

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 31st December 2020

1. Purpose of the Report

- 1.1 To consider the financial performance of the Authority during the third quarter ended 31st December 2020 and assess the implications against the Council's Medium-Term Financial Strategy (MTFS).
- 1.2 This report also provides an updated position to reflect the ongoing impact of COVID-19 on the Council's 20/21 budget and beyond.

2. Recommendations

- 2.1 It is recommended that Cabinet:

CORPORATE FINANCE PERFORMANCE

- Note the current forecast General Fund Revenue overspend of £52.2M incorporating the ongoing impact of COVID-19;
- Note the current forecast Housing Revenue Account overspend of £0.8M incorporating the ongoing impact of COVID-19;
- Note the overall net impact (after all Government funding) of £11.9M;
- Agree the financial plan / earmarking of resources to fully mitigate the current forecast deficit and any further pandemic related spend that may arise in 21/22 as set out at paragraphs 3.11 to 3.17;
- Approve the continuation of the moratorium on all non-essential expenditure and the suspension of non-urgent one-off investments originally approved to commence in 20/21; and
- Approve the write off of historic bad debts totalling £1.0M.

CAPITAL PROGRAMME PERFORMANCE

- Note the forecast position on the approved Capital Programme;
- Note the external funding position highlighted in paragraphs 4.1.

TREASURY MANAGEMENT

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

3. Overall General Fund Position to the Quarter Ending December 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 £52.2M. This is comprised of a forecast overspend on Directorate budgets of £36.8M, and a £15.4M overspend on Corporate budgets.

In addition, there is a projected overspend of £0.8M on the Housing Revenue Account.

Directorate	Approved Net Budget 2020/21	Projected Net Outturn 2020/21	Variance	Variance Split by:		
				Covid Costs	Covid Income Lost	Business as Usual
	£'000	£'000	£'000	£'000	£'000	£'000
Children's	31,359	32,217	858	1,022	621	-785
Place	44,051	59,606	15,055	5,495	9,680	-120
Adults & Communities	62,792	77,218	14,926	18,015	80	-3,169
Public Health	4,515	8,151	3,636	4,045	8	-417
Core Services	20,702	22,979	2,277	194	2,708	-625
Service Totals	163,419	200,171	36,752	28,771	13,097	-5,116
Corporate / General Items *	9,157	24,577	15,420	9,065	6,355	0
Sub Total – Council	172,576	224,748	52,172	37,836	19,452	-5,116
HRA	0	771	771	1,100	784	-1,113
TOTAL	172,576	225,519	52,943	38,936	20,236	-6,229
COVID-19 Funding	0	0	-41,019	0	0	0
TOTAL			11,924			

* 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 Council Tax and Business Rate Income.

Overall Forecast Position

	Covid Cost	Covid Income	BAU	FUNDING	Total
	£M	£M	£M	£M	£M
2020/21	32,537	18,383	-6,229	-39,719	4,972
2021/22	6,399	1,853	-	-1,300	6,952
Total	38,936	20,236	-6,729	-41,019	11,924

- 3.1 The revenue outturn position as at December 2020 is currently reporting a forecast overspend of £11.9M, £5.0M in 2020/21 and a further £6.9M to carry on the COVID response and recovery to the end of Q2 2021 [30th September 2021]. This is further analysed below:

COVID-19 Expenditure

	2020/21	2021/22	TOTAL
DIRECTORATE	£M	£M	£M
Children's	649	373	1,022
Place	4,968	527	5,495
Adults & Communities	16,092	1,923	18,015
Public Health	2,498	1,547	4,045
Core Services	194	0	194
Corporate / General Items	7,036	2,029	9,065
HRA	1,100	0	1,100
TOTAL	32,537	6,399	38,936

- 3.2 It is currently forecast that leading the COVID-19 emergency response will cost the Council in the region of £38.9M. This cost can be split between costs incurred during 2020/21 totalling £32.5M with a further £6.4M costs forecast to continue the response effort through to the early autumn of 2021/22.
- 3.3 These costs include 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

	2020/21	2021/22	TOTAL
DIRECTORATE	£M	£M	£M
Children's	621	0	621
Place	7,977	1,703	9,680
Adults & Communities	80	0	80
Public Health	8	0	8
Core Services	2,558	150	2,708
Corporate / General Items	6,355	0	6,355
HRA	784	0	784
TOTAL	18,383	1,853	20,236

- 3.4 A total shortfall in income is also forecast in the region of £20.2M, of which £18.4M relates to income losses during 20/21 with a further phased shortfall of £1.8M expected in 21/22. This includes lost income from fees and charges totalling £13.1M (£11.3M in 20/21 and £1.8M in 2021/22), £4.2M in Council tax in 20/21, £2.1M in business rates and £0.8M in housing rents all in 20/21.

