BARNSLEY METROPOLITAN BOROUGH COUNCIL

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

TITLE: **CORPORATE FINANCE PERFORMANCE QUARTER 3 2023/24**

REPORT TO:	**Cabinet**
Date of Meeting	**06 March 2024**
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 third quarter ended 31st December 2023 and assess the financial implications against the Council's Medium-term Financial Strategy (MTFS).

Council Plan Priority
All

Recommendations

That Cabinet:

<u>CORPORATE FINANCE PERFORMANCE</u>

1. **Note the £20.7M projected cost pressure on the Council's 2023/24 General Fund budget, a slight improvement of £0.5M since Quarter 2.**

2. **Note the significant ongoing cost pressures 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 reserves as agreed in Quarter 2.**

5. **Note the current forecast pressure of £1.0M on the Housing Revenue Account, an increase of £0.2M since Q2.**

6. **Endorse the accounting write-off of historic bad debts totalling £0.512M as detailed in the report [NB: all debts remain liable for collection].**

CAPITAL PROGRAMME PERFORMANCE

7. **Note the forecast position on the Capital Programme (paragraph 3)**

8. **Note scheme slippage totalling £19.1M.**

9. **Note scheme rephasing totalling £1.4M.**

10. **Endorse new schemes to be released into the programme totalling £2.2M in line with the agreed 2023/24 Capital Programme.**

TREASURY MANAGEMENT

11. **Note the key messages from the Council's Q3 Treasury Management activities (paragraph 4).**

1. INTRODUCTION

1.1 The Council's 2023/24 budget of £230.4M was agreed by Full Council on 23rd February 2023. During the year, £6.1M has been drawn down from specific earmarked reserves, increasing the revenue budget to £236.5M.

1.2 A balanced budget for 2023/24 was predicated on the delivery of several key assumptions, whilst also highlighting several significant emerging risks that would also require addressing over the planning period.

1.3 At the meeting on 13th December 2023, Cabinet noted the Quarter 2 cost pressure of £21.3M against the revised budget of £236.5M. This report provides an update as at Quarter 3 (to the end of December 2023) with a cost pressure of £20.7M now reported, an improvement of £0.6M.

2. PROPOSAL

Overall General Fund Position to the Quarter Ending December 2023

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

Directorate	Opening (Approve) Budget	Use of Earmarked Reserves	Other Budget Adjustments	Revised Net Budget 2023/24	Projected Net Outturn 2023/24	Variance	Position @ Q2	Movement since Q2
	£000	£000	£000	£000	£000	£000	£000	£000
Children's Services	49,553	3,669	1,731	**54,933**	71,597	16,664	15,574	+1,090
Growth & Sustainability	55,892	1,064	2,471	**59,427**	62,247	2,820	1,830	+990
Place Health & Adult Social Care	55,061	1,448	645	**57,154**	54,732	(2,422)	(782)	(1,640)
Public Health & Communities	10,498	(537)	545	**10,506**	9,892	(614)	(596)	(18)
Core Services	23,760	1,507	1,365	**26,632**	28,586	1,954	1,725	229
Directorate Totals	**194,744**	**7,151**	**6,757**	**208,651**	**227,053**	**18,402**	**17,751**	**650**
Corporate / General Items	35,678	(1,103)	(6,757)	**27,819**	30,119	2,300	3,500	(1,200)
TOTAL General Fund	**230,423**	**6,048**	**0**	**236,470**	**257,172**	**20,702**	**21,251**	**(549)**
HRA					**980**	**980**	**787**	**193**

2.2 The revised budget at Quarter 3 totals £236.5M, an increase of £6.1M from the original budget approved by Full Council (£230.4M). This reflects the drawdown of specific earmarked reserves required to fund expenditure during 23/24 (e.g. school balances). Furthermore, Directorate budgets have increased by £6M reflecting the 2023 employee pay award that was agreed on 1st November, together with other minor budget adjustments during the period.

2.3 The forecast position for 2023/24 shows a year-end cost pressure of £20.7M compared to the revised net budget, a reduction of £0.6M from the position reported in Quarter 2. This includes a deterioration in the Children's Services position of £1.1M compared to Quarter 2. Similarly, the position in the Growth and Sustainability Directorate has also worsened by almost £1.0M.

2.4 These increased cost pressures have been offset by forecast underspends within Place Health and Adult Social care [£2.4M] and in Public Health and Communities totaling [£0.6M], together with an improvement in the Treasury Management position of £1.2M.

2.5 As agreed by Cabinet (Cab 20.9.2023/8 refers), £7.4M of resources previously set aside will be used to partly offset this pressure, with the remaining £13.3M to be addressed via a re-prioritisation of existing reserves (£0.6M less than in Quarter 2).

2.6 However, the Executive Director of Childrens Services in conjunction with the Director of Finance are 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 2023/24. This plan is due to be presented to Cabinet during Quarter 4.

2.7 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)	10.4	
Children's Development Plan	4.6	
Other Children's Services	1.7	
Sub Total – Children's Directorate		**16.7**
Commercial Income	1.0	
Home to School Transport	0.8	
Waste Collection	0.6	
Winter Maintenance	0.8	
One-off income / savings	(0.4)	
Sub Total - Growth & Sustainability		**2.8**
Legal Fees (Children's Services related)	1.3	
Net Staffing Pressures (Structure/agency staff)	0.7	
Sub Total - Core Directorate		**2.0**
Employee Pay	3.5	
Treasury Management Activity	(1.2)	
Sub Total - Cross Council Pressures		**2.3**
Total Cost Pressures		**23.7**
Underspend within Place Health / Other		(3.0)
Net Cost Pressure (current call on reserves)		**20.7**

2.8 A formal moratorium on expenditure across all services has been in place since Q1 to help mitigate the above cost pressures as far as is possible. It is anticipated that the increased scrutiny of all spending above £10,000 and the tightened recruitment / procurement processes will prevent further cost pressures before the end of the financial year.

