Private** | **Public** |

**Purpose of report**

To consider the financial performance of the Authority during the second quarter ended 30th September 2023 and assess the financial implications against the Council's Medium-term Financial Strategy (MTFS).

**Council Plan Priority**
All

**Recommendations**

That Cabinet:

**CORPORATE FINANCE PERFORMANCE**

1. **Note the £21.2M projected cost pressure on the Council's 23/24 General Fund budget a deterioration of £3.8M since Quarter 1.**

2. **Note the significant cost pressures that continue within Children's Social Care and the plans the Executive Director of Childrens Services in conjunction with the Director of Finance are undertaking to mitigate these pressures.**

3. **Receive further updates from Executive Directors on the delivery of their service reviews / efficiencies and future spending plans, ensuring that these are managed within agreed resource envelopes.**

4. **Note the requirement to utilise further reserves should the position not improve.**

5. **Note the current forecast pressure of £0.8M on the Housing Revenue Account.**

6. **Approve the accounting write-off of historic bad debts totalling £0.414M as detailed in the report [NB: all debts remain liable for collection].**

**CAPITAL PROGRAMME PERFORMANCE**

7. **Note the forecast position on the Capital Programme (paragraphs 2.63 – 2.85 refer).**

8. **Note scheme slippage totalling £18.241M.**

9. **Note scheme rephasing totalling £0.976M.**

10. **Approve new schemes to be released into the programme totalling £20.165M in line with the agreed 23/24 Capital Programme.**

**TREASURY MANAGEMENT**

11. **Note the key messages from the Council's Q2 Treasury Management activities (paragraphs 2.86 – 2.96 refers).**

## 1. INTRODUCTION

1.1 The Council's 23/24 budget was agreed by Full Council on 23rd February 2023. This was predicated on the delivery of several key assumptions (highlighted below), 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.

1.2 At the meeting on 20th September 2023, Cabinet noted the Quarter 1 overspend of £17.5M. The report approved the release of the provision of £7.4M to partly offset this overspend with the remainder (£10.1M) being a call on general strategic reserves. This report provides an update as at Quarter 2 (to the end of September 2023)

## 2. PROPOSAL

### Overall General Fund Position to the Quarter Ending September 2023

2.1 The table below summarises the Council's forecast financial performance for 2023/24.

| Directorate | Approved Net Budget 2023/24 | Projected Net Outturn 2023/24 | Variance | | Position @ Q1 | Movement since Q1 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | | £000 | £000 |
| **Children's Services** | 53,202 | 68,776 | 15,574 | | 10,934 | +4,640 |
| **Growth & Sustainability** | 56,956 | 58,786 | 1,830 | | 1,829 | +1 |
| **Place Health & Adult Social Care** | 56,509 | 55,727 | (782) | | 0 | -782 |
| **Public Health & Communities** | 9,962 | 9,366 | (596) | | (497) | -99 |
| **Core Services** | 25,267 | 26,992 | 1,725 | | 1,700 | +25 |
| **Service Totals** | **201,896** | **219,647** | **17,751** | | **13,966** | **+3,785** |
| **Corporate / General Items** | 34,575 | 38,075 | 3,500 | | 3,500 | - |
| **TOTAL General Fund** | **236,471** | **257,722** | **21,251** | | **17,466** | **+3,785** |
| | | | | | | |
| **HRA** | **0** | **787** | **787** | | | |

2.2 The current forecast is for a year-end cost pressure in the region of £21.3M an increase of £3.8M from the position reported at Q1. However, pressures within Children's Services have deteriorated significantly, increasing the previous overspend by £4.6M to £15.6M currently reported at Q2.

2.3 These increased cost pressures have been partly offset by a reported underspend within Place Health and Adult Social care of £0.8M and Public Health and Communities totalling £0.6M (£1.4M in total).

2.4 As agreed by Cabinet (Cab 20.9.2023/8 refers), £7.4M of resources previously set aside will be used to partly offset this financial pressure with the remaining £13.9M to be addressed via a re-prioritisation of reserves (NB: £3.8M more than at Q1).

2.5 However, the Executive Director of Childrens Services in conjunction with the Director of Finance is compiling a financial recovery plan to help mitigate the pressures within Children's Services with the intention of reducing the currently reported overspend by the end of 23/24. Future reports will provide Cabinet with an update on progress against this plan.

2.6 Detailed explanations of each Directorate's position are highlighted below at paragraph 2.12. However, in summary the main pressures are as follows:

| Pressure | £M | £M |
|---|---|---|
| Children In Care (LAC/Other) | 9.9 | |
| Children's Development Plan | 4.3 | |
| Other Children's Services | 1.4 | |
| **Sub Total – Children's Directorate** | | **15.6** |
| Commercial Income | 1.0 | |
| Home to School | 0.6 | |
| Additional Waste Costs | 0.4 | |
| **Sub Total - Growth & Sustainability** | | **2.0** |
| Additional legal costs (Childrens SC related) | 1.2 | |
| Children's Development Plan (Legal /BI) | 0.5 | |
| **Sub Total - Core Directorate** | | **1.7** |

| | | |
|---|---|---|
| Employee Pay | 3.5 | |
| **Sub Total - Cross Council Pressures** | | **3.5** |
| **Total Cost Pressures** | | **22.8** |
| Underspend within public health / other | | (1.5) |
| **Net Cost Pressure (current call on reserves)** | | **21.3** |

2.7 As highlighted in the Quarter 1 update, a formal moratorium on expenditure across all services has been introduced to help mitigate the above cost pressures. It is anticipated that the increased scrutiny on all spending above £10,000 and the tightened recruitment processes will prevent further cost pressures.

2.8 The remainder (currently £13.9M) will need to be funded from a re-prioritisation of existing earmarked reserves should the financial recovery plan not deliver as required. It is also worth noting that this position may worsen.

2.9 It is likely that some of these pressures will continue over the medium term, so it remains imperative that the development and delivery of a transformation and efficiency plan to address the anticipated budget gaps over the medium term, is progressed.

2.10 Therefore, it is recommended that Executive Directors continue to provide regular updates on actions to mitigate the above costs including an update on delivery of their service reviews (transformation) and future spending plans, ensuring that these are managed within agreed resource envelopes.

Corporate Resources

2.11 The above position (as reported in the table at paragraph 2.1) excludes any impact in relation to the collection of core taxation income (Council Tax and Business Rates). The Council Tax collection rate is currently 96.37%, which is 0.13% below the stretch target of 96.5% [due to the impact of the cost-of-living crisis on household incomes and the ability to pay Council Tax and other bills]. However, this is an improvement on performance at quarter 1 (96,22%). Collection below 95% would result in a financial pressure over and above that reported in this report and therefore this position will be closely monitored throughout the remainder of the year.

2.12 Business Rates collection is also below target at 97.12% compared to the stretch target of 98% [due to the ongoing impact of inflation and supply chain issues on business cashflow and ability to meet business costs including business rates]. Similar to Council Tax, this position will be closely monitored throughout the remainder of the year.

2.13 Overall, the current arrears (debt) position as at the end of September 2023 stood at £21.369M, a net reduction of £0.216M in the quarter. The Council's overall bad debt provision has also been revised to reflect current arrears. Approval is now sought to write off historic debts [in accounting terms] of £0.414M which have become uneconomical to pursue any further at this time [NB: all debts remain liable for collection].

