

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Executive Director – Core Services &
Service Director – Finance (Section 151)

CORPORATE FINANCE PERFORMANCE QUARTER ENDING 30th June 2020

1. Purpose of the Report

- 1.1 To consider the financial performance of the Authority during the first quarter ended June 2020 and assess the implications against the Council's Medium Term Financial Strategy (MTFS).
- 1.2 This report is also the first update presented which reflects the impact of COVID-19 on the Council's financial position.

2. Recommendations

- 2.1 It is recommended that Cabinet:

CORPORATE FINANCE PERFORMANCE

- Note the current forecast General Fund Revenue operational overspend in 2020/21 of £33.5M which includes the impact of COVID-19 on the Councils' financial position.
- Note the impact of COVID-19 on the Housing Revenue Account (HRA) which shows an operational overspend of £4.8M.
- Note the overall net impact (after Government funding) of £15.7M.
- Request that SMT identify potential key lines of enquiry emanating from any emerging alternate thinking around future service delivery that could deliver service improvement and cashable efficiencies to mitigate future year budget gaps; and
- Approve the write off of historic bad debts totalling £0.279M.

CAPITAL PROGRAMME PERFORMANCE

- Note the forecast position on the approved Capital Programme;
- Note the external funding position highlighted in paragraphs 4.8 .

TREASURY MANAGEMENT

- Note the key messages from the Council's Treasury Management activities.

3. Overall General Fund Position to the Quarter Ending June 2020

The COVID-19 pandemic has placed a significant strain on the 20/21 revenue budget. The Council is currently reporting an overall projected General Fund revenue overspend for 20/21 of £33.5M. This is comprised of a forecast overspend on Directorate budgets of £26M, and a £7.5M overspend on Corporate budgets.

In addition, there is a projected overspend of £4.8M on the Housing Revenue Account.

Key Messages

Directorate	Approved Net Budget 2019/20 £'000	Projected Net Outturn 2020/21 £'000	Covid Costs £'000	Covid Income Lost £'000	Business as Usual £'000	Variance £'000
Children	31,307	32,559	1,016	438	(202)	1,252
Place	44,073	53,359	3,352	5,861	73	9,286
Adults & Communities	62,897	73,888	11,574	22	(605)	10,991
Public Health*	4,515	5,892	1,659	8	(290)	1,377
Core Services	21,082	24,207	1,332	2,255	(462)	3,125
Service Totals	163,874	189,905	18,933	8,584	(1,486)	26,031
Corporate Items**	8,703	16,128	1,070	6,355	0	7,425
Sub Total – Council	172,577	206,033	20,003	14,939	(1,486)	33,456
HRA	0	4,777	1,977	2,800	0	4,777
TOTAL	172,577	210,810	21,980	17,739	(1,486)	38,233
Less Covid 19 funding						(22,571)
NET COST						15,662

* The Public Health outturn includes the cost of the Council's outbreak control, specific funding for which has been received and included in the total Covid 19 Government funding.

** The Corporate outturn includes a forecast shortfall in CTAX and Business Rate Income

Overall Forecast Position

3.1 The General Fund revenue outturn position as at June 2020 is currently reporting a forecast overspend of £33.5M. There is also a forecast overspend on the Housing Revenue Account of £4.8M.

3.2 Currently 96% of the 20/21 efficiency targets are forecast to be delivered (£7.1M against a target of £7.4M).

COVID-19

3.3 The COVID-19 pandemic is placing significant financial strain on the authority's 20/21 budget.

COVID-19 Expenditure

3.4 It is currently forecast that leading the COVID-19 emergency response will cost the Council in the region of £22M. This cost includes providing additional support to the Social Care market, supporting the most vulnerable in society, maintaining social distancing, providing personal protective equipment as well as the increased cost of delivering front line services. Further detail is provided in the Directorate updates below.

COVID-19 Income

3.5 A shortfall in income in the region of £18M is expected during 20/21 as a result of COVID-19. This includes lost income from fees and charges totalling £8M, £4M in Council tax, £2M in business rates and £3M in housing rents.