3.5 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 95.0%, 1.0% 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 94.9%, 2.6% below target, largely as a result of the closure of all but essential businesses during the various national lockdown periods.

3.6 The S151 Officer is also seeking approval to write off debt amounting to £1.004M which has become uneconomical to pursue. This is summarised in the table below:

Type of Dept	Value of Write off (£M)
Council Tax	0.263
Business Rates	0.080
Trade Debt General Fund	0.217
Trade Debt HRA	0.036
Housing Benefit Overpayment	0.227
Sub Total	0.823
Rent Arrears	0.181
Total	1.004

COVID 19 Government Support

3.7 Government have provided some financial support to help Council's through the pandemic. To date, the Council is expected to receive up to a maximum of £41.0M in funding. This funding is further analysed in the table below.

Support Type	£M	Purpose	Conditionality	Risk
Emergency COVID Funding	£23.113	General funding to help Council's respond to the pandemic.	No specific conditions attached	No payback
Infection and Prevention Control	£5.462	Funding to help control and prevent infections in care home settings.	Paid in 2 tranches, tranche 1 (£3.0M) to be spent by Sept 20. Tranche 2 £2.4M to be spent by 31 st March 21.	£0.140M returned under tranche 1. Concerns over 2nd tranche so currently under review
Outbreak Control & Management	£5.155	Mitigation and management of local outbreaks of COVID-19.	£1.6M was paid initially. This has no restrictions attached to it with £1.3M to be carried forward into 21/22. Further payment received reflecting the different restrictions put in place at between £4 and £8 per head – subject to restrictions and to be used by 31 st March 21.	To be spent by 31 st March though currently under review. Plan in place including covering redeployment costs.
Income Compensation	£3.390	Compensation for lost income from fees and charges.	2 claims submitted to date with further claim to be submitted in March. First	Losses in 2020/21 outweigh compensation.

			5% must be stood by LA and then 75% of losses funded. To be used in 2021/22.	
Winter Grant	£0.946	This funding was provided for free school's meals, winter fuel grants, healthy holidays, food bank provision and local welfare assistance	This funding expires by 31 st March.	A small underspend is currently forecast though plans are in place to utilise this by year end.
Welfare Assistance	£0.351	Funding is to provide welfare assistance for food from food banks and household items for people setting up a new home after a period of living in an institutional setting or has experienced an unforeseen, unfortunate event.		This funding has been fully spent.
Lateral flow testing	£0.752	Specific testing in Care Homes.	No conditions as yet but expected that this funding can be carried forward in to 21/22.	Currently liaising with Care Homes to formulate a plan.
Test and Trace	£0.536	Funding is to provide hardship support for low income households required to self-isolate.	Council has agreed to continue the scheme beyond funding envelope	Funding fully utilised.
Workforce Capacity	£0.619	Funding for additional care staff capacity, admin support and overtime costs where required.	This funding has just been announced (27 th January) and has some specific / tight funding criteria. It is unclear at this stage whether the funding can be carried forward beyond March 21.	Currently looking to formulate a plan to align to funding criteria but risk of claw back due to funding criteria / year-end deadline for spend.
COVID Marshals	£0.156	Specific funding to employ COVID marshals to offer advice and support during restrictions.	Funding already used on employment of 8 marshals [costs in excess of funding].	Funding fully utilised.
New Burdens	£0.170	Funding to help LA's make core system changes for key support	No conditions.	Funding fully utilised.
CEV Funding	£0.366	Support for individuals identified as Clinically Extremely Vulnerable during national lockdown periods, to enable them to access basic food and support.	Funding used in the emergency contact centre	Funding fully utilised.
TOTAL	£41.016			

- 3.8 It is anticipated that the vast majority of the £41M grant funding will be maximised in accordance with the timeframe and eligibility criteria attached to each funding stream.
- 3.9 However, there are risks of clawback / grants being repaid to Government in relation to the following:
1. Infection and prevention control – this largely represents grants paid to care homes to deal with infection control, with each provider having to evidence spend on eligible items. Although the first tranche of grant was largely expended, a small number of providers were unable and / or didn't require the funding to pay for eligible items and therefore £140k will be repaid to Government. There is also a risk around unspent grant in relation to the second tranche of funding which has to be spent by 31st March. Although this is largely outside of the Council's control, colleagues in Adult Social Care and Finance continue to work with providers to ensure this funding is maximised as far as is possible;
 2. Outbreak Control – This is funding to mitigate and manage local outbreaks of COVID 19. The funding [£5.1m in total] has been announced in stages in response to the different restrictions announced over the past year. This has made planning difficult although colleagues from Public Health and across the Council have put together a detailed plan intended to fully utilise this grant by year end. There does remain a risk that some of the actions within the plan will not spend as currently forecast, though further mitigations are being explored, including 'switching out' existing public health activity and wider redeployment costs, should that be the necessary;
 3. Adult social care workforce capacity funding – this funding announced at the end of January 21 is provided for additional care staff capacity, admin support and overtime costs where this would release expert resources to the front line. Colleagues in Adult Social Care and Finance are currently developing a plan to maximise this funding though there remains a risk of some claw back due to the restrictive nature of the grant criteria and the tight timeframe for spending the money i.e. 31st March 2021.
- 3.10 Regardless, 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

- 3.11 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].