2023/24 Efficiency Proposal Update

2.14 The following table provides an update against the agreed 23/24 efficiency proposals.

| Directorate | Target £ | Already Delivered £ | To be Delivered £ | Progress |
|---|---|---|---|---|
| **CHILDRENS SERVICES** | | | | |
| Education, Early Start and Prevention | 283,000 | 283,000 | - | Fully delivered |
| Children's Social Care and Safeguarding | 479,600 | 249,600 | 230,000 | Savings attached to the new residential care home and student placements is yet to be delivered |
| **Total Children's** | **762,600** | **532,600** | **230,000** | |
| **GROWTH & SUSTAINABILITY** | | | | |
| Regeneration & Culture | 1,540,000 | 1,040,000 | 500,000 | The efficiency saving attached to Gateway Plaza is unlikely to deliver in full during this year |
| Highways & Engineering | 200,000 | 200,000 | - | |
| **Total Growth & Sustainability** | **1,740,000** | **1,240,000** | **500,000** | |
| **PLACE HEALTH & ADULTS** | | | | |
| Adult Social Care | 3,010,000 | 3,010,000 | - | Fully delivered |
| **Total Place Health & Adults** | **3,010,000** | **3,010,000** | | |
| **PUBLIC HEALTH & COMMUNITIES** | | | | |
| Public Health | 700,000 | 700,000 | - | Fully delivered |
| Communities | 360,000 | 360,000 | - | Fully delivered |
| **Public Health & Communities** | **1,060,000** | **1,060,000** | **-** | |
| **CORE** | | | | |
| Finance | 190,000 | 190,000 | - | Fully delivered |
| Business Improvement, HR & Comms | 275,000 | 275,000 | - | Fully delivered |
| Customer Information & Digital Services | 299,000 | 299,000 | - | Fully delivered |
| **TOTAL** | **7,336,600** | **6,060,600** | **730,000** | |

## DIRECTORATE UPDATES

2.15 The following detailed updates have been provided by Executive Directors.

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

### Highlights

The latest approved budget for 23/24 for the Children's Directorate is **£53.202M**. The Directorate is forecasting an outturn of **£68.777M** as at the end of Quarter 2, resulting in a forecast cost pressure of **£15.574M.** Key pressures include:

- Children in Care (LAC / Other) £9.905M
- Children's Development Plan £4.264M
- Other Children services £1.405M

| Children's Directorate | Approved Net Budget | Projected Net Outturn | Variance | | Devt Plan Costs | Other BAU Costs |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | | £'000 | £'000 |
| **Education, Early Start & Prevention** | 11,603 | 11,361 | -243 | | -107 | -136 |
| **Children Social Care** | 37,023 | 52,840 | 15,817 | | 4,371 | 11,446 |
| **Sub-Total** | **48,626** | **64,201** | **15,574** | | **4,264** | **11,310** |
| **Schools** | 4,576 | 4,576 | 0 | | 0 | 0 |
| **Total – Children's** | **53,202** | **68,777** | **15,574** | | **4,264** | **11,310** |

**Explanation of Key Variances**

**Education, Early Start & Prevention (Underspend of £0.243M)**

2.16 An overall underspend of **-£0.243M** is forecast for the Business Unit. This represents an increase in underspend of £0.09M compared to the Q1 position. The change is mainly due to increases in staff vacancies in several service areas.

The Q2 forecast position includes a Development Plan underspend (£0.107M) mainly relating to the delay in recruiting to posts across Early Start and Family Services and Commissioning (included in the development cost below).

The following explains the key operational variances in Q2:

*Inclusion Services (overspend of £0.164M):*

- The overspend mainly relates to increased Mediation contract costs (£0.042M) and the use of agency staff (£0.169M) to deal with EHCP demand pressures within the SEND Assessment & Review team.
- The overall cost pressure has been offset by vacant posts across Inclusion Services; particularly within the Education Psychology Service (-£0.072M) where there has been difficulty in recruiting qualified psychologists.

*Education and Partnerships (underspend of £0.191M):*

- The underspend relates to reduced spend on externally procured professional support for schools and staff vacancies within School Improvement (-£0.054M) and Education Welfare (-£0.091M). A further contribution to the underspend is an increase in Fixed Penalty Notices income.

*Early Start and Family Services (underspend of £0.194M)*

- The underspend is mainly due to staff turnover and slippage in recruitment to vacant posts in the Family Centres and Targeted Youth Support teams, as well as the increase in the 2-year funding rate, which is partially offset by agency use in the contextual safeguarding team (£0.132M).

- The forecast position above assumes that the carried forward Family Hub Grant from 22/23 (£0.654M) would be fully expended by end of October 2023 – to avoid any risk of claw back.

*Other Variances (underspend of £0.010M):*

- A net overspend has been reported within Strategic Management relating to historical pension payments offset by an underspend on commissioning.

**BU3: Children Social Care *(overspend of £15.817M)***

2.17 An overspend position of **£15.817M** is currently forecast for the year – a significantly worse position than reported at Quarter 1 and what was predicted at the start of the financial year. The latest forecast overspend is due to significant cost pressures in LAC placements, Children Disability Service and increased agency spend (relating to the Children's Services Development Plan).

2.18 The above forecast outturn includes costs of implementing the following range of actions included in the Development Plan aimed at improving and strengthening Children's Services:

- addressing caseloads / capacity pressures by the use of agency staff across teams to cover vacancies / absences.
- creating a variety of additional permanent staffing roles across the business unit to further develop the service, quality, compliance, and outcomes for children.
- Improving our local offer and support to Care Leavers.

2.19 The following explains the key cost pressures across Children's Social Care for Q2.

*Children in Care (overspend of £9.905M):*

The forecast overspend mainly relates to LAC placement costs and reflects an increased number of placements in residential care homes as well as the continued competitive pressures in the children's care home provider market. The Council continues to face challenges (increasing numbers and costs) in placing young children, especially those with complex / multiple needs:

- *LAC population*: - Barnsley's LAC number at the end of Q2 is 424, a net increase of 12 since the end of June 2023. The increase in LAC is mainly across foster care and residential care placements, offset by a reduction in kinship type placements (e.g. adoptions). It should be noted that residential care placement moves (due to breakdowns) and changes due to complexity of needs are significant factors for the increased forecast costs reported.

- *External residential care (*+£8.511M): - a rise in the number of placements (and costs) in external residential children's homes continues to exert pressure on resources – with an overspend of £8.5M forecast for the year.

  There are currently 83 young people placed in external care homes (including 39 in semi-independent accommodation) at the end of Q2, compared to the planned number of 65 for the financial year and 77 as at end of Q1.

  The above pressure is due to the competitive pressures in the care market, particularly for young people with complex needs. It is also evident that the change to regulated provision of a number of semi-independent homes has contributed to the increase in the weekly cost charged by providers.

- *Foster care*: (+£0.086M)- projected cost pressure mainly due to an increase in the number of children in foster care – 281 at the end of Q2 compared to the planned average for the year of 275 (the increase mainly relates to independent foster agency placements). The above increase and cost pressure was slightly offset by a forecast reduction in placements with in-house foster carers.

- *Other Children in Care budgets (+£1.317M):* Staffing cost pressures are currently forecast across the Children in Care social worker teams (including fostering) and the Council owned homes (Spring Lane and Newsome Avenue). Most of these pressures relate to the use of agency staff (to address increased caseloads; cover staff vacancies / absences) and also the outcome of job evaluation of staff at both Council owned homes.

*Childrens Development Plan Phase 2 - £4.371M*

As previously reported, there are further cost pressures associated with the Children's Development Plan. The total cost of the Development Plan now stands at £7.764M. This includes an increase of £4.371M relating to Phase 2 of the plan. Key variances are highlighted below:

- Care Leavers (overspend of £0.675M) - The overspend is mainly due to increased staffing costs (personal advisers) and the use of agency staff. The forecast position also includes additional spend associated with the improved local offer to care leavers.

- Children in Care (overspend of £0.157M) - The forecast cost pressure relates to increased agency cover costs for Service Manager posts.

- Assessment & Care (overspend of £2.966M) – The forecast pressure relates to the use of project teams / agency staff (across the Integrated Front Door and Children Young People Teams) to address increased caseloads, vacancies, long term staff absences.

- Safeguarding & Quality Assurance (overspend of £0.107M) - The forecast overspend is mainly attributable to increased use of agency staff to cover absences, vacancies and to provide extra capacity where needed.

- Children's Disability & Short Breaks (overspend of £0.384M) – a forecast overspend is anticipated on staffing related costs due to increased use of agency staff.

- Service Management (overspend of £0.082M) - The forecast overspend is due to project management / support costs associated with the Development Plan and Ofsted readiness work.