3.6 Further details of the income lost through irrecoverable fees and charges is provided in the Directorate updates below. Council tax collection is currently forecast at 94.5%, 1.5% below target. This is due to an increase in the number of residents claiming Local Council Tax Support as well as other residents who have struggled financially during the pandemic. Business Rates collection is forecast to be 94.19%, 3.13% below target largely as a result of the closure of all but essential businesses at the end of March.

COVID-19 Government Support

3.7 Government have provided some financial support to help Council's through the pandemic. To date the Council has received £22.5M in funding. Further support has also been announced for lost income from fees and charges, though full details are yet to be received.

3.8 However, at this time it is considered that Government support will be inadequate to cover the full cost of responding to and recovering from the pandemic. To mitigate against this risk Cabinet approved the Barnsley MBC Recovery & Renewal Strategy in June (Cab 10/06/2020/10) together with the COVID-19 Financial Recovery Strategy.

COVID-19 Financial Recovery

3.9 The COVID-19 Financial Recovery Strategy comprises of two phases:

- Phase 1 – Emergency Response & Short-Term Recovery [20/21 financial year];
- Phase 2 – Longer Term Recovery and Sustainability [21/22 and beyond / MTFS].

3.10 Phase 1 of the strategy introduced a moratorium on all non-essential expenditure. This effectively instructs all services to review any planned but as yet uncommitted areas of spend and determine if this is absolutely essential in maintaining business as usual council activity. Any non-essential activity to be suspended until further notice.

- 3.11 This included the immediate postponement of some £43M of new investment [both capital and revenue]. A full review of this investment has subsequently been completed with £14.5M being released to be progressed with immediate effect, largely as a consequence of the positive impact this will have on the recovery of communities and the local economy.
- 3.12 This leaves investment (£28.5M] still on hold to mitigate the 20/21 forecast deficit position should that be required.
- 3.13 In addition, Cabinet have previously approved the earmarking of £1.9M of strategic reserves to support the broader recovery of council services, the organisation and wider place. To date around half of this funding has been committed as shown in the table below:

Recovery Theme	Costs Incurred	£'000
Health & Wellbeing	Nothing to date	-
Business & Economy	Business health checks and developing digital channels, reopening the high street, museums and cultural venues.	496
Community Resilience	Town centre communication (radios), town centre security and night marshals	116
Education & Skills	Post 16 education provision	75
Environment & Infrastructure	Nothing to date	-
Business Continuity	Re-opening office building costs (cleaning security etc), additional homeworking equipment	258
	TOTAL	946

DIRECTORATE UPDATES

- 3.14 Council services are forecasting a significant overspend for 20/21 of £26M. This is made up of £27.5M of costs relating to the impact of COVID-19, offset by operational underspends of (£1.5M). Details of variances have been split between existing business as usual activities and those relating to COVID-19.

Children's Services Directorate

People Directorate	Approved Net Budget 2020/21 £'000	Projected Net Outturn 2020/21 £'000	Variance £'000	Variation Split by:		
				Covid Costs £'000	Covid Income Lost £'000	Business as Usual £'000
Education, Early Start & Prevention	3,466	3,749	282	120	364	(202)
Children Social Care & Safeguarding	25,640	26,610	970	896	74	-
Sub-Total	29,106	30,359	1,252	1,016	438	(202)
Schools	2,201	2,201	0	0	0	0
Total – People	31,307	32,559	1,252	1,016	438	(202)

3.15 The Children’s Services Directorate is currently forecasting an **overspend of £1.252M**, of which £1.452M is related to COVID-19 pressures, offset by £0.202M operational underspends.

COVID-19 Costs

3.16 Additional costs of £1.016M are currently forecast. This includes employing additional Social Worker resource to support the increase in children’s social care caseloads (£0.506M), an anticipated increase in Looked After Children [LAC] placement numbers / costs and respite care costs (£0.276M), support to early years care providers (£0.120M) and support for care leavers (£0.114M).

COVID-19 Income

3.17 The Directorate is anticipating income losses of £0.364M due to school closures and a reduction in the demand for Education Psychology, Education Welfare and SEND support services.

3.18 The closure of Newsome Avenue for respite care has also resulted in a £0.074M income pressure.

Business as Usual

3.19 Children in Care remains an area of concern, projecting an overspend of £1.1M. This cost has been fully offset in year by the planned use of one-off Social Care Grant, with the ongoing impact being considered as part of the revised MTFS. Over and above this an underspend of (£0.2M) is anticipated as a result of vacancies across Education, Early Start & Prevention.