2.9 However, most 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 progresses at pace.

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 the delivery of 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 96.63%, which is 0.13% above the stretch target of 96.5%. This is an improvement on Q2 (96.37%). 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 above target at 98.34% [compared to the stretch target of 98%]. This is an improvement of 1.22% on the Q2 position. Although this falls short of the 22/23 position by 0.19%, it is an excellent position considering the wider economic challenges and increased cost pressures that businesses are experiencing.

2.13 Overall, the current arrears (debt) position as at the end of December 2023 stood at £20.904M, a net reduction of £0.109M in the quarter. The Council's overall bad debt provision has also been revised to reflect current arrears. Approval is now being sought to write off historic debts [in accounting terms] against the approved provision for bad debts (Cab.14.6.2023/9 refers) of £0.512M which have become uneconomical to pursue any further at this time. [NB: all debts remain liable for collection]. T.

<u>2023/24 Efficiency Proposal Update</u>

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 a 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.

SECTION 1 - Executive Director's Summary for Children's Services

Highlights

The latest approved budget for 23/24 for the Children's Services Directorate is **£54.933M**. The Directorate is forecasting an outturn of **£71.597M** as at the end of Quarter 3, resulting in a forecast cost pressure of **£16.664M.** Key pressures include:

- Children in Care (LAC / Other) £10.355M
- Children's Development Plan £4.598M
- Other Children's Services £1.711M

Quarter 3 position to the end of December 2023

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	11,522	11,330	-192		-50	-142
Children Social Care	38,835	55,691	16,856		4,648	12.207
Sub-Total	**50,357**	**67,021**	**16,664**		**4,598**	**12,066**
Schools	4,576	4,576	0		0	0
Total – Children's	**54,933**	**71,597**	**16,664**		**4,598**	**12,066**

Explanation of Key Variances

Education, Early Start & Prevention (Underspend of £0.192M)

2.16 An overall underspend of -£0.192M is forecast for the Business Unit. This represents a decrease of £0.050M compared to the Q2 position. The following explain the key operational variances in Q3:

Inclusion Services (overspend of £0.190M):

- The overspend mainly relates to increased Mediation contract costs (£0.070M) and the use of agency staff (£0.163M) 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 (-£0.087M) 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 (-£0.062M) and Education Welfare (-£0.100M). A further contribution to the underspend is an increase in Fixed Penalty Notices income.

Early Start and Family Services (underspend of £0.179M)

- The underspend is mainly due to staff turnover and slippage in recruitment to vacant posts in the Family Centre's 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 (£0.148M).

BU3: Children Social Care *(overspend of £16.856M*)

2.17 An overspend position of **£16.856M** is currently forecast for the year, this is an increase as compared to Q2 of £1.039M. 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 the costs of implementing the range of actions included in the Development Plan aimed at improving and strengthening Children's Services.

2.19 The following explains the key cost pressures across Children's Social Care for Q3.

Children in Care (overspend of £10.355M):

The above pressure represents an increase of £0.450M compared to Q2 and relates to an increase in agency staff costs (Fostering and Children in Care Teams) and increased LAC costs.

The overall forecast overspend is mainly attributable to increased 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 (and increasing costs) in placing young children, especially those with complex / multiple needs. The following explains some of the key issues / pressures:

- *LAC Population*: - Barnsley's LAC number at the end of Q3 is 403, this represents a net decrease of 21 since the end of Sept 2023. We continue to face challenges relating to placement moves (due to breakdowns) and changes due to complexity of needs. This explains the change in forecast cost since Q2.

- *External Residential Care (*+£8.675M): - The number of placements (and costs) in external residential care continues to exert pressure on resources – with an overspend of £8.7M forecast for the year (an increase of £0.164M compared to Q2).

  There are currently 82 young people placed in external care homes (including 39 in semi-independent accommodation) at the end of Q3, compared to the planned number of 65 for the financial year.

  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: (+£0.017M)*- no significant cost pressure is currently forecast for foster care for the year. The increase in independent foster agency placements costs has been offset by a forecast reduction in placements with in-house foster carers.

- *Other Placements Costs: (+£0.065M)* - The cost pressure is due to a higher number of placements than planned for the following placement options - Special Guardianship Orders, Adoption support and S38(6) support payments made in advance of the issue of formal court care orders.

- *Other Children in Care budgets (+£1.598M):* 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 the outcome of job evaluation of staff at both Council owned homes. This cost pressure is an increase of £0.282M compared to Q2.

Children's Social Care Development Plan Phase 2 - £4.648M

As previously reported, there are further cost pressures associated with the Development Plan. The total cost now stands at £8.090M, with a forecast overspend against budget of £4.648M. The forecast cost pressure, which mainly relates to unbudgeted Phase 2 costs, represents an increase of £0.277M compared to Q2. Key variances are highlighted below:

- Care Leavers (overspend of £0.680M) - The overspend is mainly due to increased staffing costs (personal advisers) and the use of agency staff. The forecast position also includes additional spending 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 £3.305M) – 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 and long-term staff absences.

- Safeguarding & Quality Assurance (overspend of £0.147M) - The forecast overspend is mainly attributable to the increased use of agency staff to cover absences, vacancies and to provide extra capacity where needed.

- Children's Disability & Short Breaks (overspend of £0.292M) – a forecast overspend is anticipated on staffing related costs due to the increased use of agency staff.

- Service Management (overspend of £0.067M) - 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 (£1.853M)

The forecast cost pressures on other children social care service areas are £1.853M (an increase of £0.312M compared to Q2) and is mainly attributed to the following:

- Assessment & Care (overspend of £0.329M) – 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 £0.360M) – relates to the increased placement costs and other staffing, travel, and operating costs.
- Safeguarding & QA (overspend of £0.617M) - 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 £0.664M) - is attributable to increased direct payments / childminding / family support costs and a reduction in continuing care funding to meet identified health needs.
- Targeted Early Help (underspend of £0.122M) – relates to staff vacancies and turnover across the teams transferred from BU1.