3.12 The current forecast deficit position stands at £11.9M. This is split between £5.0M relating to 2020/21 and a further £6.9M through to the end of September 2021.

2020/21 Recovery / Mitigation Plan

	Covid Cost	Covid Income	BAU	FUNDING	Total
	£M	£M	£M	£M	£M
2020/21	32,537	18,383	-6,229	-39,719	4,972
Mitigations					
Continue with the moratorium on all non-essential expenditure					TBD
Continue to delay / postpone previously approved investment					£3M
Compensation from Government for Taxation income losses					£2M
Use of reserves					n/a
Balance					Nil

3.13 Based on the above mitigations, it is envisaged that the Council will be in a position to balance its books by the financial year end.

2021/22 Recovery / Mitigation Plan

	Covid Cost	Covid Income	BAU	FUNDING	Total (for 6 months)
	£M	£M	£M	£M	£M
2021/22	6,399	1,853	-	-1,300	6,952
2021/22 Extended to March 22	6,399	1,853	-	-	8,252
				TOTAL	15,204
Mitigations					
Extension of fees & charges compensation scheme to Q1					£0.5M
Compensation for taxation income losses					£2.0M
Further provision in the 2021/22 budget for income losses					£3.0M
COVID 19 funding set aside as part of 21/22 budget					£12.7M
COVID Reserves (if required)					TBD
Balance					Nil

3.14 As discussed as part of setting the 21/22 budget the total cost of dealing with the pandemic included provision to continue with the current 'emergency' response mode through to the end of September 2021, together with an assumption around ongoing losses to fees & charges as restrictions remain in place, at a combined estimated cost of £6M [net].

3.15 If, for whatever reason, the response effort had to be extended through to the end of 21/22 at the same level as currently assumed, further costs of £8.3M are anticipated, bringing the total deficit for 21/22 to in the region of £15.2M.

3.16 In this, hopefully worse case scenario, the mitigation plan to maintain a balanced budget position in 21/22 is to utilise the full £12.7M of one-off funding that was set

aside as part of approving the 21/22 budget process the remaining gap being plugged from the Government's core income compensation schemes.

- 3.17 To the extent that the position improves resources can be released for other priorities and / or to support the wider pandemic / economic recovery.

DIRECTORATE UPDATES

- 3.18 Council services are forecasting a significant overspend for 2020/21 of £35.0M. This is made up of £40.6M of costs relating to the impact of COVID-19, offset by operational underspends of (£5.6M). Details of variances have been split between existing business as usual activities and those relating to COVID-19.

Children's Services Directorate

- 3.19 The Children's Services Directorate is currently forecasting an **overspend of £0.958M**, of which £1.480M is related to COVID-19 pressures, offset by £0.785M operational underspends.

People 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
Education, Early start & Prevention	3,456	3,339	-117	120	548	-785
Children Social Care & Safeguarding	25,702	27,677	975	902	73	0
Sub-Total	29,158	30,016	858	1,022	621	-785
Schools	2,201	2,201	0	0	0	0
Total – People	31,359	32,217	858	1,022	621	-785

COVID-19 Costs

- 3.20 Additional costs of £1.022M are currently forecast. This includes employing additional Social Worker resource through to autumn 2021 to support the increase in children's social care caseloads of £0.527M, an anticipated increase in Looked After Children [LAC] placement numbers and respite care costs totalling £0.309M, support to early years care providers of £0.120M and support for care leavers of £0.066M.

COVID-19 Income

- 3.21 The Directorate is anticipating income losses of £0.621M. This has increased since Q2 following the recent school closures and a reduction in the demand for Education Psychology, Education Welfare and SEND support services. The temporary closure of Newsome Avenue for respite care earlier in the year also resulted in a £0.074M income pressure.

Business as Usual

3.22 Children in Care remains an area of concern, projecting an overspend of £1.404M, an increase of £0.470M since Q3. This cost has been fully offset in year by the planned use of one-off Social Care Grant, with the ongoing impact provided for as part of the revised MTFS. Over and above this an underspend (£0.785M) is anticipated as a result of vacancies across Education, Early Start & Prevention together with implementation of the moratorium on expenditure particularly within Early Start / Family Centres, School Evaluation and Targeted Youth Services.