Place Directorate

Directorate	Approved Net Budget 2020/21 £'000	Projected Net Outturn 2020/21 £'000	Variance £'000	Variation Split by:		
				Covid Costs	Covid Income Lost	Business as Usual
				£'000	£'000	£'000
Regeneration & Culture	14,903	18,251	3,348	669	2,866	(187)
Environment & Transport	29,170	35,108	5,938	2,683	2,995	260
Total Place	44,073	53,359	9,286	3,352	5,861	73

3.20 The Place Directorate is forecasting an **overspend of £9.286M**, the majority of which (£9.217M) is COVID 19 related.

COVID-19 Costs

3.21 Regeneration and Culture have seen additional costs of £0.669M associated with COVID-19. These costs include property related / building adaptations to support strict government guidelines (£0.112M), supplier relief (£0.215M),

delivering cultural services digitally (£0.050M) and conducting a Retail Impact Assessment (£0.018M).

- 3.22 The pandemic has also resulted in a delay to the town centre buildings review and delivery of 20/21 planned efficiency savings (£0.274M).
- 3.23 Environment and Transport have incurred significant additional costs of £2.683M as a result of the pandemic. These costs include; additional waste collection and disposal costs due to general increases in waste combined with the introduction of social distancing measures in operational delivery (£1.690M), additional costs of Home to School Transport to comply with the Government's COVID-19 safety guidelines (£0.867M) and the installation of a refrigeration unit at the crematorium (£0.076M). There will also be a delay in the delivery of planned 20/21 efficiency savings within Commercial Services (£0.050M).

COVID-19 Income

- 3.24 Regeneration and Culture forecast a shortfall in income of £2.866M. This relates to the loss of commercial rents (including markets) of £2.407M, as well as a general shortfall in fees and charges of £0.459M within the Employment and Skills service, planning fees and reduced Right to Buy sales.
- 3.25 Environment and Transport are anticipating income losses of £2.995M associated with; a shortfall in highway income as a result of the suspension of highways works in the first quarter (£1.346M), a loss of car parking income (£1.055M), a loss of commercial waste and recycling income (£0.348M), fee income from sports and leisure facilities (£0.138M) and a loss of income from the hire of vehicles to partners (£0.108M).

Business as Usual

- 3.26 Regeneration and Culture are reporting an overall underspend on BAU of £0.187M. This is as a result of savings on utility costs due to temporary building closures (£0.125M), vacancy management (£0.262M) and savings on cultural events (£0.038M). These have been partly offset by the running costs of under occupied buildings e.g. LIFT (£0.255M). Environment and Transport is reporting an overspend of £0.260M mainly due to a delay in the delivery of the Transfer Loading Station.

Adults & Communities Directorate

Directorate	Approved Net Budget 2019/20 £'000	Projected Net Outturn 2020/21 £'000	Variance £'000	Variation Split by:		
				Covid Costs £'000	Covid Income Lost £'000	Business as Usual £'000
BU02 – Adult Social Care & Health	53,035	62,464	9,429	10,076	0	(647)
BU08 – Safer, Stronger & Healthier Communities	9,861	11,423	1,562	1,498	22	42
Total Adults & Communities	62,897	73,888	10,991	11,574	22	(605)

3.27 The Adults & Communities Directorate is forecasting an **overspend of £10.991M**, of which £11.596M relates to COVID-19 pressures and £0.605M general underspends within Adults & Communities.

COVID-19 Costs

3.28 Additional costs totalling £10.076M have been incurred to sustain the adult social care service / providers during the lockdown and ongoing recovery. This includes; payments to plan, payment of voids [to the end of September 2020] and payments to introduce infection control measures (£8.492M). The Council has also pooled resources with the CCG to support the cost of hospital discharges (£1.584M). The Directorate has also led the provision of support to the most vulnerable in society by providing financial hardship support, brokered the provision of accommodation for the homeless and rough sleeper's, provided the emergency contact centre and co-ordinated community response, food distribution, provided support to the voluntary sector as well as additional measures to combat an increase in anti-social behaviour (£1.498M).