*Other Children Social Care cost pressures (£1.541M)*

The forecast cost pressures on other children social care service areas is £1.541M and is mainly attributed to the following:

- Assessment & Care (overspend of £0.279M) – relates to S17 / family support costs, IT and car mileage/travel costs as well as agency spend in the Emergency Duty Team.
- Care Leavers (overspend of £0.159M) – relates to the increased placement costs and other staffing, travel and operating costs.
- Safeguarding & QA (overspend of £0.503M) - relating to increased use of agency staff to cover absences, vacancies and to provide extra capacity mainly in the Independent Review Team.
- Children Disability Team (overspend £0.585M) - is attributable to increased direct payments / childminding / family support costs and reduction in continuing care funding to meet identified health needs.

**Schools Dedicated Schools Grant (DSG)**

2.20 The latest DSG budget for 23/24 totals £100.2M, comprising of £63.5M delegated to schools and £36.7M retained centrally by the Council. The following outlines the forecast position for the schools' budgets:

*Schools Delegated budgets (underspend of £1.7M)*

The schools delegated budget consists of funding allocated directly to schools and includes formula funding, high needs, and early years funding. The latest reported schools position shows a projected surplus of £1.7M for the year. This balance is held in schools bank accounts and therefore is not included in the Council's outturn reported above as under the DSG grant conditions surplus balances at year end will be carried forward and earmarked for spend by schools. It is expected that a reduction in school surplus balances will be seen as schools continue to raise sustainability concerns relating to cost of living pressures, rising inflation and energy costs.

*Schools Centrally Retained budgets (overspend of £3.0M)*

This consists of schools' budgets retained by the Council and managed on behalf of schools. An overall DSG overspend of £3.0M is currently forecast for Q2 (a worsening position compared to Q1). This represents an increase of £0.4M when compared with the planned deficit of £2.6M for the year. The overspend mainly relates to the high needs funding block. The change in the reported position for the year can be explained as follows:

- Inflationary pressures (£0.1m) – higher than planned increases in fee rates for placements in independent non-maintained settings and special academies in other local authorities.

- Shortfall on action plan savings (£0.1m) - the Council is on track to achieve the bulk of its savings target (£2.4M). However, a shortfall of £0.1m against the savings target is currently forecast due to lower than planned numbers of post-16 pupils being returned from INMSS back into local provision by Sept 2023.

- Increase in average unit cost (£0.2m) – this cost pressure has arisen due to an increase in the average unit cost of new INMSS placements and reflects the increasing complexity of needs of the pupils placed in independent settings.

- Slippage in new SEND places (-£0.1m) – whilst the council has exceeded its target number of new commissioned SEND places for the year, there has been minor slippage.

- DSG funding adjustments (£0.1m) – reflects the impact on the Council's high needs grant allocation following the DfE's funding (import / export) adjustments.

The latest overall financial risk to the system for 23/24 is forecast at £15.6M comprised of the cumulative deficit carried forward from 22/ 23 and the DfE support funding received under the Safety Valve programme.

**Approved Savings Position**

2.21 The Directorate has total approved savings of £0.762M to deliver in 23/24 including:

- £0.170M - decommissioning of the MST contract.
- £0.068M - Maximising the use of the supporting families grant.
- £0.045M - Targeted Youth – deletion of vacant post.
- £0.200M - LAC placements (developing a new children's care home).
- £0.249M - LAC placements (increase in in-house foster carers).
- £0.030M - Safeguarding (increase in student placement income).

2.22 A £0.230M shortfall is currently forecast against the delivery of the approved savings target, due to the following: slippage on developing a new children's home (£0.200M) and reduced student placement income (£0.030M).

## Current Actions and Risks

2.23 *Children's Social Care*

A key risk facing Children's social care is the continued increase in service demand / caseloads; the number of looked after children and the increasing use of agency staff (on the back of the Development Plan).

A financial recovery plan is being developed by the Executive Director of Children's Services in conjunction with the Director of Finance to address the key areas of cost pressures in the Business Unit, with particular focus on reducing the number and cost of agency staff by 31 March and stemming the rise in LAC placement costs. The financial recovery plan would be the subject of a separate report to SMT / Cabinet.

Going forward, increasing LAC numbers and cost would continue to exert pressure on the budget in future years. Implementing the commissioning actions set out in the refreshed LAC Placement / Sufficiency Plan would continue to be the focus of the service. These would ensure that children are placed in the right placements that meet needs and where possible are placed in family type placements. The following are the key actions and outcomes within the LAC sufficiency plans over the medium term:

- Reduction in LAC numbers over the medium term through the planning for permanency initiative, stabilising services and development of Edge of Care and / Family Group Conferencing services (which is envisaged would prevent escalation to children social care)
- Increase in the number of in-house foster carers;
- Reduction in numbers of children placed with IFA carers;
- Accelerate the procurement or development of new Council owned children's homes;
- Bring back into use Spring Lane children's home;
- Reduction in the number of residential care placements – through frequent reviews, step downs and planned moves;
- Improve the level of continuing care funding for high cost looked after children placements (and those with disabilities);
- Improved commissioning / contract management / procurement approaches of high-cost placements e.g., block booking of beds.

2.24 *Education, Early Start, & Prevention*

Rising EHCP numbers and demand for SEND support may continue to pose financial / sustainability risks in the current year and beyond. The development of the DSG management plan and the commencement of the Safety Valve Programme will help address the sustainability issue over the medium term.

## SECTION 2 – Executive Director's Summary for Growth and Sustainability

### Highlights

The latest approved 23/24 budget for the Growth and Sustainability Directorate is **£56.956M.** The Directorate is forecasting an outturn of **£58.786M** as at the end of Quarter 2, resulting in an overspend of **£1.830M.**

The Council's Housing Revenue Account is also reporting cost pressures of **£0.787M**

### Quarter 2 position to the end of the quarter ending September 2023

| Directorate | Approved Net Budget 2023/24 £'000 | Projected Net Outturn 2023/24 £'000 | Variance £'000 |
|---|---|---|---|
| Regeneration & Culture | 17,865 | 18,895 | 1,030 |
| Environment & Highways | 39,091 | 39,891 | 800 |
| **Total Growth & Sustainability** | **56,956** | **58,786** | **1,830** |
| | | | |
| Housing Revenue Account | 79,154 | 79,941 | 787 |

### Key Variances

**Regeneration & Culture – Overspend of £1.030M:**

2.25 Regeneration and Culture are reporting a forecast overspend of £1.030M. key variances are as follows

*Commercial Income (£1.000M)* underachievement of commercial income is forecast due to an unachieved Gateway occupancy KLOE and under occupancy more generally across the estate.

*Markets (£0.150M)* an overspend is currently forecast within the Markets service relating to outside market stall set up cost pressures. Work is ongoing to review alternative arrangements and proposals are being developed in a hope to mitigate costs.

*Planning £0.300M* a decline in planning application fees mainly due to the current external socio-economic climate.

These pressures are in part mitigated by early transformation savings released by Economic Development & Learning & Skills (£0.280M), and a vacancy factor across the service (£0.140M).

**Environment & Highways – Overspend of £0.800M:**

2.26 Environment and Highways are reporting a forecasted overspend of £0.800M.

*Home to School Transport (£0.550M),* this is mainly due to an increase in pupil numbers & ongoing inflationary pressures.

*Waste Disposal £0.450M* Waste services are currently projecting an overspend of £0.450M due to additional disposal requirements in relation to Persistent Organic Pollutants (POPs), together with the continued decline in the mixed recyclates market and a decline in the paper/card market due to increased contamination.

The pressures are in part mitigated by (£0.200M) due to one off income from a time limited commercial car parking agreement.

**Housing Revenue Account Service - Outturn £0.787M**

2.27 The HRA is reporting an increased call on reserves to fund a projected overspend of £0.787M.

2.28 It is anticipated that the HRA will incur an increase in disrepair claims from tenants totalling c£0.5M based on the estimated value of claims in the system to date. Fuel cost payments to Berneslai Homes (via the management fee) are also expected to increase by £0.2M mainly as a result of the Biomass fuel contract price increase.