Place Directorate

3.23 The Place Directorate is forecasting an **overspend of £10.903M**, the majority of which (£10.823M) is COVID-19 related.

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
Regeneration & Culture	14,892	22,021	7,129	1,847	5,484	-203
Environment & Transport	29,159	37,085	7,926	3,648	4,196	83
Total Place	44,051	59,106	15,055	5,495	9,680	-120

COVID-19 Costs

3.24 Regeneration and Culture have seen additional costs of £1.847M associated with COVID-19, predominately related to an increase in security and cleaning costs. Costs include property related / building adaptations to support strict government guidelines through to the end of September 21 (£1.299M), supplier relief (£0.215M), delivering cultural services digitally (£0.050M) and conducting a Retail Impact Assessment (£0.018M).

3.25 The pandemic has also resulted in a delay to the town centre buildings review and delivery of 20/21 planned efficiency savings (£0.265M).

3.26 Environment and Transport have incurred significant additional costs of £3.648M as a result of the pandemic, this being an increase of £0.421M compared to the position reported at Q2 primarily due to the assumed extension of the revised waste services [Covid] delivery model through to September 2021.

3.27 Overall these costs include; additional waste collection and disposal costs due to general increases in waste combined with implementing COVID safe measures into operational delivery (£2.654M), 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 (£0.077M). There will also be a

delay in the delivery of planned 20/21 efficiency savings within Commercial Services (£0.050M).

COVID-19 Income

- 3.28 Regeneration and Culture forecast a shortfall in income of £5.485M, an increase of £2.410M since Q2 reflecting the recent lockdown in January and closure of all non-essential retail including the market as well as a general shortfall in fees and charges income within the Employment and Skills service, planning fees, reduced Right to Buy sales and across the Council's cultural offer. Income losses have also been extended through to the end of September on a phased return to normality basis.
- 3.29 Environment and Transport are anticipating income losses of £4.196M. These losses are associated with; a shortfall in highways income as a result of the suspension of highways works in the Q1 (£1.144M), a loss of car parking income (£1.774M), a loss of commercial waste and recycling income (£1.202M) and a loss in fee income from sports and leisure facilities and other income (£0.076M) .

Business as Usual

- 3.30 Regeneration and Culture are reporting an overall underspend on BAU of £0.203M. The overall underspend is comprised of vacancy management (£0.563M) and an underspend on events (£0.140M), offset by the running costs of under occupied buildings e.g. LIFT (£0.423M) and additional project costs at Elsecar Heritage Centre. Environment and Transport is reporting an overspend of £0.083M mainly due to a delay in the delivery of the Transfer Loading Station (£0.333M), offset by staffing underspends.
- 3.31 It should also be noted that this position excludes the cost of winter maintenance. The number of winter grits completed in January way exceeds the same levels in each of the last of the four years. This is as result of significantly lower temperatures coupled with the levels of rain fall which effectively washed away all grit salt. It is likely that the current budget will be exceeded with any overspend a call on corporate resources.

Adults & Communities Directorate

- 3.32 The Adults & Communities Directorate is forecasting an **overspend of £14.926M**, of which £18.095M relates to COVID-19 pressures, offset by operational underspends across the Directorate of £3.169M.

Directorate	Approved Net Budget 2019/20 £'000	Projected Net Outturn 2020/21 £'000	Variance £'000	Variation Split by:		
				Covid Costs	Covid Income Lost	Business as Usual
				£'000	£'000	£'000
BU02 – Adult Social Care & Health	52,930	63,689	10,759	13,384	0	-2,625
BU08 – Safer, Stronger & Healthier Communities	9,862	14,029	4,167	4,631	80	-544
Total for Directorate	62,792	77,718	14,926	18,015	80	-3,169

COVID-19 Costs

- 3.33 Additional costs totalling £13.384M are estimated to be incurred in sustaining the adult social care service / providers during the COVID-19 pandemic. This includes; payments to plan, payment of voids and payments to introduce infection control measures. The Council has also pooled resources with the CCG to support the cost of hospital discharges.
- 3.34 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, support to the voluntary sector as well as additional measures to combat an increase in anti-social behaviour (£4.631M).

COVID-19 Income

- 3.35 Minor income losses (£0.080M) are anticipated as a result of the suspension of fixed penalty notices.

Business as Usual

- 3.36 The Directorate is forecasting an underspend on its day to day operations of -£3.169M, a significant improvement from Q2. The increased underspend is mainly due to continued reduction in forecast spend on care support / packages relating to Older People residential / nursing care together with vacancy and general cost management across the directory. Efficiencies planned for 21/22 have also been delivered early.