Schools Dedicated Schools Grant (DSG)

2.20 The latest DSG budget for 23/24 totals £99.9M, comprising £63.2M 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 £1.9M)

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 £1.9M 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, inflation and energy costs.

Schools Centrally Retained budgets (overspend of £3.2M)

This consists of schools' budgets retained by the Council and managed on behalf of schools. An overall DSG overspend of £3.2M is currently forecast for Q3 (a worse position compared to Q2). This represents an increase of £0.6M 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 (£0.3M) – higher than planned increases in fee rates for placements in independent non-maintained settings and special academies in other local authorities.

- Increase in average unit cost and numbers (£0.7M) – this cost pressure has arisen due to growth in placements (24) higher than planned growth (20) and an increase in the average unit cost of new INMSS placements in the year – compared to the budgeted average unit cost and reflects the increasing complexity of needs of the pupils placed in independent non-maintained settings.

- Slippage in new SEND places (-£0.2M) – whilst the Council has exceeded its target number of new commissioned SEND places for the year, there has been minor slippage [although with no detriment to plan placements].

- Other Variances (-£0.2M) – reflects other variances and adjustments to the Council's high needs grant allocation.

The latest overall financial risk to the system for 23/24 is forecast at £15.8M comprised of the cumulative deficit carried forward from 22/ 23 net of 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 slippage on developing a new children's care 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 has been developed by the Executive Director of Children's Services in conjunction with the Director of Finance and presented to SMT / Cabinet 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 31st March and stemming the rise in LAC placement costs.

Going forward, any further increase in LAC numbers beyond those anticipated will continue to exert pressure on the budget in future years. Implementing the commissioning actions set out in the refreshed LAC Placement / Sufficiency Plan continues 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.

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 budget for 23/24 for the Growth and Sustainability Directorate is **£59.427M**. The Directorate is forecasting an outturn of **£62.247M** as at the end of Quarter 3, resulting in a cost pressure of **£2.820M** (This includes £0.750M relating to Winter Maintenance)

The Council's Housing Revenue Account is also reporting cost pressures of **£0.980M**

Quarter 3 position to the end of the quarter ending December 2023

Directorate	Approved Net Budget 2023/24 £'000	Projected Net Outturn 2023/24 £'000	Variance £'000
Regeneration & Culture	18,887	19,737	850
Environment & Highways	40,540	42,510	1,970
Total Growth & Sustainability	**59,427**	**62,247**	**2,820**
Housing Revenue Account	Nil	980	980

Key Variances

Regeneration & Culture – Overspend of £0.850M:

2.25 Regeneration and Culture are reporting a forecast overspend of £0.850M. Key variances are as follows.

Commercial Income £1.000M overspend - Underachievement of commercial income is forecast due to an unachieved Gateway occupancy KLOE and under occupancy more generally across the estate.

*Markets £0.200M overspend - A*n 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 with a view to mitigating costs.

Planning £0.375M overspend underachievement of planning income due to a decline in planning application fees mainly due to the current external socio-economic climate.

Transformation (-£0.315M underspend) early transformation savings released by Economic Development, Learning & Skills & Culture & Visitor Economy.

(£0.410M) vacancy factor across the business unit is expected due to current market conditions.

Environment & Highways – Overspend of £1.970M:

2.26 Environment and Highways are reporting a forecasted overspend of £1.970M. Key variances are as follows.

Home to school transport £0.770M overspend which is mainly due to an increase in pupil numbers & ongoing inflationary pressures.

Waste £0.565M overspend 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. Collection costs have also increased due to increased vehicle and staffing costs.

Highways £0.380M overspend increased costs on reactive pothole works and Traffic Signals maintenance in this financial year.

Winter Maintenance £0.750M pressure. The winter maintenance service began in November and runs through to the end of March. The currently reported pressure is based on historical 3-year average costs. This is subject to change depending on the severity of the winter season.

Car Parking Income (-£0.325M underspend) additional car parking income is currently forecast mainly due to one off income from a time limited commercial car parking agreement.

Staffing costs (-£0.150M underspend) a vacancy factor across the business unit is expected due to current market conditions.

Housing Revenue Account - Outturn £0.980M

2.27 The HRA is reporting an increased call on reserves to fund a projected overspend of £0.980M; key information is as follows.

Disrepair claims £0.350M overspend due to an increase in disrepair claims from tenants based on the estimated value of claims in the system to date.

Fuel Costs £0.530M overspend a forecast overspend relating to fuel costs as a result of the Bio Mass fuel contract price increase and an increase in usage and prices across the District Heating scheme

Consultant Fees £0.100M overspend unbudgeted consultant fees on the Service Charge and PRIP contract review.

Dwellings rental income breakeven it is expected that budgeted rent levels will be achieved despite an increase in void turnover levels. The balanced position is achieved due to stock levels being higher than originally anticipated due to a downturn in the Housing Market resulting in less Right to Buy sales.

Repairs and Maintenance budget balanced 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 are 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 the Council’s tenants are safe and that stock is maintained to the agreed decency standards.

Approved Savings Position

2.28 The Directorate has total approved savings of £1.740M to deliver in 23/24 as below.

- Town Centre Building Review £0.500M
- Industrial Properties rent review £0.070M
- Fees & Charges £0.550M
- Contracts review £0.300M
- Closure of Glassworks Cultural Units £0.170M
- Right to Buy income £0.050M
- Reduction in agency costs £0.100M

2.29 The £0.500M saving from the Town Centre Buildings Review will not be fully achieved in this financial year. Work is ongoing to resolve the issue. All other efficiencies currently remain on track to be delivered in full.

Current Actions and Future Risks for the Directorate

2.30 The current outturn position for the Directorate shows a Business-as-Usual overspend of £2.820M. 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:

2.31 **Regeneration & Culture**

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 assets.