2.29 The dwellings rental income is projected to achieve the budgeted levels despite an increase in void turnover levels. The balanced position is achieved due to stock levels being higher than originally anticipated due to a down turn in the Housing Market resulting in less Right To Buy sales.

2.30 A balanced position is forecast on the Repairs and Maintenance budget. The responsive repairs budget has been realigned to reflect the volume of work experienced in the last financial year and uplifted to reflect an anticipated CPI contract inflation uplift. Berneslai Homes is undertaking detailed monitoring under their delegated powers to deliver responsive repairs on budget and ensure all resources are utilised in an efficient way to deliver value for money and ensuring our tenants are safe and that stock is maintained to the agreed decency standards.

**Approved Savings Position**

2.31 The Directorate has total approved savings of £1.740M to deliver in 2023/24. A £0.500M saving in relation to Gateway Plaza, will not be fully achieved in this financial year. Work is ongoing by the service to resolve the issue. All other efficiencies currently remain on track to deliver in full.

**Current Actions and Future Risks for the Directorate**

2.32 The current outturn position for the Directorate shows a Business-as-Usual overspend of £1.830M. The Directorate continues to work hard to bring forward necessary mitigations for all pressures and deliver a balanced budget. The key current actions and risks to note are as follows:

2.33 Regeneration & Culture

Planning applications have continued to steadily fall mainly due to the high levels of inflation on construction costs of new houses, high interest rates impacting house sales and private developments. This impacts on income generation within the service.

Work continues to implement the key elements of the recently approved Asset Management Strategy, which is expected to deliver significant efficiencies (£5.8M FYE over 5 years). This programme includes ensuring buildings are fully utilised, reviewing the operating cost of buildings and implementing interventions to reduce costs, and undertaking a programme of rationalisation and disposal of surplus asset.

2.34 Environment & Highways

A continuous Home to School transport action plan is in place to review routes, bring more in-house, increase travel training etc. along with a proposed external end-to-end review of the service.

The Waste Collection service is currently exploring options to mitigate the increased costs relating to the disposal of upholstered furniture (Persistent Organic Pollutants) following the introduction of Government legislation.

The winter maintenance programme costs are dependent on several factors including the weather which could have an impact on budget forecasts.

2.35 HRA

There are wider strategic risks to note in relation to the finances and business plan for the HRA such as damp / mold, hardship fund, emerging Government legislation, BHS, disrepair claims, new IT system, responsive repairs, inflationary pressures, stock condition surveys and developing strategies including but not limited to – Asset Management, New Build / Housing Growth, Stock decarbonisation. BH are currently working in conjunction with the Council on these to assist in mitigating cost pressures.

2.36 Finally, the current socio-economic climate and the cost-of-living crisis are putting pressure on services throughout the Directorate. Energy and fuel costs have seen unprecedented price rises but are currently forecast to be contained within approved resources. However, this could change dependent on consumption and how the flexible utility tariffs work in practice. An energy group has been established to closely monitor the situation as well as working with Utilidex on improving reporting and sensitivity analysis.

## SECTION 3 - Executive Director's Summary for Place Health and Adult Social Care

## Highlights

The latest approved budget for 23/24 for the Place Health and Adult Social Care Directorate is **£56.509M.** The Directorate is forecasting an outturn of **£55.727M** as at Quarter 2, resulting in a forecast underspend position for the year totaling **£0.782M.**

### Quarter 2 position to the end of the quarter ending September 2023

| Directorate | Approved Net Budget 2023/24 £'000 | Projected Net Outturn 2023/24 £'000 | Variance £'000 |
|---|---|---|---|
| Older People | 25,563 | 25,021 | (542) |
| Working Age Adults | 27,437 | 27,262 | (175) |
| ED / SD Management | 3,509 | 3,444 | (65) |
| **Total for Directorate** | **56,509** | **55,727** | **(782)** |

### Adult Social Care – Underspend of £0.782M.

2.37 The Place Health and Adult Social Care Directorate is reporting an overall underspend totalling £0.782M as at Quarter 2. This position includes underspends on provisioning costs and staffing vacancies / turnover across the Directorate.

2.38 The key operational variances for the Directorate are as follows:

***Older People (underspend of -£0.542M)***

- *Locality Teams* – an underspend position totaling £0.478M is currently forecast for the Assessment and Care Locality Teams. This underspend relates to staffing vacancies / turnover (-£0.282M), reduced care provision costs (-£0.129M) and other minor variances relating to non-staffing spend (-£0.067M) across the service.
- *Reablement* – a forecast underspend of (-£0.064M) is reported, which relates to staff turnover and vacancy savings on support worker posts – a reflection of the continued difficulty of recruiting and retaining care workers / staff.
- *Assisted Living Technology* – a forecast balanced position is reported for the year as at quarter 2 for the Assisted Living Technology service.

***Working Age Adults (underspend of £0.175M):***

- *Specialist / Mental Health teams* – an overall underspend of £0.126M is reported across the Specialist and Mental Health teams. This relates to a reduction in care provision costs (£0.363M) as well as other minor underspends totaling (£0.027M) partly offset by an increase in staffing costs across the service totaling (-£0.264M).

- *In-house Day Services / Shared Lives Team* – a forecast underspend of £0.049M is reported across these services due to staff turnover / vacancy savings.

***SD/ED/Management Services (underspend of £0.065M):***

- *ED/SD Accounts* – an underspend of £0.065M is reported as at quarter 2 within the ED/SD accounts as a result of various minor underspends across both service areas.
- *Commissioning/Safeguarding/Quality/Training Services* – a balanced position is reported across the service areas of Commissioning/ Safeguarding/ Quality and Training as at quarter 2.

**Approved Savings Position**

2.39 The Directorate has total approved savings of £3.010M to deliver in 23/24 including:

- £1.350M - Review of the ASC operating model (Reablement and Front Door)
- £0.320M - Targeted reviews of high-cost care packages
- £0.200M - ACSES Contract - TUPE costs reduction
- £0.840M - Maximising the use of grant funding (e.g., Winter Pressures / DFG)
- £0.300M - Direct Payments - surplus balances claw back

All the above savings are currently forecast to be delivered in full.

**Current Actions and Future Risks**

2.40 Whilst the current outturn forecast shows a balanced position, work is ongoing to manage emerging risks and changes in the care market and operating landscape. The following outline some of the issues / risks facing the Directorate over the medium term:

- Adult social care continues to respond to the pressures / challenges facing the NHS in relation to **hospital discharges**. Government grant funding has been used to enhance capacity in the care market and within adult social care services to facilitate discharges from hospital and ensure support at home or in the community.
- **Staff workforce** challenges (in terms of recruitment / retention) continue to be evident in the year so far. The Government has recently launched a Call for Evidence to develop the first ever national care workforce pathway for adult social care. This ‘pathway’ would set out the skills, knowledge and behaviours that people working in adult social care need to deliver high-quality, personalised, compassionate care and support.
- Barnsley Place faces significant **financial pressures across the health and care system,** in relation to increased demand on NHS services and delivery

of efficiencies. It is unclear what impact the actions / measures being implemented by the Barnsley ICB would have on the Council's financial position. However, it does present opportunities for ensuring value in the way services are delivered and resources deployed.

- The Council is embarking on a significant **Service Review** programme, with adult social care expected to transform its services and deliver efficiency savings by 2026. This would bring the total savings to be delivered by 2025 to £4.4M (made up of £3M in 23/24; £1.2M in 24/25; and £0.2M in 25/26). The Better Lives Programme continues to form the focal point for improving adult social care provision and for delivering savings.

## SECTION 4 – Executive Director's Summary for Public Health & Communities

### Highlights

The latest approved net budget for the Public Health & Communities Directorate is **£9,962M.** The Directorate is projecting a net outturn underspend for the year of **£0.596M**

**Quarter 2 position as at the end of September 2023**

| Directorate | Approved Net Budget 2023/24 £'000 | Projected Net Outturn 2023/24 £'000 | Variance £'000 |
|---|---|---|---|
| Communities | 6,613 | 6,147 | (466) |
| Public Health | 3,349 | 3,219 | (130) |
| **Total for Directorate** | **9,962** | **9,366** | **(596)** |

2.41 The Public Health and Communities Directorate is currently reporting a more favorable position than at Q1. Variances include:

2.42 **Communities – *Underspend of* £0.466M**

*Healthier Communities (-£0.212M)* The underspend within the Healthier Service mainly relates to vacancies (£0.133M), the switching of core budget with grant funding (£0.092M) and a small increase in Supplies and Services (0.012M).