Public Health

- 3.37 Public Health is forecasting an **overspend of £3.636M**, of which £4.053M relates to COVID-19 pressures.

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
Public Health	4,515	8,151	3,636	4,045	8	-417

COVID-19 Costs

3.38 The Directorate is responsible for delivering the Council's outbreak control plan to support the detection and prevention of Covid 19 across the Borough. Specific funding allocations totalling £3.661M have been allocated via central government to support these costs which is included within the Council's overall COVID 19 funding. Further costs (£0.090M) have also been incurred associated with bereavement support and compliance and enforcement (£0.294M).

COVID-19 Income

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

Business as Usual

3.40 An operational underspend of £0.417M 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

3.41 The Core Services Directorate is forecasting an **overspend of £2.277M**, of which £2.904M relates to COVID-19 pressures, offset by operational underspends of £0.625M.

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	6,370	6,975	605	56	215	334
Finance	3,968	5,503	1,535	44	1,841	-500
Bus Imp, HR & Comms	5,158	5,009	-149	85	204	-388
Legal Services	1,590	1,962	372	-	448	24
Council Governance	3,616	3,530	-86	9	-	-95
Total – Core	20,702	22,979	2,277	194	2,708	-625

COVID-19 Costs

- 3.42 Additional cost pressures of £0.194M associated with providing the required IT support / equipment to facilitate home & remote working requirements costs been incurred on staff support and supplier relief payments.

COVID-19 Income

- 3.43 The Core Directorate is anticipating income losses of £2.708M, predominately due to a fall in the demand for school meals as a result of school closures (£1.741M). Other losses relate to court fee income (£0.250M) following the suspension of court activity [due to recommence November 2020) particularly related to non-payment of Council Tax, external (mainly schools) trading income (£0.264M), a shortfall in license / land charge fee income (£0.348M) and income from registrars (£0.105M).

Business as Usual

- 3.44 An operational underspend of £0.625M is forecast, a slight improvement from Q1 mainly due to increased vacancy levels. The overall position is mainly comprised of staff turnover and vacancy management (£0.791M), an underspend in the cost of servicing elections (£0.152M) as a consequence of the postponement of this year's election and various other underspends in supplies & services in line with the moratorium (£0.123M). These underspends are offset by overspends in Legal Services due to the use of locums (£0.347M) and loss of external SLA income (£0.094M).

Corporate Budgets

- 3.45 Corporate budgets are forecasting to be **overspent** by **£15.420M** by the end of 20/21. This is split This is a result of increased costs associated with the Covid 19 response together with forecast losses in tax collection. In terms of the latter 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

- 3.46 There are COVID related costs of £9.065M. This is split between costs in 2020/21 totalling £7,036 and £2,029 during 2021/22. This relates to the provision of additional staffing resource across the Council to support the Tier 3 and subsequent further lock down response through to September 2021 (£3.124M), the costs of recovery from the first lockdown restrictions (£1.239M) provision of PPE (£1.065) and provision for a discretionary business support scheme subject to clarity on nationally available funding (£2.500M).

3.47 In addition, the Council has also seen increased insurance premiums costs (£0.500M), additional system costs, additional payments to the Coroner's Office (£0.100M) and other miscellaneous corporate costs (£0.537M).

COVID-19 Income

3.48 As reported in Q1 there continues to be 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 95.0% (95.85% in 2019/20).

3.49 In addition, there is a shortfall in relation to Business Rate income, with a collection rate of 94.9% (97% in 2019/20) forecast. This is mainly due to the enforced closure of businesses at the end of March and subsequent disruption which has adversely impacted business income together with a small number of business closures in recent months (£2.085M).

Housing Revenue Account (HRA)

3.50 The HRA is currently forecasting an operational overspend as at the end of September of £0.771M.

COVID-19 Costs

3.51 An additional cost of £1.100M is forecast on the housing repairs contract relating to the payment of supplier relief and the cost of emergency works during the initial lockdown period.

COVID-19 Income

3.52 The combination of COVID and subsequent increase in the number of tenants claiming Universal Credit and / or seeing their incomes fall as a result of furlough / redundancy has contributed to a reduction in the amount of rent collected [Q3 collection rate is 96.7%]. It is forecast that the bad debt provision will be increased by £0.771M to cover the expected rental income loss.