Planning applications have continued to steadily fall mainly due to the high levels of inflation on the construction costs of new houses, high interest rates impacting house sales and private developments. This impacts income generation within the service, although it is hoped that conditions will improve as inflation and interest rates start to fall.

2.32 **Environment & Highways**

A Home to School transport action plan is in place to review routes, bring more routes in-house, increase travel training along with an external end-to-end review of the service planned in Quarter 4. Nonetheless demand and inflation continue to increase costs.

Highways are continuing to review their approach to vacancy management to reduce the dependency on outside agency workers to fulfil statutory functions.

The winter maintenance programme is dependent on several factors including the weather which could have an impact on budget forecasts. An independent external review of winter maintenance is also planned during Quarter 4.

2.33 **HRA**

There are wider strategic risks to note in relation to the finances and business plan for the HRA such as damp / mould, 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 expected cost pressures.

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 **£57.154M.** The Directorate is forecasting an outturn of **£54.732M** as at Quarter 3, resulting in a forecast underspend position for the year totaling **£2.422M.**

Quarter 3 position to the end of the quarter ending December 2023

Directorate	Approved Net Budget 2023/24 £'000	Projected Net Outturn 2023/24 £'000	Variance £'000
Older People	25,854	25,470	(384)
Working Age Adults	27,697	27,154	(543)
ED / SD Management	3,603	2,108	(1,495)
Total for Directorate	**57,154**	**54,732**	**(2,422)**

Adult Social Care – Underspend of £2.422M

2.34 The Place Health and Adult Social Care Directorate is reporting an overall underspend totalling £2.422M as at Quarter 3. This position includes underspends on provisioning costs and staffing vacancies / turnover across the Directorate.

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

Older People (underspend of -£0.384M)

- *Locality Teams (-0.263M underspend)* – an underspend is currently forecast for the Assessment and Care Locality Teams. This underspend relates to staffing vacancies / turnover (-£0.243M), reduced care provision costs (-£0.081M) and other minor variances relating to non-staffing spend (£0.061M) across the service.
- *Re-ablement (-£0.121M underspend)* – a forecast underspend is also reported within Re-ablement, relating 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 balanced position* – a forecast balanced position is reported for the year as at Quarter 3.

Working Age Adults (underspend of -£0.543M):

- *Specialist / Mental Health teams (-£0.429M underspend)* – an overall underspend is reported across the Specialist and Mental Health teams. This relates to a reduction in care provision costs (-£0.273M), underspends relating to staffing vacancies / turnover (-£0.136M) and other minor underspends totaling (-£0.020M).
- *In-house Day Services / Shared Lives Team (-£0.114M underspend)* – an underspend is reported across these services due to staff turnover / vacancy savings (-£0.142M), partly offset by minor miscellaneous overspends.

SD/ED/Management Services (underspend of -£1.495M):

- *ED/SD Management (-£1.475M underspend)* – this underspend mainly relates to specific grant funding which is pending allocation.
- *Commissioning/Safeguarding/Quality/Training Services (-£0.020M underspend* – an underspend of £0.020M is reported across the Commissioning/ Safeguarding/ Quality and Training services. The underspend relates to staff turnover / vacancy savings (-£0.050M), various other minor underspends totaling (-£0.025M) offset by overspends within the Quality Team relating to carers support payments (£0.055M).

Approved Savings Position

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

- £1.350M - Review of the ASC operating model (Re-ablement and Front Door)
- £0.320M - Targeted reviews of high-cost care packages
- £0.200M - ACSES Contract - TUPE cost 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

2.37 Whilst the current outturn forecasts 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 behaviors 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 for 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 **£10.506M**. The Directorate is projecting a net outturn underspend for the year of **£0.614M**

Quarter 3 position as at the end of December 2023

Directorate	Approved Net Budget 2023/24 £'000	Projected Net Outturn 2023/24 £'000	Variance £'000
Communities	7,061	6,547	(514)
Public Health	3,445	3,345	(100)
Total for Directorate	**10,506**	**9,892**	**(614)**

2.38 The Public Health and Communities Directorate is currently reporting a more favorable position than at Q2. Variances include:

2.39 **Communities – *Underspend of* £0.209M**

SD Account (-0.019M underspend) The underspend within the SD account is mainly due to transport and supplies and services.

Healthier Communities (-£0.209M underspend) The underspend within the Healthier Communities Service mainly relates to vacancies (£0.095M) and the switching of core budget with grant funding (£0.092M).

Safer Communities (-£0.189M underspend) the Safer Communities service is currently forecasting an underspend of £0.189M which is mainly due to staffing vacancies and switch funding of the Homeless Prevention top up grant with base budget.

Library Service (-0.074M) An overall underspend of £0.074M is currently forecast within the Libraries Service mainly due to staffing vacancies/turnover.

Stronger Communities (-£0.023M) A minor underspend is currently forecast within Stronger Communities due to staffing/employee costs.

2.40 **Public Health – *Underspend* of £0.100M**

An underspend is also currently forecast within Public Health (£0.100M). This relates to an underspend on Integrated Sexual Health contracts (£0.070M) and staff vacancies within Health Improvement (£0.030M).

2.41 **Approved Savings Position**

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.

2.42 **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 **£26.632M**. The Directorate is forecasting an outturn of **£28.586M** as at the end of Quarter 3, resulting in a cost pressure of **£1.954M.**

Quarter 3 Position to the end of the quarter ending December 2023

Core Directorate	Approved Net Budget 2023/24 £'000	Projected Net Outturn 2023/24 £'000	Variance £'000
Customer Information & Digital Services	10,803	10,740	-67
Financial Services	5,601	5,611	10
Business Improvement, HR & Communication	5,449	5,699	250
Law & Governance	4,779	6,536	1,757
Total – Core	**26,632**	**28,586**	**1,954**

Key Variances

2.43 Cost pressures totalling £1.954M are currently forecast within the Core Services Directorate. Key variances include:

Customer Information & Digital Services (-£0.067M *underspend*)

2.44 The underspend is primarily due to staff vacancies (-£0.963M), offset by an overspend on the cost of the Council's IT contracts and Developments (including one-off contracts such as CoPilot) - (£0.670M) and other minor variances of £0.076M. These figures include spending of £0.126M relating to the Children's Services Development Fund.