*Safer Communities (-£0.137M)* the Safer Communities service is currently forecasting an underspend of £0.137M which is mainly due to staffing vacancies and switch funding of the Homeless Prevention top up grant with base budget.

*Library Service (-0.076M)* An overall underspend of £0.076M is currently forecast within the Libraries Service mainly due to staffing vacancies/turnover.

*Stronger Communities (- £0.041M)* A small underspend is currently forecast within Stronger Communities due to staffing/employee costs and supplies and services costs.

2.43 **Public Health – *Underspend* of £0.130M**

An underspend is also currently forecast within Public Health (£0.130M). This relates to an underspend on Integrated Sexual Health contracts (£0.070M) and staff vacancies within Regulatory Services and Health Improvement (£0.060M).

**Approved Savings Position**

2.44 The Communities Business Unit is currently going through a Service Review, efficiency savings of £360K have been achieved in 23/24 and further efficiency savings of £170K are to be delivered in 24/25.

The Public Health Business Unit implemented their initial service review activity during 23/24 achieving £0.700M of savings.

2.45 **Current Actions and Future Risks**

- Government requirement to provide long-term accommodation for rough sleepers; locally there are several pressing issues, a lack of affordable housing, under supply of social housing & the changing landscape in the private rented sector.

- New Burdens Domestic Abuse Bill and Protect Duty - the Government has placed new duties on local authorities to ensure families can access the right support in safe accommodation when they need it.

- There are currently issues with recruitment and retention across the Directorate and this is expected to be an ongoing problem for the rest of the financial year. A plan is currently in place to train existing staff to be able to complete roles.

## SECTION 5 - Executive Director's Statement for Core

### Highlights

The latest approved budget for 23/24 for the Core Directorate is **£25.267M**. The Directorate is forecasting an outturn of **£26.992M** as at the end of Quarter 2, resulting in an overspend **of £1.725M**.

### Quarter 2 Position to the end of the quarter ending September 2023

| Core Directorate | Approved Net Budget 2023/24 £'000 | Projected Net Outturn 2022/23 £'000 | Variance £'000 |
|---|---|---|---|
| CID | 10,402 | 10,294 | (109) |
| Finance | 5,036 | 4,955 | (81) |
| Business Imp, HR & Comms | 5,216 | 5,545 | 329 |
| Law & Governance | 4,612 | 6,198 | 1,585 |
| **Total – Core** | **25,267** | **26,992** | **1,725** |

### Key Variances

2.46 Cost pressures totalling £1.725M are currently forecast within the Core Services Directorate. Key variances include:

**Customer Information & Digital Services - *underspend* of £0.109M**

2.47 The underspend is primarily due to staff vacancies (-£0.739M), offset by an increase in the cost of the Council's IT contracts (£0.572M) and other minor variances of £0.059M. These figures include spend of £0.066M relating to the Children's Services Development Fund.

**Financial Services – *underspend* £0.081M**

2.48 An overall underspend of £0.081M is forecast within Financial Services mainly relating to an underspend on staffing costs across the business unit (£0.304M) and the early implementation of service reviews savings within Internal Audit and Procurement (£-0.097M). These underspends are offset by an overspend on Catering Services (£0.200M) due to the rising cost of food together with the loss of income from the South Yorkshire Police audit contract (£0.127M).

**Business Improvement, HR and Communication – overspend of £0.329M**

2.49 An overspend of £0.329M is currently forecast predominantly relating to the cost of additional staffing and IT costs within the Business Improvement service to support the Children’s Development Plan (£0.387M), Spotlight magazine Overspend (£0.076M), offset by vacancies.

**Law and Governance – overspend of £1.585M**

2.50 Law and Governance is forecasting an overspend of £1.585M. This predominantly relates to the use of barristers and other external legal support to address the rising number of complex children in care caseloads (£0.988M) combined with the use of locum (agency) solicitors to temporarily fill vacant positions pending recruitment (£0.527M) and other costs (£0.060M). These figures include £0.031M overspend relating to the Children’s Development Plan.

**Approved Savings Position**

2.51 The Directorate had total approved savings of £0.764M to deliver in 23/24. All savings will be delivered in full-by the end of 23/24.

**Current Actions and Future Risks**

2.52 MTFS / Transformation – The current MTFS position requires transformation and efficiencies to be delivered from all services across the Authority. The following Core Services will be reviewed in the first tranche with an implementation date of 1st April 2024.

- Customer Information & Digital – Service Design & Compliance
- Law & Governance - Business Support
- Law & Governance - Legal Services
- Law & Governance – Governance
- Internal Audit, Anti-Fraud & Assurance
- Strategic Procurement & Contract Management

2.53 Technology - The delivery of the Cloud Enrolment for Dynamics will be key in supporting the workforce to operate with the right infrastructure, which should enable a rationalisation of other contracts, licences and systems across the Authority.

2.54 Customer Information and Digital Services - Uncertainty remains regarding the increased cost of software licenses along with changes in contracting arrangements from external suppliers. Work is ongoing to monitor these arrangements with a view to mitigating these pressures and driving out value for money wherever possible.

2.55 Benefits & Taxation - Further delays associated with the implementation of Universal Credit are impacting the Benefits and Taxation structure. Household Support Grant has also been extended to March 2024 and may be extended further, again causing resourcing issues within the department.

2.56 Legal Services - Potential impact on Legal services and the need to appoint locums to meet increasing demands as a result of commercial contract variations and other policy changes. The cost of Children's Social Care continues to place a burden on the accounts. Work is being undertaken to monitor these arrangements with a view to mitigating these pressures and drive out value for money wherever possible.

2.57 Staffing - Staff workforce challenges (in terms of recruitment / retention) are expected to continue in 23/24. There are recruitment issues across the Business Unit which reduces the effectiveness of services and the ability to create income generation.

## Section 6 Corporate / Council Wide Budgets

There is currently a projected overspend within Corporate Budgets of **£3.500M**.

**Pay Costs - £3.500M**

2.58 The budget approved in February 2023 assumed an employee pay award of 4% (equivalent to a cost of £4.0M), but it was highlighted at the time that this may not be sufficient given the ongoing cost-of-living crisis.

2.59 The National Employers Association made a "full and final pay offer", of at least £1,925 on all NJC pay points 1 and above effective from 1st April 2023. In financial terms, this equates to a year-on-year cost increase of circa £7.5M, £3.5M more than originally anticipated.

**Current Action**

2.60 In anticipation of the cost pressures highlighted by all Directorates, a provision of £7.4M (equivalent to the full increase in the General Social Care Grant) was set aside as part of the 23/24 budget setting process. It is now clear that this provision is not sufficient to meet the £21.3M cost pressure currently forecast at Q2. As a result, a full review to re-prioritise existing general fund reserves to address the balance is being undertaken.

2.61 A formal moratorium on expenditure was implemented in August 2023 which increased scrutiny on procurement and recruitment expenditure to help address these cost pressures together with working with services, particularly Childrens Services, on a financial recovery plan.