Business as Usual

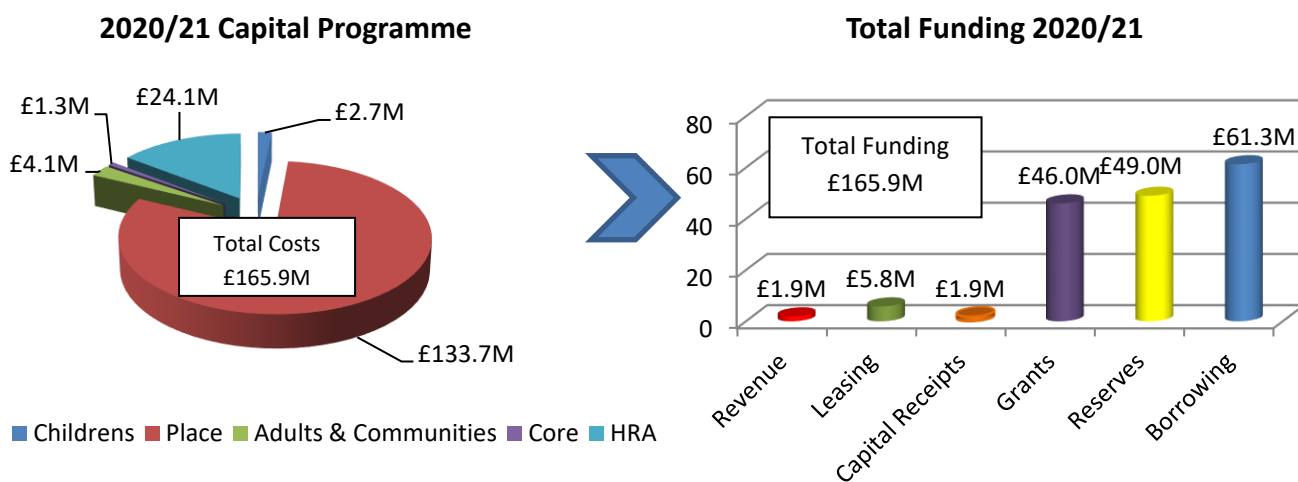
3.53 There is however a forecast underspend of £1.113M mainly as a result of reduction in the number of right to buy properties and a drawdown of reserves earmarked to fund compliance testing within the Property Improvement Repairs Programme (PRIP).

4. Overall Capital Programme Position as at the End of December 2020

The position on the Council's Capital Programme for 2020/21 is currently projected to be an overall lower than anticipated expenditure of £34.2M.

This in the main relates to scheme slippage of £35.5M, offset by the rephasing of costs from future years (£1.3M).

4.1 The Council's capital programme is planned over the five-year period 2020/21 through 2024/25 inclusive and has a total estimated cost of £202.3M. The cost in 2020/21 totals £165.9M as highlighted in the chart below:



Directorate	2020/21 Capital Programme	2020/21 Actuals	2020/21 Projected Outturn	2020/21 Variance	Total Capital Programme	Total Projected Outturn	Total Variance
	£M	£M	£M	£M	£M	£M	£M
Children's Services	2.669	1.852	2.343	(0.326)	3.130	3.065	(0.065)
Place	133.702	60.147	105.115	(28.587)	159.756	160.387	0.631
Adults & Communities	4.149	1.600	2.532	(1.617)	8.882	8.881	(0.001)
Core Services	1.331	0.119	0.983	(0.348)	1.331	1.331	0.000
HRA	24.052	8.425	20.743	(3.309)	29.231	28.364	(0.867)
Total	165.903	72.143	131.716	(34.187)	202.330	202.028	(0.302)

Key Messages

4.2 The table below summarises all movements in the capital programme during Q3. Each movement is explained further in paragraphs 4.3 to 4.7 below.

	2020/21	Later Years	Total
	£M	£M	£M
Reported Variance as at 31st December			
As a result of:			
Slippage:			
Children's Services	(0.260)	0.260	-
Place	(29.217)	29.217	-
Adults & Communities	(1.616)	1.616	-
Core Services	(0.347)	0.347	-
Housing Revenue Account	(4.026)	4.026	-
Sub-Total	(35.466)	35.466	-
Re-phasing:			
Housing Revenue Account	1.250	(1.250)	-
Sub-Total	1.250	(1.250)	-
Funded Increases/(Decreases) in Scheme Costs:			
Children's Services	(0.065)	-	(0.065)
Place	0.631	-	0.631
Adults & Communities	(0.001)	-	(0.001)
Housing Revenue Account	(0.536)	(0.331)	(0.867)
Sub-Total	0.029	(0.331)	(0.302)
Total	(34.187)	33.885	(0.302)

2020/21 Slippage

4.3 Scheme slippage totaling £35.5M is reported during the quarter. The table below highlights the main schemes that have slipped