Financial Services –£0.010M *overspend*

2.45 A minor cost pressure of £0.010M is forecast within Financial Services mainly relating to underspends on staffing costs (-£0.304M) and the early implementation of service reviews savings within Internal Audit and Procurement (£-0.097M). These are offset by an overspend in Catering Services (£0.276M) 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 – £0.250M overspend

2.46 A cost pressure of £0.250M, after earmarkings of £0.105M for Corporate Training, is currently forecast. This predominantly relates to the cost of additional staffing and IT costs within the Business Improvement Service to support the Children's Services Development Plan (£0.465M), partially offset by staff vacancies.

Law and Governance – £1.765M overspend

2.47 Law and Governance is forecasting an overspend of £1.765M. 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), the use of locum (agency) solicitors to temporarily fill vacant positions pending recruitment (£0.662M), together with cost pressures within the Elections Service (£0.122M).

Approved Savings Position

2.48 The Directorate had total approved savings of £0.764M to deliver in 23/24.

- Staffing savings across the Directorate £0.434M
- Fraud income £0.050M
- Contracts review £0.030M
- Smart Working £0.250M

All savings will be delivered in full-by the end of 23/24.

Current Actions and Future Risks

2.49 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

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

2.51 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.

2.52 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 Service.

2.53 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 budget. Work is being undertaken to monitor these arrangements with a view to mitigating these pressures and driving out value for money wherever possible.

2.54 Staffing **-** Workforce challenges (in terms of recruitment / retention) are expected to continue in 2023/24. 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

Highlights

There is currently a projected overspend within Corporate Budgets of **£2.300M**.

Pay Costs - £3.500M overspend

2.55 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.

2.56 The 2023/24 Local Government pay award was agreed on 1st November 2023. The pay award of at least £1,925 on all NJC pay points 1 and above backdated to 1st April 2023 equates to a year-on-year cost increase of circa £7.5M, £3.5M more than originally anticipated.

Treasury Management Activity - £1.200M additional income

2.57 The Treasury Management team has been able to take advantage of the current high Bank Interest Rate (5.25%) and earn additional investment on temporary cash balances.

Current Action

2.58 In anticipation of the emerging risks highlighted in the 23/24 budget proposals, a provision of £7.4M (equivalent to the full increase in the General Social Care Grant) was set aside as a mitigation strategy. It is now clear that this provision is not sufficient to meet the £20.7M cost pressure currently forecast at Q3. As a result, a full review to re-prioritise existing general fund reserves to address the remaining gap has been undertaken.

2.59 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 Children's Services, on a financial recovery plan.

Future Action

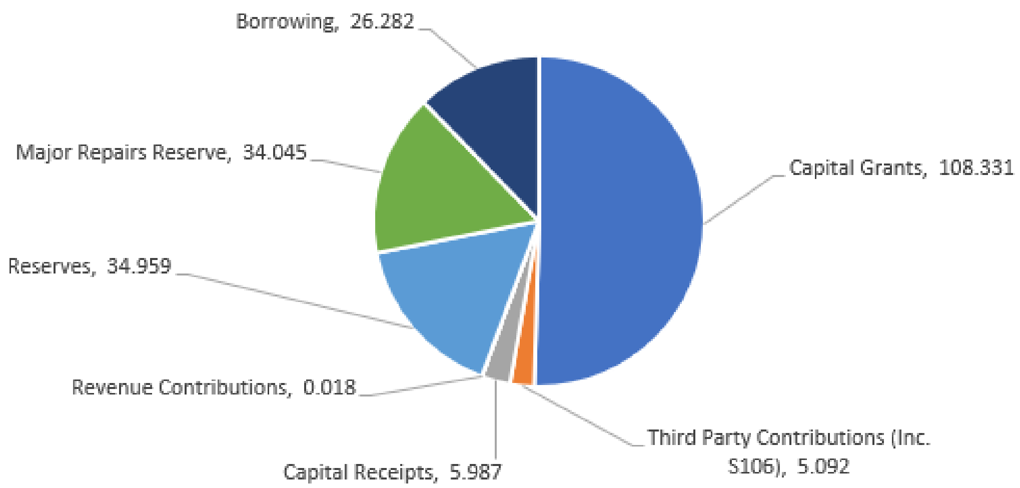
2.60 The cost pressures highlighted within this report are likely to have an ongoing detrimental impact on the MTFS, with significant budget deficits forecast for future periods. The financial strategy is in the process of being revised, including providing an update on the ongoing programme of transformational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

3. Overall Capital Programme Position to the Quarter Ending December 2023

3.1 The Council's capital programme is planned over the five-year period 23/24 through to 27/28 and has a total budget of £214.712M (£141.991M in 2023/24**).** Forecast spend for 23/24 is £124.832M, £17.2M 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	8.157	3.567	7.203	(0.954)	8.985	8.985	-
Growth & Sustainability	79.411	38.581	63.377	(16.034)	145.631	146.214	0.583
Public Health & Communities	0.571	0.125	0.439	(0.132)	0.571	0.571	-
Place Health & Adult Social Care	5.656	4.280	6.248	0.592	7.253	7.253	-
Core Services	8.960	4.707	8.960	-	9.515	9.515	-
Housing Revenue Account	39.236	19.712	38.605	(0.631)	42.757	42.757	-
Total	**141.991**	**70.792**	**124.832**	**(17.159)**	**214.712**	**215.295**	**0.583**

3.2 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:



3.3 The table below 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	(19.116)	19.116	-
Rephasing	1.368	(1.368)	-
Funding Increase/(Decrease)	0.589	(0.006)	0.583
Total	**(17.159)**	**17.742**	**0.583**

Scheme Slippage

3.4 Of the total 23/24 variation in expenditure against approved plans, £19.116M 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 seen significant slippage are explained further below:

Directorate	Scheme	£M	Explanation
Growth & Sustainability	Glass Works Development Phase 2	4.500	Budget related to the letting of vacant units to be used in 24/25
Growth & Sustainability	Youth Zone	4.117	Project is currently in the planning stage. The budget is to be realigned to 24/25 in line with the revised timescales.
Growth & Sustainability	Property Investment Fund	2.397	Start of the programme has seen delays, a detailed report will be submitted to cabinet in due course to reflect updated plans
Growth & Sustainability	Parkside Sports Facilities	1.979	An application for grant funding to the Football Foundation will be made during January 2024. Pending the outcome of this, construction is now not expected to begin until the 24/25 financial year.
Growth & Sustainability	Cultural Development Fund – Elsecar	1.978	Most of the works will be completed in 24/25.
Children's Services	Children in Care Residential Home	0.990	Proposals currently under review for the purchase of a site, with the formal purchase expected to take place in 24/25
Various	Other	3.155	
	Total	**19.116**	

Re-phasing

3.5 Of the total 23/24 variation in expenditure against approved plans, £1.368M 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. Those schemes that have been accelerated are explained further below.

Directorate	Scheme	£M	Explanation
Place, Health & Adult Social Care	Disabled Facilities Grant	0.592	Funding has been accelerated into 2023/24 due to a combination of an increased number of reviews taking place compared to previous estimates, complexity of these cases leading to increased costs and overall inflationary pressures.
Growth & Sustainability	Junction 36 Phase 2	0.363	Work has accelerated at a faster pace than initially anticipated, with the majority of works now due to be completed in the current financial year. The re-phasing will also align with the related Towns Fund spend profile for the project.
Various	Other	0.413	
	Total	**1.368**	

Overall Variation in Scheme Costs

3.6 An amount totalling £0.583M relates to an overall estimated net increase in expenditure across several schemes within the highways programme. Members should note that the overall increase will be fully funded by additional grant funding due to be received in quarter 4, so there is no additional cost to council resources. Further detail provided below.

Highways Programme Update

3.7 The Highways Capital Programme for 2023/24 has a budget of £16.560M, whilst a further allocation of £0.842M has been accepted from SYMCA for pothole maintenance (as awarded by the Department for Transport). At quarter three it is expected that £0.582M, of this pothole maintenance funding will be claimed, following a programme of carriageway patching.

3.8 Highways and Engineering has delivered an accelerated programme of works, with final programmed carriageway/footway schemes being completed shortly before Christmas and the start of Winter.

3.9 At quarter three the programme includes total slippage of £3.967M and re-phasing of £0.413M. £0.408M has also been re-profiled within the programme to support overspends on Carriageways, Footways, Principal Roads, Bridges & Structures and Street Lighting Maintenance. This is due to increased costs arising from both inflationary pressures and the extended scope of works carried out.

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

New Approvals

3.11 In addition to the above, several new schemes have been approved during the Quarter totaling £2.213M:

Reconciliation Between 23/24 Quarter 2 and 23/24 Quarter 3 Positions:	Directorate	Total Capital Programme £M
23/24 Quarter Two Approved Programme		**139.778**
Approved Schemes During Quarter 3:		
Libraries Refurbishment	Public Health & Communities	0.409
Transforming Cities Fund	Growth & Sustainability	0.311
Locke Park Works	Growth & Sustainability	0.226
Town Centre to Oakwell	Growth & Sustainability	0.210
TPT – Bullhouse Bridge Deck	Growth & Sustainability	0.156
Cremulator Upgrade	Growth & Sustainability	0.150
Other	Various	0.751
Total New Approvals		**2.213**
23/24 Quarter Three Programme		**141.991**

Future Funding

3.12 The below paragraphs identify funding which the council has set aside for future projects, however is yet to see formal approval for specific projects and is therefore yet to be included in the approved programme. All figures are subject to change and are additional to the funding identified at Paragraph 3.1.

3.13 The Council currently receives various external funding allocations which, whilst approved, have yet to be formally allocated to specific projects. This primarily relates to Section 106 Contributions and School's grant monies, currently totalling £26.2M [currently shown as 'unallocated' resource].

3.14 Furthermore, there are additional funding streams the council has available which have been identified for use on capital schemes over the reporting period, however are awaiting formal approval to be drawn into the programme. This includes:

- Internal resources set aside for future schemes and/or contingency amounts for any urgent works (33.5M)
- Annual Allocations (HRA/replacement works) to be approved via the capital strategy (£32.7M)
- External resources granted and to be drawn down upon specific reports being approved. This primarily includes CRSTS monies identified in paragraph 3.19 (£51.5M)

These amounts totalling £117.7M will be released into the programme when formal approval is granted [currently shown as Funding Identified For Use on Future Capital Projects].

3.15 Amounts are analysed in the table below, showing the total indicative position currently expected over the reporting period.

Indictive Future Funding	2023/24 £M	Later Years £M	Total £M
Schools Grant Funding Section 106 Grant Funding	4.819 5.358	10.000 6.000	**14.819** **11.358**
Total Unallocated Resources	**10.177**	**16.000**	**26.177**
Funding Identified For Use on Future Capital Projects	0.750	117.007	**117.757**
Total Future Funding	**10.927**	**133.007**	**143.934**
Current Approved Funding	141.991	72.721	**214.712**
Total Indictive Funding over the Reporting Period	**152.918**	**205.728**	**358.646**

3.16 Of the total indictive funding projected over the period, £42.549M is projected to be funded via prudential borrowing in line with the treasury management strategy.

3.17 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

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

3.19 The following paragraphs outline some of the key capital funding opportunities that have either recently been awarded or are being pursued (via 'live' bids with funder decisions pending).