COVID-19 Income

3.29 Minor income losses [£0.022M] are anticipated as a result of the suspension of fixed penalty notices.

Business as Usual

3.30 The Directorate is forecasting an underspend on its day to day operations of approximately £0.605M. This is due to a one-off underspend on the cost of residential care packages where there have been lower than anticipated placement numbers as a result of the pandemic (£1.255M) and increased clawback from direct payments (£0.407M) . Efficiencies planned for 21/22 have also been delivered early (£0.325M) together with other minor underspends across the Directorate (£0.024M). These underspends have been offset by a

reduction in client contributions (£0.793M) and the increasing costs of care packages for Working Age Adults. (£0.613M).

Public Health

3.31 The Public Health Directorate is forecasting an **overspend of £1.377M**.

COVID-19 Costs

3.32 The Directorate is responsible for delivering the Council's outbreak control plan to support the detection and prevention of coronavirus across the Borough. A specific funding allocation of £1.568M has been allocated via central government to support these costs and is included under the total COVID 19 funding. Further costs (£0.090M) have also been incurred associated with bereavement support.

COVID-19 Income

3.33 Minor income losses are anticipated associated with the issuing of animal welfare licences.

Business as Usual

3.34 An operational underspend of £0.3M is forecast by year end, mainly as a result of staffing underspends in the 0-19 service. A detailed review and re-configuration across the Public Health Directorate is currently underway to ensure resources are aligned to priorities in a sustainable way. The outcome of this will be reported in future updates.

Core Directorate

Directorate	Approved Net Budget 2020/21 £'000	Projected Net Outturn 2020/21 £'000	Variance £'000	Variation Split by:		
				Covid Costs	Covid Income Lost	Business as Usual
				£'000	£'000	£'000
IT	6,599	7,138	539	378	149	13
Finance	4,193	5,564	1,371	44	1,564	(237)
Bus Imp, HR & Comms	5,266	6,071	805	911	178	(284)
Legal Services	1,106	1,808	702	-	364	338
Council Governance	3,918	3,626	(292)	-	-	(292)
Total – Core	21,082	24,207	3,125	1,332	2,255	(462)

3.35 The Core Services Directorate is forecasting an **overspend of £3.125M**, of which £3.587M relates to COVID-19 pressures, offset by operational underspends of £0.462M.

COVID-19 Costs

- 3.36 Additional cost pressures of £1.332M are anticipated including £0.833M relating to the estimated cost of acquiring the necessary PPE for the remainder of the year and £0.378M associated with providing the required IT support / equipment to facilitate home & remote working requirements. The remaining costs have been incurred on staff support and supplier relief payments.

COVID-19 Income

- 3.37 The Core Directorate is anticipating income losses of £2.255M, predominately due to a fall in the demand for school meals as a result of school closures (£1.284M), this also being a concern when schools reopen in September. Other losses relate to court fee income (£0.416M) following the suspension of court activity particularly related to none payment of Council Tax, external (mainly schools) trading income (£0.309M), a shortfall in license / land charge fee income (£0.247M) and income from registrars (£0.105M).

Business as Usual

- 3.38 An operational underspend of £0.462M is forecast. This relates to staff turnover and vacancy management (£0.423M), an underspend in the cost of servicing elections (£0.197M) as a consequence of the postponement of this year's election and various other underspends in supplies & services in line with the moratorium (£0.329M). These underspends are offset by overspends in Legal services due to the increased use of locums and loss of external SLA income (£0.487M).

Corporate Budgets

- 3.39 Corporate budgets are forecasting to be **overspent** by **£7.425M** by the end of 20/21. This is predominantly a result of losses in tax collection. Although the Government has announced that losses may be spread over a 3-year period [rather than the current 1 year period] the detail of that announcement is still awaited.

COVID-19 Costs

- 3.40 There are COVID related costs of £1.070M mainly related to increased insurance premiums / cover (£0.500M), additional systems costs and resources required to administer the Government's business support grant scheme (£0.170M), additional payments to the Coroner's Office (£0.100M) and other miscellaneous corporate costs (£0.300M).