Scheme	Amount £M	Comments
Glassworks Development	15.8	Delays in securing planning permission and design for remaining areas of public realm and securing tenants due to COVID 19
M1 Junction Improvements (J36 & J37)	6.1	Delays in planning, contractor appointment and statutory diversion works
Barnsley Homes Standard Programme / Disabled Facilities Grant	4.7	Slippage due to COVID 19 re property access issues
Highways Safer Roads	1.2	Delays in land acquisition
Car Parking Strategy	1.0	Delays in procurement
Eastern Gateway	0.9	Delays in site acquisition
Other	5.8	
TOTAL	35.5	

2020/21 Scheme Rephasing

- 4.4 There has been a rephasing of scheme costs from future years (£1.250M) mainly relating to accelerating the Council's Empty Homes Acquisitions Programme (£1.000M).

2020/21 Variation in Scheme Costs

- 4.5 There has been a net increase in scheme costs totaling £0.029M across several schemes.

5. Treasury Management update as at end of December 2020

Economic Summary

A reduction in the PWLB rates of 1% was implemented on the 26th November. There is little movement expected in interest rates over the next two years due to the expected prolonged period of recovery.

Borrowing Activity

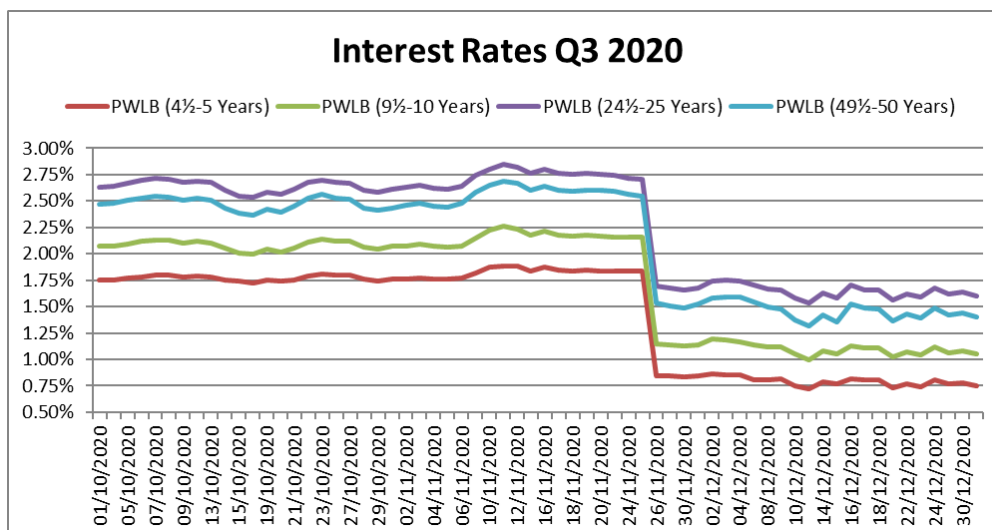
In line with the agreed TM strategy there was no new borrowing undertaken during quarter 3. It is anticipated that the Council will need to borrow up to £216M over the next 3 years, of which £68M will need to be taken at fixed rates of interest to maintain interest rate risk exposure at 70% of total debt.

Investment Activity

There has been a further net reduction in investment balances of £6.6 Million during quarter 3. Security and liquidity remained the key priorities, with the bulk of transactions relating to secure Money Market Funds and instant access accounts. It is recommended that the temporary increase in investment limits applied in March 2020 should continue to remain in place to ensure sufficient liquidity during the Covid crisis.

Key Messages – Economic Summary

- 5.1 Interest rates remain a key driver of the Council's Treasury Management activities. As illustrated by the chart below there was some volatility in interest rates during the third quarter, however the main highlight is the reduction in PWLB lending margin implemented on the 26th November (by 1%). This reduction comes with some revised lending terms to prevent authorities from using PWLB loans to buy commercial assets primarily for yield, however these terms are not expected to cause any issues for the Council:



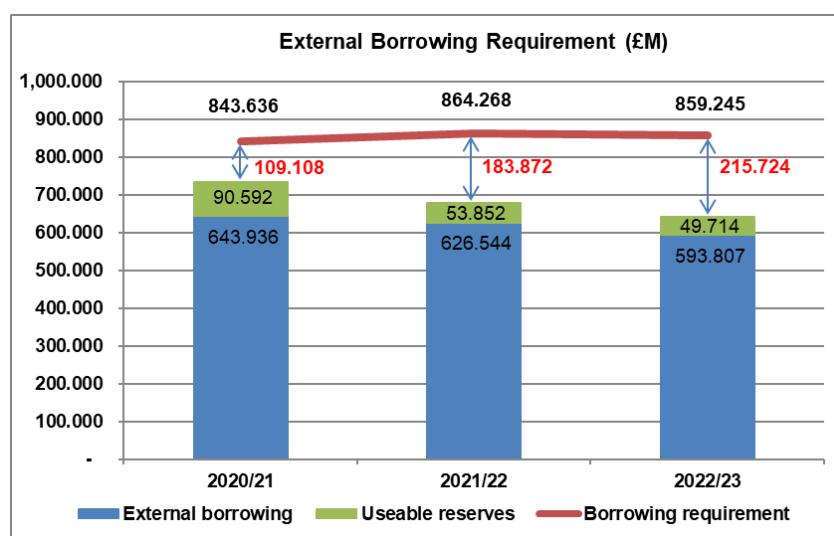
5.2 As a result of this reduction, the expectation is that PWLB rates will remain below 2% for the foreseeable future due to a prolonged period of economic recovery following the Covid pandemic (see table below):