Secured Funding**.**

- **Levelling Up Round 2** – the Council recently secured £10.2M 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 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 is being made in terms of the utilisation of the £3.9M in funding awarded by the Arts Council England to support a range of capital schemes at Elsecar Heritage Centre. The total value of the capital element of the award is £3.2M and this is accompanied by a £0.7M revenue allocation to support project management and the delivery of a range of cultural activities in hubs across Principal Towns.
- **The Towns Fund (Goldthorpe)** - £23.1M has been awarded to support the delivery of the schemes in Goldthorpe, Thurnscoe and Bolton upon Dearne.
- **City Region Sustainable Transport Funding (CRSTS) –** several key sustainable transport/active travel schemes are now progressing through SYMCA's governance processes - these will utilise the circa £50M in funding awarded to Barnsley via the MCA.

<u>Capital Funding Bids Submitted/Pending</u>

- **SYMCA Gainshare Allocations**: collaboration remains ongoing between the Council and SYMCA regarding the allocation, governance processes and ultimate release of the Council's Capital Gainshare allocations – detailed updates in respect of Gainshare availability will feature in future reports.
- **Long Term Plan for Towns Funding** – the Government recently announced that Barnsley would be one of 55 towns to receive a total of £20m over a 10-year period from 24/25. 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."

4. Treasury Management Update as at 31st December 2023

Highlights

Economic Summary

- The UK Bank Rate was held at 5.25% during the Quarter.
- A decline in PWLB borrowing rates during the third quarter of 2023/24.
- Consumer Price Index (CPI) inflation in the UK reduced to 3.9% in November 2023.
- Latest forecasts are that the Bank Rate has reached its peak of 5.25%.

Borrowing Activity

- The Council repaid £55 Million of LOBO loans during the Quarter, generating in the region of £10 Million in savings over the remaining lifetime of the loans (32 years).
- No new long-term borrowing was undertaken during the Quarter. Short-term temporary loans were secured for cashflow purposes in relation to the LOBO loan repayment.
- There is an underlying need to borrow up to £91.1 Million by the end of 25/26.
- Of this, approx. £50.0 Million may need to be secured in fixed rate borrowing to meet the Council's agreed interest rate exposure targets.

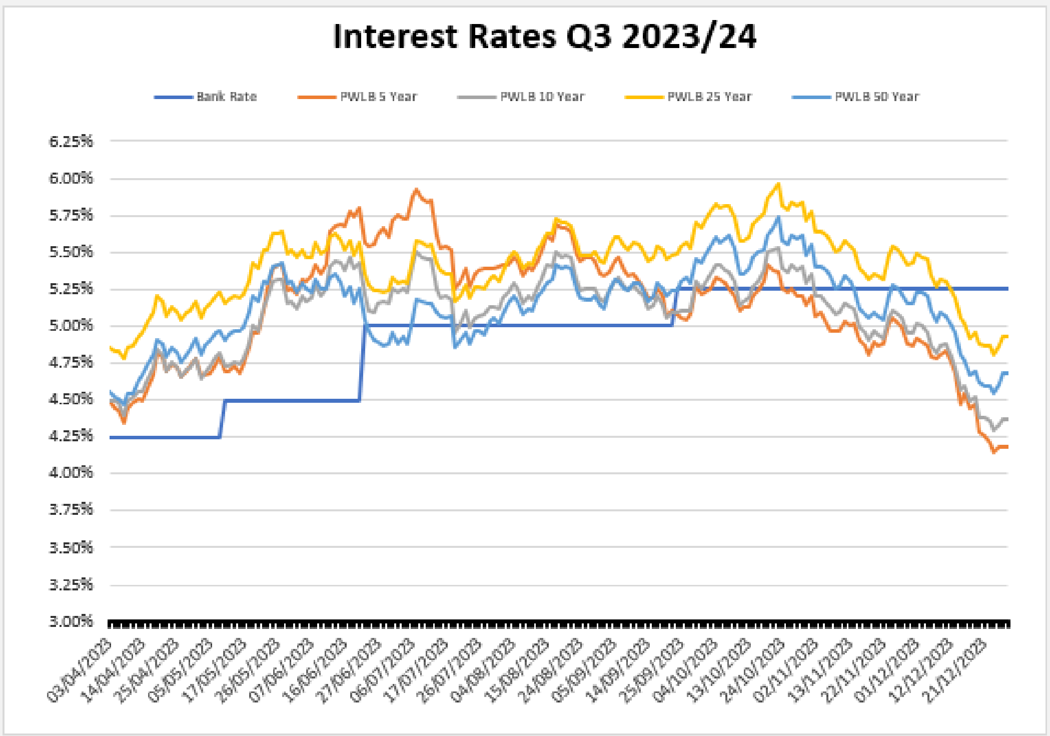
Investment Activity

- A net decrease in investment balances of £48.0 Million during the Quarter primarily due to the LOBO loan repayment.
- 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;

Key Messages – Economic Summary

4.1 The UK economy performed better than expected during 2023, but the outlook is currently weak, and the economy remains vulnerable to shocks. The concern for the UK continues to relate to containing inflation alongside avoiding recession within a stagnant economy. CPI inflation fell to 3.9% in November; a bigger than expected fall and a sign of an easing in domestic inflationary pressures. However, the latest forecasts are for the recent downward trends in CPI to stall over the next few months before starting to decline more decisively again in February 2024.

4.2 PWLB rates were on a downward trend during the latter part of the year and officers continue to closely monitor interest rates and forecasts.