**Future Action**

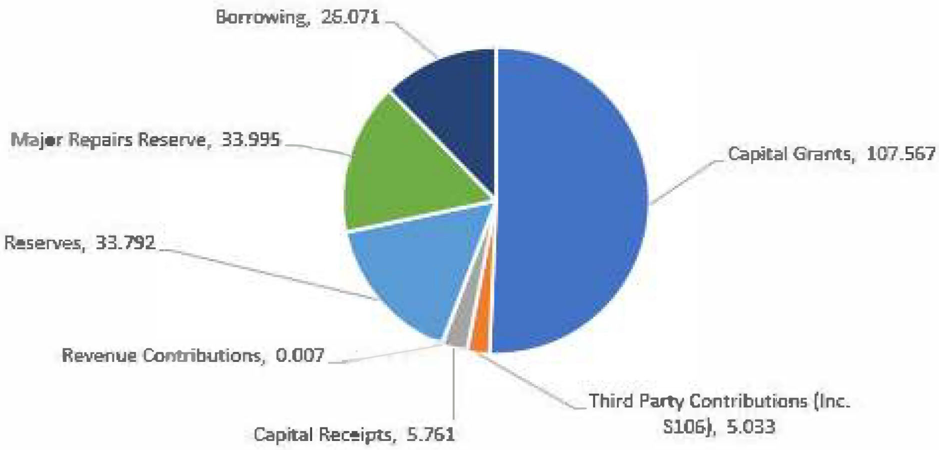
2.62 The cost pressures highlighted within this report are likely to have an ongoing detrimental impact on the MTFS, with significant budget deficits forecast for future periods. The financial strategy is in the process of being revised, including providing an update on the ongoing programme of transformational / efficiency activity to address the anticipated budget gaps on an ongoing and sustainable basis over the medium term.

## Overall Capital Programme Position to the Quarter Ending September 2023

2.63 The Council's capital programme is planned over the five-year period 23/24 through 27/28 and has a total budget of £212.226M (£155.178M in 23/24**)** Forecast spend for 23/24 is £139.778, £15.9M lower than originally planned:

| Directorate | 2023/24 Capital Programme £M | 2023/24 Actuals £M | 2023/24 Projected Outturn £M | 2023/24 Variance £M | Total Capital Programme £M | Total Projected Outturn £M | Total Variance £M |
|---|---|---|---|---|---|---|---|
| Children's Services | 8.454 | 2.319 | 8.157 | (0.297) | 8.807 | 8.985 | 0.178 |
| Growth & Sustainability | 95.704 | 26.011 | 78.338 | (17.366) | 143.824 | 143.817 | (0.007) |
| Public Health & Communities | 0.119 | 0.113 | 0.137 | 0.018 | 0.119 | 0.137 | 0.018 |
| Place Health & Adult Social Care | 5.000 | 2.633 | 5.000 | - | 7.253 | 7.253 | - |
| Core Services | 8.960 | 3.879 | 8.960 | - | 9.515 | 9.515 | - |
| Housing Revenue Account | 37.441 | 11.939 | 39.168 | 1.745 | 42.208 | 42.708 | - |
| **Total** | **155.178** | **46.893** | **139.778** | **(15.900)** | **212.226** | **212.414** | **0.189** |

2.64 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:




2.65 The below table shows the breakdown of variations across the totality of the programme. Further detail is provided in the following paragraphs.

| | 2023/24 £M | Future Years £M | Total £M |
|---|---|---|---|
| Slippage | (17.841) | 17.841 | - |
| Rephasing | 0.976 | (0.976) | - |
| Increase/Decrease | 0.965 | (0.776) | 0.189 |
| **Total** | **(15.900)** | **16.089** | **0.189** |

Scheme Slippage

2.66 Of the total 23/24 variation in expenditure against approved plans, £17.841M relates to scheme slippage (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). This position is constantly reviewed by finance officers in conjunction with project leads to ensure schemes progress as planned and that there are no adverse implications in terms of funding. Those schemes that have significantly slipped are explained further below:

| Directorate | Scheme | £M | Explanation |
|---|---|---|---|
| Growth & Sustainability | LUF Youth Place and Space | 5.110 | Delays in the notification of the award of LUF2 funding impacted on the commencement of the project |
| Growth & Sustainability | LUF NAVE | 4.033 | Delays in the notification of the award of LUF2 funding impacted on the commencement of the project. |
| Growth & Sustainability | Goldthorpe Housing Retrofit | 1.885 | Surveys are currently being undertaken to assess the work required on the housing stock. The outcome of these will allow further work to commence, but some of this is expected to take place in 24/25. |
| Growth & Sustainability | Goldthorpe Towns Regeneration | 1.786 | The projects are progressing well. However, some costs are projected to slip into future years. |
| Growth & Sustainability | Car Parking Strategy | 0.749 | The current Car Parking Strategy is being revised and re-designed to incorporate new assets, such as the Alhambra, and to reflect changes in car parking trends following the pandemic. |
| Growth & Sustainability | Principal Towns | 0.716 | The Penistone Town Hall project has been reprofiled to 24/25. The Royston scheme is currently being re-designed to ensure it meets the required planning obligations. |
| Various | | 3.562 | |
| | **Total** | **17.841** | |

Re-phasing

2.67 Of the total 23/24 variation in expenditure against approved plans, £0.976M relates to scheme rephasing. This is where additional works have been or are anticipated to be completed earlier than originally planned due to proactive project planning. This position is constantly reviewed by finance officers in conjunction with project leads to ensure schemes progress as planned and that there are no adverse implications in terms of funding. The majority of this is from the HRA, detailed below.

| Directorate | Scheme | £M | Explanation |
|---|---|---|---|
| Housing Revenue Account | 23/24 Catch Up Works | 0.876 | The 23/24 HRA rolling Capital Replacement programme saw an additional investment of £2.6M to assist in the catch-up following delays as a result of the pandemic. It was originally anticipated that this would be an 18-month programme, however PRIP delivery partners have been able to source additional resource to deliver the programme in the current year. |
| Various | | 0.100 | |
| | **Total** | **0.976** | |

Variation in Scheme Costs

2.68 An amount totalling £0.189M across the programme relates to an estimated net increase in expenditure within a number of schemes as a result of cost variations / scheme completion. The overall variance is made up across schemes primarily within Children's Services. Funding will be transferred from unallocated resources, which represents effective programme management.

Housing Revenue Account: (net nil)

2.69 Berneslai Homes have reported a cost variation of £2.4M across a number of major capital schemes, reporting a rise in tenant demand and increasing market costs as the primary reason. In order to fund the cost variation Berneslai Homes are proposing to utilise underspends of £0.6M on a number of schemes, with a further £0.7M to be reallocated following completion of the 2022/23 BHS programme and the remaining £1.1M of resources proposed to be reallocated by de-prioritising the Environmental Works and Non-Trad Archetype programmes.

2.70 The overall impact of the changes is net nil, with no further resources required to undertake works.

Children's Services: (£0.178M)

2.71 There have been a number of both upward and downwards variations between schemes within Children's Services, with an overall increase of £0.178M reported. The most significant variation includes the Birkwood Primary School extension (£0.128M). The overall increase will see funds brought into the programme from uncommitted resources, ringfenced for spend within this area.

Highways Capital Programme

2.72 The 2023/24 Highways Capital Programme stands at £16.560M, with further resources of £3.511M available from other sources (Transportation/Economic Regeneration). Highways and Transport have been delivering an accelerated programme of works with an estimated completion date of November 2023 for major carriageway/footway schemes.

2.73 Estimated slippage of £3.912M is reported as at Q2 (not part of the core carriageway or footway maintenance programmes). This includes:

- £0.591M CRSTS Local & Neighbourhood grant,
- £0.687M streel lighting column replacement programme,
- £0.723M DfT Safer Roads grant,
- £1.261M Active Travel schemes and
- £0.650M other minor slippage across the programme.

2.74 Furthermore £0.492M has been reprofiled (£0.246M on the PRN Westway, £0.130M after extending the scope to include Townend Roundabout and £0.116M on the Street Lighting Maintenance programme).

2.75 The Local Roads and Carriage Ways programme has been reduced by £0.211M due to the delay in Highgate Lane scheme and a reduction in the routine road lining programme with other minor changes across the overall programe.

2.76 No significant issues have been identified at this stage and expenditure is expected to fall in line with current budgets. Further updates will be provided in future reports.

2.77 As well as planned works, Highways and Transport have identified several emerging unforeseen risks that may put additional strain on resources available. These include emergency maintenance work in the Town Centre, replacement of stolen gully grates and infrastructure damage due to a car fire. Currently this is expected to be managed within budget but will be closely monitored throughout the financial year.