COVID-19 Income

- 3.41 As set out at paragraph 3.39 there is an anticipated shortfall in budgeted Council Tax income of approximately £4.2M. This is largely due to the downturn in the economy / job impact and a subsequent increase in the number of new

Universal Credit / Local Council Tax Support claimants (£2.4M). Collection is also less than forecast (£1.8M) at an estimated collection rate of 94.52% (95.85% in 2019/20). This is due to a general increase in financial hardship across the Borough caused by the pandemic, for example, furlough income being significantly less than pre COVID income but not sufficiently low to claim UC / LCTS.

- 3.42 In addition, there is a shortfall in relation to business rate income, with a collection rate of 94.19% (97% in 2019/20) forecast. This is mainly due to the enforced closure of businesses at the end of March & subsequent collapse in business income together with a small number of business closures in recent months (£2.085M).

Recovery Costs

- 3.43 An amount of £1.9M has been set aside from the Council's reserves to support the wider Recovery and Renewal Plan. To date £0.9M has been committed including the implementation of social distancing measures within Council buildings [e.g. reopening libraries, museums and other cultural venues].

Housing Revenue Account (HRA)

- 3.44 The HRA is currently forecasting an operational overspend as at the end of June of £4.8M.

COVID-19 Costs

- 3.45 An additional cost of £1.977M is forecast on the housing repairs contract relating to the payment of supplier relief and the cost of emergency works during the lockdown period. The forecast also includes a provision for the anticipated increased cost of materials together with additional operational costs as a result of limited property access and social distancing arrangements.

COVID-19 Income

- 3.46 Rent income is expected to be £2.8M lower than the budgeted level, again largely due to the downturn in the economy and the subsequent increase in the number of tenants claiming Universal Credit and / or seeing their incomes fall as a result of furlough / redundancy.

Business as Usual

- 3.47 There has been an increased cost associated with the Property Repairs Improvement Programme (PRIP) contract (£0.550M). In addition, there has also

been an increased cost associated with additional statutory compliance issues that were identified during the first quarter (£0.450M). These costs have been fully offset by a one-off rent collection adjustment from 19/20 (i.e. week 49 collection).

4. Overall Capital Programme Position Q1 Ending June 2020

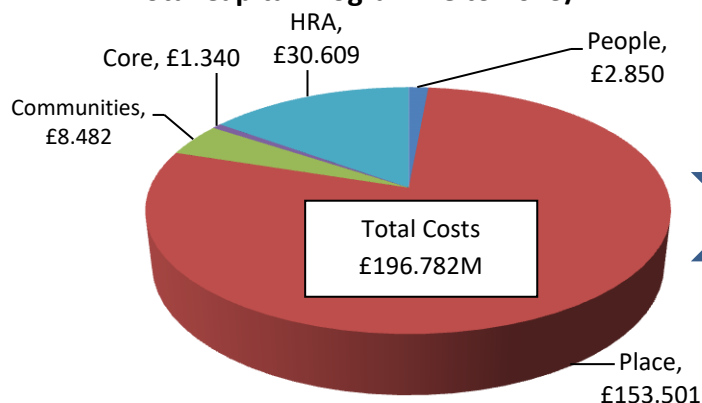
The position on the Council's Capital Programme for 20/21 is currently projected to be an overall lower than anticipated expenditure of £13.4M.

This in the main relates to scheme slippage of £9.2M, though there has also been a reduction in scheme costs totalling £4.4M all relating to schemes with restricted (specific) funding.

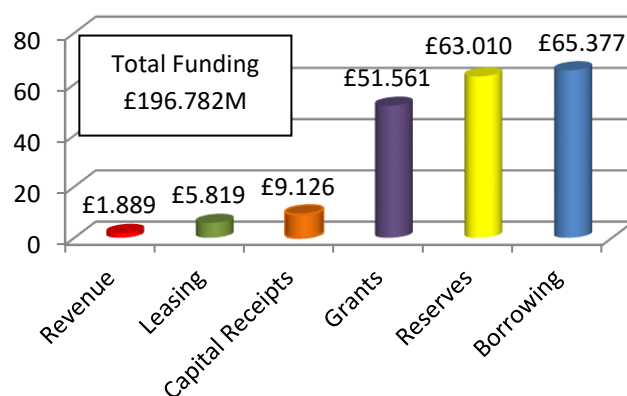
As part of the 20/21 budget setting process some £10.4M of new capital investment was provisionally approved. However, due to the COVID-19 pandemic this new investment was suspended pending a review in line with the COVID-19 Financial Recovery Strategy. This review has now been completed with £7.275M of this investment now able to proceed.