4.3 The latest forecast (as at 7th November 2023) is that the Bank Rate has reached its 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%	3.25%	3.00%
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%*	5.30%	5.10%	4.70%	4.30%	4.00%	3.90%
PWLB Certainty 50 Years ~ Capital Economics	*5.30%*	5.20%	5.00%	4.60%	4.50%	4.60%	-

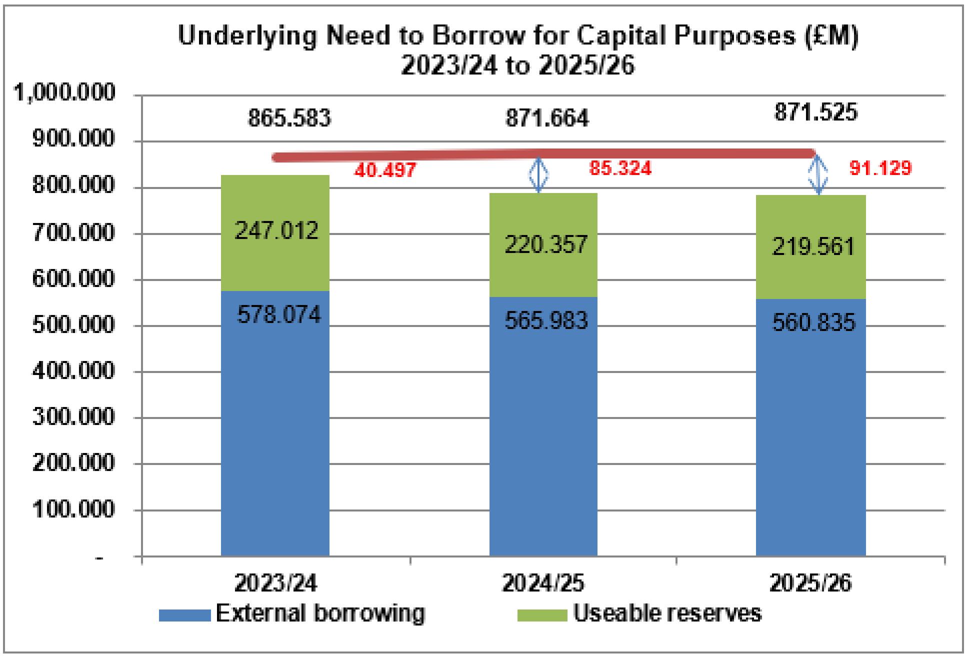
Key Messages – Borrowing Activity

4.4 The Council's borrowing strategy is to limit its exposure to interest rate risk whilst maintaining an appropriate level of internal borrowing to minimise its financing costs.

4.5 During 23/24 debt rescheduling opportunities increased due to market conditions and the rising interest rate environment. The Council took a pro-active approach and explored several options, including the repayment of LOBO loans to rebalance the debt portfolio and provide more certainty. Exiting these loans early also helps to de-risk the investment portfolio by reducing cash balances, thereby reducing exposure to credit and counterparty risk.

4.6 Options were discussed at the Treasury Management Panel and officers worked with the Council's Treasury Management Advisers, LINK Group, to negotiate the repayment of £55M of outstanding LOBO loans. This repayment was based on using existing cash balances and delaying further long-term borrowing. The repayment has generated in the region of £10M in savings over the remaining lifetime of the LOBO loans (32 years).

4.7 The chart shows the Council's underlying need to borrow for capital purposes (represented by the blue arrows) is £91.1M over the period to 2025/26. This is an updated position based on the latest capital spend projections and the temporary use of available reserves:



Projected external borrowing requirement 2023/24 – 2025/26	£M
Planned capital investment	42.549
Maturing loans / reduced support from useable reserves	65.124
Amounts set aside to repay debt	(16.544)
Total	**91.129**

4.8 The Director of Finance has previously advised that a target of 70% fixed rate borrowing be maintained to manage risk and provide cost certainty, and the Authority has been working to this target over several years whilst interest rates have remained low.

4.9 To deliver against this target, the Council would require in the region of £50M of fixed rate debt over the period to 2025/26. As borrowing costs are at their highest since 2008, it is not considered prudent to undertake this additional borrowing at this time with the precise timing to be kept under review.

4.10 The recommended approach for the remainder of 23/24 is to hold off further long-term borrowing and closely monitor the profile of capital spend and funding requirements over the planning period. Temporary reserves and balances can be utilised in lieu of external borrowing until a time when rates begin to fall from their current high levels. This prudent approach allows flexibility to use the under borrowed position to minimise costs and defer long-term borrowing until it becomes less expensive.

Key Messages – Investments

4.11 There has been a net decrease in investment balances of £48.0M during the Quarter mainly as a result of the LOBO loan repayment. The use of cash balances to repay debt enables the Authority to reduce exposure to credit and counterparty risk.

4.12 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).

4.13 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.

5. IMPLICATIONS OF THE DECISION

5.1 **Financial and Risk**

- The Authority's outturn as at the end of December 2023 stands at a cost pressure of £20.702M, an improvement of £0.549M on the position reported as at the end of September 2023.
- This position is mainly due to the continuing cost pressures within Children's Social Care (£16.664M). The Executive Director of Children's 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 £13.3M) to be funded via a re-prioritisation of strategic reserves.
- However, it is highly likely 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 £0.98M 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 £0.512M as detailed in the report [NB: all debts remain liable for collection].

5.2 **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.

5.3 Equality

Not applicable as individual EIA’s will have been completed in relation to the budgets proposals as appropriate.

5.4 Sustainability

Decision Wheel not applicable.

5.5 Employee

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

5.6 Communications

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

6. CONSULTATION

N/A

7. ALTERNATIVE OPTIONS CONSIDERED

7.1 N/A

8. REASONS FOR RECOMMENDATIONS

8.1 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.

9. GLOSSARY

N/A

10. LIST OF APPENDICES

N/A

11. BACKGROUND PAPERS

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

12. REPORT SIGN OFF

Financial consultation & sign off	Steve Loach 06/02/24
Legal consultation & sign off	Legal Services officer consulted and date. Andrew Perriman 14 February 2024

Report Author: Neil Copley
Post: Director of Finance (S151 Officer)
Date: 31st January 2024