New Approvals

2.78 In addition to the above, several new schemes have been approved during the quarter totaling £20.665M:

| | Directorate | £M |
|---|---|---|
| **2023/24 Quarter One Approved Programme** | | **135.013** |
| ***Approved Schemes During Quarter 2:*** | | |
| LUF – Youth Place & Space | Growth & Sustainability | 5.834 |
| Town Centre Improvements | Growth & Sustainability | 5.830 |
| LUF – NAVE | Growth & Sustainability | 4.032 |
| Goldthorpe Housing Retrofit | Growth & Sustainability | 1.985 |
| Social Housing Decarbonisation Fund Wave 2 | Growth & Sustainability | 1.798 |
| Cannon Hall Roof - MEND | Growth & Sustainability | 0.313 |
| Other | | 0.873 |
| **Total New Approvals** | | **20.665** |
| **23/24 Quarter Two Programme** | | **155.678** |

Future Funding

Unallocated Resources

2.79 The Council currently receives various external funding allocations which have yet to receive formal approval for use against specific projects. This primarily relates to Section 106 Contributions and School's grant monies, currently totalling £24.870M which is sat as an 'unallocated' resource.

2.80 Further to this, there is also funding which has been identified for use on future capital schemes which will be released into the programme if and when formal approval is reached for use against a specific project. This currently totals £143.151M and includes a combination of both internal and external resources, across the full five-year period.

2.81 Members should note the distinction between resources formally approved for use in 2023/24 and indicative amounts that have not yet been aligned to specific schemes. All figures are subject to change and are additional to the funding identified at Table 3.2.

2.82 The current unallocated and indictive resources position is analysed in the table below.

| Indictive Future Funding | 2023/24 £M | Later Years £M | Total £M |
|---|---|---|---|
| Schools Grant Funding | 14.940 | - | **14.940** |
| Section 106 Grant Funding | 9.930 | - | **9.930** |
| **Total Unallocated Resources** | **24.870** | **-** | **24.870** |
| Funding Identified For Use on Future Capital Projects | 44.973 | 98.178 | **143.151** |
| **Total Future Funding** | **69.843** | **98.178** | **168.021** |
| Current Approved Funding | 155.678 | 56.548 | **212.226** |
| **Total Indictive Funding over the Reporting Period** | **225.521** | **154.726** | **380.247** |

2.83 Of the total indictive funding projected over the period, £101.817M is projected to be funded via prudential borrowing in line with the treasury management strategy.

2.84 Ongoing reviews of existing resources / unallocated balances will be carried out by the Capital 'Oversight' Board. Any unrestricted resources will be considered as part of the update on the strategic reserves strategy.

**Capital Funding Available / Potentially Available Moving Forward**

2.85 Work continues to identify and secure those external funding opportunities that can be utilised to support the delivery of the Council's strategic objectives.

Secured Funding Already in the Programme

- **Levelling Up Round 2** – the Council recently secured £10.24M in LUF2 grant and is currently working with local partners to deliver the Town Centre Barnsley Futures programme which comprises:

  - **Youth Place & Space**: a new outdoor Activity Park and revamped Youth Services Hub providing health and wellbeing support;

  - **The NAVE:** a new facility offering outstanding musical experiences for young people from Barnsley and the North; and

  - **Young Civic**: supporting the further development of the Barnsley Civic arts centre, offering better space for young people to participate in cultural and creative activity.

- **Cannon Hall Roof** – £0.900M was recently awarded to the Council by Arts Council England for funding from the Museum Estate Development Fund (MEND) for Cannon Hall Roof repairs / replacement. A bid to secure further funding to support Phase 2 of renovations at Cannon Hall is currently in development.

- **Cultural Development Fund –** good progress in being made to utilise the £3.93M in funding awarded by the Arts Council England to support a range of capital projects at Elsecar Heritage Centre. The funding is split with £3.230M provided for capital purposes and a £0.700M revenue allocation to support project management and delivering a range of cultural activities across Principal Towns.

- **The Towns Fund (Goldthorpe)** - £23.1M has been awarded to support the delivery of schemes in Goldthorpe, Thurnscoe and Bolton upon Dearne.

- **Goldthorpe Housing Project**: £0.360M in Brownfield funding has been awarded to the Council by SYMCA to support the wider funding package required to deliver this project.

Secured Funding Not Yet in the Programme

- **City Region Sustainable Transport Funding –** several key sustainable transport/active travel schemes are now progressing through SYMCA's governance processes - these will utilise the circa £45M in funding awarded to Barnsley via the MCA.

Capital Funding Bids Submitted/Pending

- **SYMCA Gainshare Allocations**: Work continues between the Council and SYMCA regarding the allocation, governance processes and ultimate release of the Council's Gainshare allocations. A full business case to support the development of the Alhambra Centre is to be submitted later in the year.

- **Long Term Plan for Towns Funding** – the Government recently announced that Barnsley would be one 55 towns to receive a total of £20m over a 10-year period from 2024/25. The fund is being provided to focus "on the issues that matter most to local people, including high streets, heritage and regeneration, and public safety and security."

  A further report to Members will be provided when more details are released about the fund.

# Treasury Management Update as at End of September 2023

**Economic Summary**

- The UK Bank Rate increased from 5.00% to 5.25% during the quarter.
- An upward trend in PWLB borrowing rates over the first half of 2023/24;
- A slight reduction in the Consumer Price Index (CPI) inflation in the UK to 6.7% during the Quarter.
- Latest forecasts are that Bank Rate has reached its peak of 5.25%.

**Borrowing Activity**

- No new borrowing undertaken during the quarter;
- An underlying need to borrow of up to £191.0 Million by the end of 2025/26;
- Of this, the Council would look to borrow in the region of £91.3 Million in fixed rate borrowing in order to meet the interest rate exposure targets.

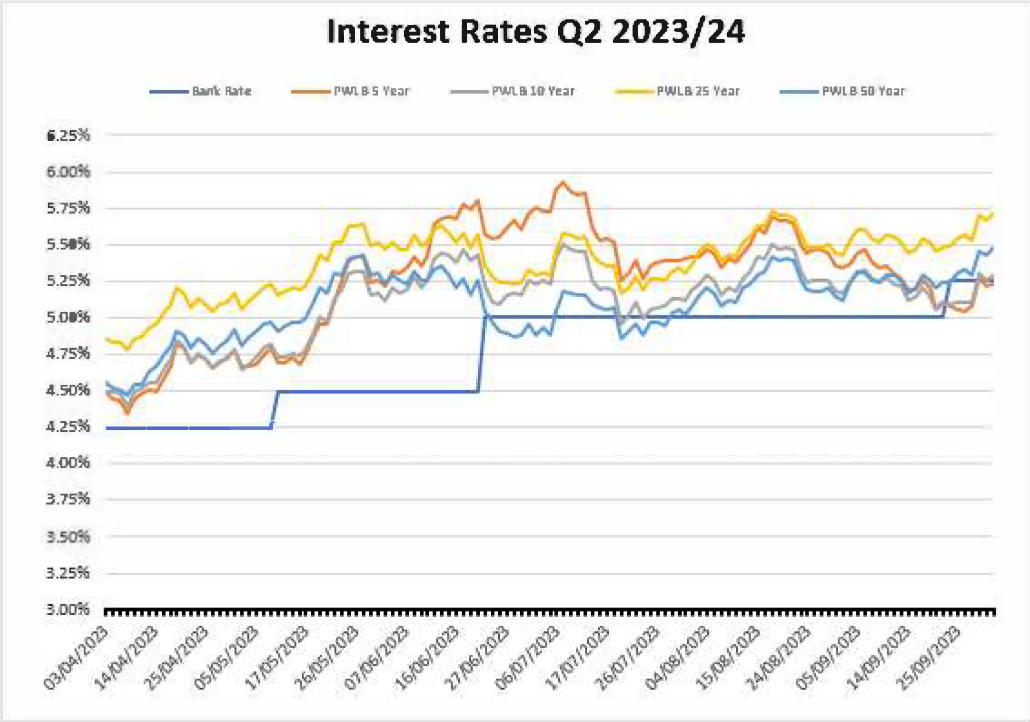
**Investment Activity**

- A net decrease in investment balances of £28.1 Million during the quarter;
- Security and liquidity remained the key priorities, and with this in mind an appropriate balance of cash was deposited in secure Money Market Funds and instant access accounts;
- During the quarter, officers continued to take advantage of the competitive rates offered on short term local authority deposits.