4.1 The Council's capital programme is planned over the five-year period 20/21 through 24/25 inclusive and has a total estimated cost of £196.8M. This is distributed across the respective Directorates as shown in the chart below:

Total Capital Programme to 2023/24



Total Funding to 2023/24



Key Messages

<u>Directorate</u>	2020/21 Capital Programme £M	2020/21 Projected Outturn £M	2020/21 Variance £M	Total Capital Programme £M	Total Projected Outturn £M	Total Variance £M
Children's Services	2.483	2.457	(0.026)	2.850	2.824	(0.026)
Place	133.840	133.536	(0.304)	153.501	153.497	(0.004)
Adults & Communities	8.482	3.748	(4.734)	8.482	8.482	(0.000)
Core Services	1.340	1.340	-	1.340	1.340	-
Housing Revenue Account	30.209	21.868	(8.342)	30.609	26.260	(4.349)
Total	176.354	162.948	(13.406)	196.782	192.403	(4.379)

	2020/21 £M	Later Years £M	Total £M
Reported Variance as at 30th June			
Slippage:			
Place	(0.430)	0.430	-
Adults & Communities	(4.734)	4.734	-
Housing Revenue Account	(3.994)	3.994	-
Sub-Total Slippage	(9.158)	9.158	-
Re-phasing:			
Place	0.131	(0.131)	-
Sub-Total	0.131	(0.131)	-
Funded Increases/(Decreases) in Scheme Costs*:			
Children's Services	(0.026)	-	(0.026)
Place	(0.004)	-	(0.004)
Housing Revenue Account	(4.349)	-	(4.349)
Sub-Total Funded Increases /(Decreases)	(4.379)	-	(4.379)
Total	(13.406)	9.027	(4.379)

2020/21 Slippage

- 4.2 Scheme slippage totaling £9.158M is reported during the quarter. The majority of this relates to a number of housing schemes that have been temporarily suspended in line with the COVID-19 Financial Recovery Strategy (see below) and / or were unable to progress on site as originally planned due to the lockdown. Specific schemes include the planned new build developments at St Michaels (£0.4M) and Billingley View (£1.3M), strategic housing acquisitions (£1.5M) and the Gas Central Heating Replacement programme (£1.2M).
- 4.3 In addition, there is reported slippage on the Disabled Facilities programme of works, mainly due to the service being unable to access individual properties during the quarter (£4.7M). Two new project officers have recently been employed to expedite the programme once post lockdown circumstances allow.

2020/21 Variation in scheme costs

- 4.4 There has been a reduction in scheme costs totaling £4.4M during the quarter, mainly relating to council house improvement schemes [the 'Barnsley Homes Standard'] which are now expected to cost less than originally anticipated.

COVID-19 Financial Recovery Strategy

- 4.5 To counter the expected pressure on the current year budget an element of the Council's Financial Recovery Strategy involved an immediate postponement of all capital schemes originally planned to commence during the financial year [but which had not yet commenced on site].
- 4.6 Following a review of the overall financial position during the latter part of the quarter the S151 Officer advised that it was now prudent to release an element of the paused programme with the Council subsequently identifying the following priority schemes for progression:

Investment Scheme	Value £M
Match Funding Historic High Streets Heritage Action Zone	2.000
Enhanced Highways Maintenance Programme/Gully Works	1.500
Town Centre Parking Strategy – Phase 1	1.184
Penny Pie Park Bridge	1.000
Electrical Vehicle Chargers	0.200
Improve Disabled Facilities in Lifelong Learning Centres	0.106
Eastern Gateway/Purchase of Npower Site	1.035
Courthouse – Further Master planning (scheme In Progress)	0.250
Total Investment	7.275

Capital funding available/potentially available moving forward

4.7 Work is currently being undertaken jointly with services and finance colleagues to identify and secure external funding that is being made available by Government. Below is a list of the funding opportunities that are currently being progressed and / or have already been secured.