	Latest Interest Rate Projections* (Link Asset Services)					
	Latest	Mar-21	Sep-21	Mar-22	Sep-22	Mar-23
UK Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
PWLB Certainty (50 Years)	1.53%	1.30%	1.40%	1.40%	1.50%	1.50%

Key Messages – Borrowing Activity

5.3 In line with the agreed Treasury Management strategy to limit exposure to interest rate risk whilst maintaining an appropriate level of internal borrowing to minimise financing costs, no new borrowing was undertaken during the quarter.

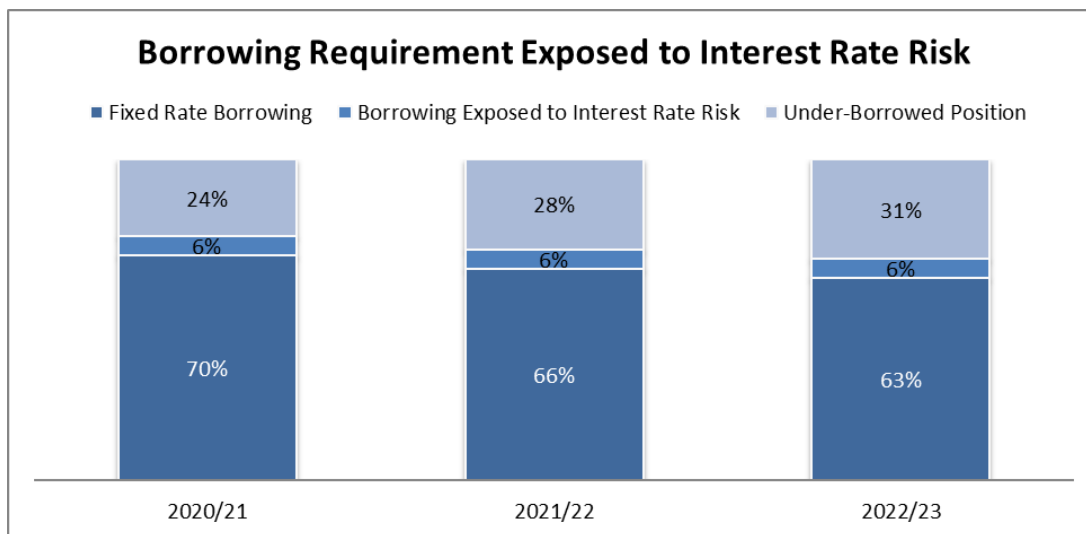
5.4 However, as shown in the following chart, it is anticipated that the Council will need to borrow up to £216M by the end of 2022/23 with a breakdown of this borrowing shown in the table below:



Projected external borrowing requirement 2020/21 – 2022/23	£M
Planned capital investment	86.553
Maturing loans / reduced support from useable reserves	137.994
Amounts set aside to repay debt	(8.823)
Total	215.724

5.5 The Council is committed to maintaining its interest rate risk exposure within the limits set out overleaf (subject to approval of next year's Treasury Management Strategy). The Council is currently on track for 2020/21, however, to continue delivering against this strategy it is anticipated that £68M of fixed rate borrowing will be required over the next two years.

Interest Rate Exposures	2020/21	2021/22	2022/23
Limit on Variable Rate Borrowing / Unfinanced CFR	30%	35%	30%



5.6 Based on the latest projections, there isn't an immediate requirement for any fixed rate borrowing. Instead, this year's requirement could be met through temporary borrowing or internal cash resources.

Key Messages - Investments

5.7 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.

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

Institution	Minimum Long-Term Rating (Fitch or Equivalent)	Previous Limit	Revised Temporary Limit
Barclays Bank PLC (The Council's own bank)	A	£10M	£50M

Background Information – available on request

Corporate Finance Performance Q3 – detailed report

Capital Programme Update Q3 – detailed report

Treasury Management Update Q3 – detailed report