## Key Messages – Economic Summary

2.86 The UK economy is experiencing renewed signs of stress. While the worries about a UK recession have largely gone away, high interest rates and continued uncertainty are affecting investor confidence. Inflation remains high at 6.7%, supported mainly by strong pay growth, and this could see inflation returning to its 2% target only by the latter part of 2024, especially if businesses continue to pass on higher costs to rebuild margins.

2.87 PWLB rates were on a rising trend during the first half of the year and officers continue to closely monitor interest rates and forecast.



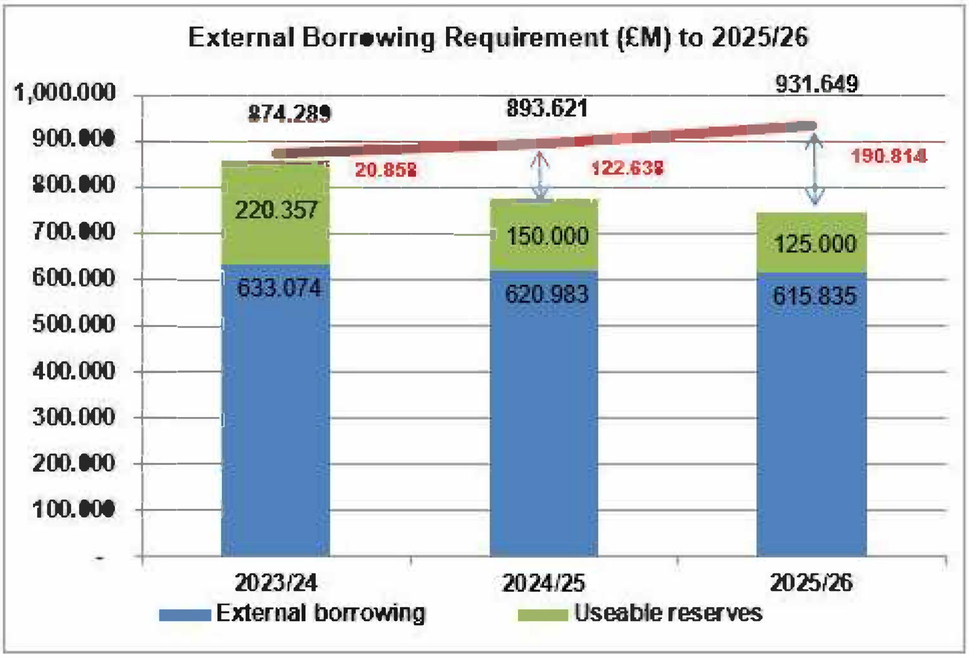

2.88 The Base Rate increased to 5.25% in September 2023. The latest forecast (as at 25th September 2023) is that the Bank Rate has reached it's peak of 5.25%, with a first rate cut to 5% in Q3 2024, to be followed by further rate cuts through 2024 and 2025. As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

| | ***Latest*** | **Sep-23** | **Mar-24** | **Sep-24** | **Mar-25** | **Sep-25** | **Mar-26** |
|---|---|---|---|---|---|---|---|
| **UK Base Rate ~ Link Group** | *5.25%* | 5.25% | 5.25% | 5.00% | 4.00% | 3.00% | 2.75% |
| **UK Base Rate ~ Capital Economics** | *5.25%* | 5.25% | 5.25% | 5.25% | 4.75% | 3.75% | - |
| **PWLB Certainty 50 Years ~ Link Group** | *5.30%* | 5.20% | 5.00% | 4.70% | 4.20% | 3.90% | 3.70% |
| **PWLB Certainty 50 Years ~ Capital Economics** | *5.30%* | 5.00% | 4.90% | 4.70% | 4.50% | 4.30% | - |

**Key Messages – Borrowing Activity**

2.89 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.

2.90 No new long-term borrowing was undertaken during the reporting period and based on current capital plans it is anticipated that the Council's underlying need to borrow will be in the region of £191.0M by the end of 2025/26.




| Projected external borrowing requirement 2023/24 – 2025/26 | £M |
|---|---|
| Planned capital investment | 101.817 |
| Maturing loans / reduced support from useable reserves | 105.541 |
| Amounts set aside to repay debt | (16.544) |
| **Total** | **190.814** |

2.91 The Council is committed to maintaining its exposure to interest rate risk within the current limits set out below. The Council applies an agile approach to our treasury strategy given the number of variables impacting on interest rate forecasts. This 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.

| Interest Rate Risk Exposure | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|
| Limit on Variable Rate Borrowing / Unfinanced CFR | 30% | 30% | 30% |

2.92 To deliver against the revised exposure targets, it is anticipated that the Council will need to fix out an additional £91M by the end of 2025/26. 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 current environment.

| | 2023/24 (£M) | 2024/25 (£M) | 2025/26 (£M) |
|---|---|---|---|
| Fixed Rate Borrowing Requirement (Cumulative) | - | 59.553 | 91.320 |
| Temporary Borrowing Requirement (Cumulative) | 20.858 | 63.085 | 99.494 |
| **Total** | **20.858** | **122.638** | **190.814** |

2.93 Officers are also closely monitoring events across the sector where several authorities have recently been challenged for 'excessive risk arising from investment and borrowing' and in some cases this has resulted in the issuance of a Section 114 Notice. The DLUHC has recently announced legislative measures to address risk taking and introduce powers to intervene through the Levelling-Up and Regeneration Bill. Although specific metrics to assess levels of risk have yet to be confirmed, recent local authority failings will almost certainly result in repercussions across the sector. In view of this and the Council's existing debt levels, the advice of the Section 151 Officer is to continue to undertake prudent and modest additional borrowing to effectively manage the Council's risk exposure.

**Key Messages - Investments**

2.94 There has been a net decrease in investment balances of £28.1M during the quarter.

2.95 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).

2.96 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 as at the end of September 23 stands at a cost pressure of £21.251M, a deterioration of £3.785M on the position reported as at the end of June 23.
- This position is mainly due to the continuing cost pressures within Children's Social Care (£15.574M). The Executive Director of Childrens Services in conjunction with the Director of Finance are formulating a financial recovery plan to help mitigate these pressures. Furthermore, the moratorium on all non-essential expenditure is to continue.
- Subject to this recovery plan, the remining cost pressure is to be partly offset by the approved release of previously earmarked reserves of £7.4M with the remaining balance (currently £13.9M) to be funded via a re-prioritisation of strategic reserves.
- However, it is highly that a large proportion of these pressures will continue so it is recommended that Cabinet receive further updates from Executive Directors on the delivery of their service reviews / efficiencies and future spending plans, ensuring that these are managed within agreed resource envelopes.
- The current forecast pressure of £0.8M on the Housing Revenue Account. This is to be funded via HRA Reserves.
- Approval is also sought to write-off of historic bad debts totalling £0.414M as detailed in the report [NB: all debts remain liable for collection].

### 3.2 Legal

There are no direct legal implications as a result of this report, however part o the cost pressure relates to legal costs mainly linked to addressing rising caseloads in Childrens Services. Plans are being progressed to address this pressure ongoing.

### 3.3 Equality

Not applicable as individual EIA's will have been completed in relation to the budgets 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 the corporate pressures currently being experienced were, in general, anticipated as part of the 2023/24 budget setting process, the overspend position reported 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 – Summary of key cost variances

## 9. BACKGROUND PAPERS

- Service and Financial Planning 2023/24 – The Council's Medium Term Financial Strategy – 2023/24 Budget recommendations (Cab.8.2.2023/6).

## 10. REPORT SIGN OFF

| | |
|---|---|
| Financial consultation & sign off | Senior Financial Services officer consulted and date. |
| Legal consultation & sign off | Legal Services officer consulted and date. |

**Report Author: Neil Copley**
**Post: Director of Finance (S151 Officer)**
**Date: 31/10/2023**

This page is intentionally left blank