Investment Scheme	Value £M	Status
Future High Streets Fund Contribution towards the Glassworks, Eldon Street and Active Travel Hub on the Courthouse campus	0.150	Feasibility funding agreed. Final bid submitted on 31.07.20 for £23.3m
High Streets Heritage Action Zone Integrating the cultural offer on Eldon Street with the Glassworks Scheme. Match funding of £2M from Council resources – see above	2.000	Funding confirmed
Transforming Cities Part of £220m bid submitted by SCR. Circa £33m expected to support 15 Barnsley transport improvement projects (BMBC lead on 7/PTE 8). To date £0.2m released to support business case development.	0.200	Funding Confirmed for business case development
Active Travel <i>Tranche 1</i> funds received of £0.241m to support Active Travel projects. <i>Tranche 2</i> schemes to be submitted for consideration by mid-August with an expected value of between £0.8m to £1.1m.	0.241	1 st tranche funding confirmed. Currently working up schemes for inclusion in Tranche 2
MHCLG Accelerated Infrastructure Fund Funding secured via MHCLG for 4 schemes inc: Better Barnsley Market Gate Bridge and New Active Travel Foot /Cycle Bridge	5.835	Awaiting final confirmation from MHCLG – subject to business case approval
Stronger Towns Goldthorpe Accelerated funding to support projects in Goldthorpe that are deliverable by 31.03.21 – further £25m potential funding opportunity.	0.500	Funding confirmed to progress wider bid
Pathways to Success SCR has secured “in principle” funding from ESIF totalling £1.958M, of which £0.217M has been set aside for BMBC projects focussing on supporting employment pathways into specific sectors and £0.780M for a Berneslai Homes scheme offering employment support for social housing tenants who are unemployed or inactive.	0.217	Funding confirmed “in principle”
European Structural and Investment Funds £7.4m secured for South Yorkshire-wide Business support activities including advice and grants to increase business productivity. BMBC actively leading across SY.	TBD	Total funding secured. Allocation for Barnsley yet to be confirmed
MHCLG – Housing Fund for Brownfield Sites Funding totalling £40M is to be passed directly to SCR (£8M per year over a 5 year period) to develop housing on brownfield sites. Discussions are currently ongoing with SCR to clarify local criteria to be able to draw down against this funding.	TBD	Exploring schemes in Barnsley that meet the criteria

5. Treasury Management update

Economic Summary

There was a slight downward trend in PWLB borrowing rates over the first quarter. The expectation is for little upward movement in interest rates over the next two years and subject to ongoing Government consultation some PWLB borrowing rates could reduce by up to 1%.

Borrowing Activity

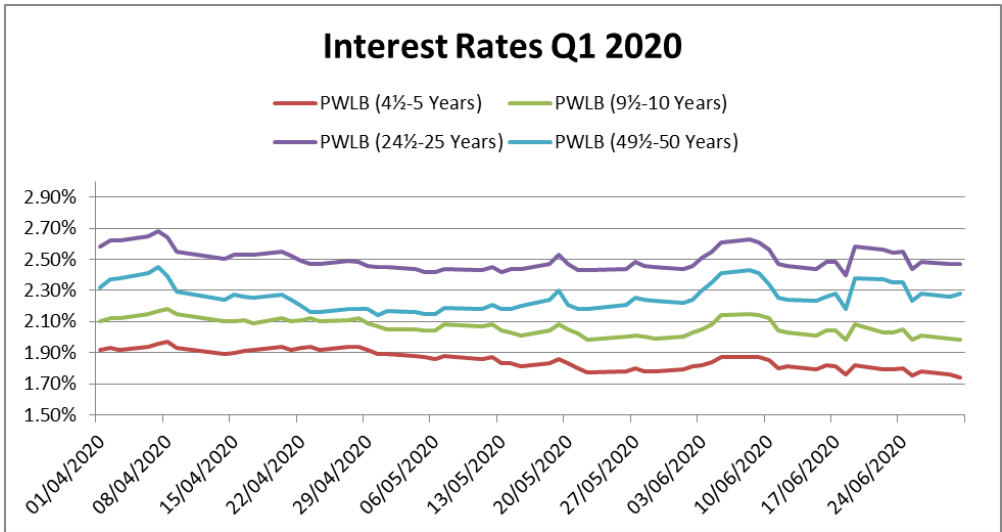
No new borrowing was undertaken during the quarter. Due to the benign interest rate environment it is not anticipated that any material borrowing will take place during the remainder of this financial year. However, it is anticipated that the Council will need to borrow up to £225M over the next 3 years, of which £75M will need to be taken at fixed rates of interest to maintain interest rate risk exposure at 70% of total debt.

Investment Activity

Security and liquidity remain the key investment priorities, with the majority of new investments placed in secure Money Market Funds and instant access accounts.

Key Messages – Economic Summary

5.1 Interest rates remain a key driver of the Council's Treasury Management activities. There was a slight downward trend in PWLB borrowing rates throughout the quarter which reflects the current period of economic uncertainty:

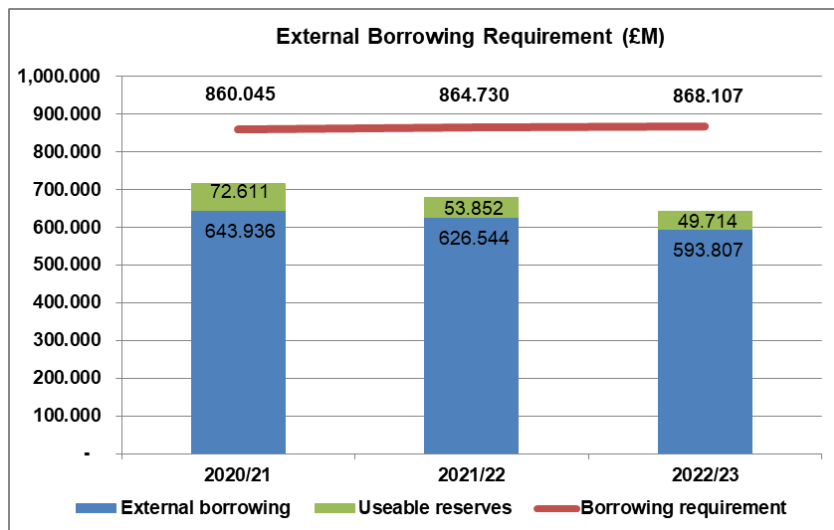


5.2 The expectation is for little upward movement in interest rates over the next two years due to a prolonged period of economic recovery. Subject to an ongoing Government consultation some PWLB borrowing rates could be cut by up to 1%:

	Latest Interest Rate Projections (Link Asset Services)				
	Latest	Sep-20	Mar-21	Sep-21	Mar-22
UK Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%
PWLB Certainty (50 Years)	2.30%	2.30%	2.40%	2.40%	2.50%

Key Messages – Borrowing Activity

5.3 No new borrowing was undertaken during the quarter reflecting the latest expectations for interest rates. The Council will need to borrow upwards of £225M over the next 3 years, though due to the benign interest rate environment no further borrowing activity is expected in the remainder of this financial year.



5.4 The Council has committed to maintaining its exposure to interest rate risk to 30% of its borrowing requirement. To deliver against this strategy, the Council will need to address £75M of the £225M through fixed-rate borrowing:

	2020/21 (£M)	2021/22 (£M)	2022/23 (£M)
Fixed Rate Borrowing Requirement (Cumulative)	25.874	45.554	74.639
Temporary Borrowing Requirement (Cumulative)	117.624	138.780	149.947
Total	143.498	184.334	224.586

Key Messages - Investments

5.5 The Council's investment strategy is to minimise credit risk and maintain a suitable balance of liquid funds to ensure that cash is available when needed. To reflect this strategy, the bulk of transactions related to secure Money Market Funds, instant access accounts and short-term local authority deposits.

5.6 It is recommended that the temporary increase in investment limits applied in March 2020 remain in place for the next quarter, to ensure sufficient liquidity during the COVID-19 crisis.

Background Information – available on request

Corporate Finance Performance Q1 – detailed report

Capital Programme Update Q1 – detailed report

Treasury Management Update Q1 – detailed report