

BARNSLEY 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 2021

1. Purpose of the Report

- 1.1 To consider the financial performance of the Authority during the first quarter ended 30th June 2021 and assess the implications against the Council's Medium-Term Financial Strategy (MTFS).
- 1.2 This report also provides an update on the ongoing impact of COVID-19 on the Council's 21/22 budget and beyond.

2. Recommendations

- 2.1 It is recommended that Cabinet:

CORPORATE FINANCE PERFORMANCE

- Note the forecast 21/22 General Fund overspend of £22 Million, mostly comprised of the ongoing impact of COVID-19;
- Note the current 21/22 forecast of a balanced position on the Housing Revenue Account;
- Note the overall net impact (after all specific Government funding) of £6.6M;
- Note that this net impact will be funded from resources previously set aside within the 21/22 budget;
- Approve the write off of historic bad debts totalling £0.594M.

CAPITAL PROGRAMME PERFORMANCE

- Note the forecast position on the approved Capital Programme;
- Note the ongoing review of the capital programme.

TREASURY MANAGEMENT

- Note the key messages from the Council's Q1 Treasury Management activities.

3. Overall General Fund Position to the Quarter Ending June 2021

The COVID-19 pandemic is placing a significant strain on the 21/22 revenue budget. The Council is currently reporting an overall projected General Fund revenue overspend for 21/22 of £22M. This is comprised of a forecast overspend on Directorate budgets of £17.8M, and a £4.2M overspend on Corporate budgets.

This position is summarised below with further detail provided where appropriate.

Directorate	Approved Net Budget 2021/22	Projected Net Outturn 2021/22	Variance	Variance Split by:		
				Covid Costs	Covid Income Lost	Business as Usual
	£'000	£'000	£'000	£'000	£'000	£'000
Children's	35,919	38,476	2,557	584	0	1,973
Place	44,798	50,895	6,098	3,623	2,166	309
Adults & Communities	61,974	67,212	5,238	6,719	0	(1,480)
Public Health*	3,694	7,550	3,856	3,856	0	0
Core Services	19,987	20,036	49	140	494	(585)
Service Totals	166,372	184,169	17,797	14,921	2,660	217
Corporate / General Items	20,216	24,423	4,207	4,207	0	0
Sub Total – Council	186,588	208,592	22,004	19,128	2,660	217
HRA	73,098	73,098	0	0	0	0
TOTAL	259,686	281,690	22,004	19,128	2,660	217
COVID-19 Funding	0	-15,871	-15,871	0	0	0
TOTAL			6,133			

* 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.

3.1 The revenue outturn position as at June 2021 is currently reporting a forecast overspend of £22.0M. This overspend is predominately as a result of the ongoing impact of COVID 19; this being summarised in the tables below with further detail provided in the individual Directorate updates in Section 5.

COVID-19 Expenditure

DIRECTORATE	Description	2021/22
		£M's
Children's	Additional Social Workers	0.584
Place	Waste costs, building security and cleaning costs, kick start and business support	3.623

Adults & Communities	Support to the care market and infection control	6.719
Public Health	Outbreak control	3.003
Core Services	IT costs	0.140
Corporate / General Items	Business Support, additional resourcing / resilience, PPE and insurance costs	5.059
	TOTAL	19.128

COVID-19 Income losses

DIRECTORATE	Description	2021/22
		£M's
Place	Car parking, rent relief on commercial properties, training / course fees, culture and sport fee income	2.166
Core	School meals / catering income	0.594
	TOTAL	2.660

- 3.2 The above income shortfall excludes any losses in relation to core taxation (council tax and business rates) where provision has previously been made as part of the 21/22 budget setting process. Council tax collection is currently forecast to be in line with the target of around 96%. However, there is currently a shortfall forecast in business rates collection of 2.4% (current collection rate of 95.09% against a target of 97.5%) which is partly explained by the reduction in reliefs in this financial year. This will be monitored closely as we progress through the remainder of the year.
- 3.3 The overall overspend (£22.0M) will be funded from a combination of specific Government funding received for COVID 19 (£15.9M - see below) with the balance (£6.1M) being funded from resources set aside within the 21/22 approved budget.

COVID 19 Government Support

- 3.4 Government have provided financial support to help Council's through the pandemic. To date, a total of £15.9M of funding is available to support the ongoing costs of COVID 19 in this financial year. This funding is further analysed in the table below:

Support Type	£M	Purpose	Conditionality
Emergency COVID Funding	£5.837	General funding to help councils respond to the pandemic.	No specific conditions attached.
Infection and Prevention Control	£2.632	Funding to help control and prevent infections in care home settings.	Funds required to be spent by 30 th September [on specific interventions].
Outbreak Control & Management	£3.595	Mitigation and management of local outbreaks of COVID-19.	To be used by 31 st March 22 [on specific interventions].
Test and Trace Support	£1.094	Provision to manage the test and trace support programme in Barnsley.	To be used by 31 st March 22 [on specific interventions].

Test and Trace Self Isolation Support	£0.809	Funding to provide financial support to those required to self-isolate.	This funding expires 31 st March 22.
Local Support Grant	£1.116	Funding is to provide support / welfare assistance; specifically, with food & utility costs.	Time limited and specific funding conditions apply.
Income Compensation	£0.400	Compensation for income losses in Qtr. 1 of 21/22.	Subject to final claim which is yet to be submitted.
Community Champions Grant	£0.127	Funding to engage with BAME's and the disabled re Covid.	
Practical Support Grant	£0.261	Practical support for those who are self-isolating e.g. to help with services such as shopping, counselling, befriending, dog walking etc.	
TOTAL	£15.871		

- 3.5 There remains a modest risk of clawback / grants being repaid to Government where timeframes / grant conditions are not met. Specifically, the monies received for Infection and Prevention Control within care settings is predicated on individual care providers evidencing spend on eligible items within the timescales set by Government. Although this is largely outside of the Council's control, colleagues in Adult Social Care and Finance continue to work closely with providers to ensure this funding is maximised as far as is possible.
- 3.6 It remains possible that Government support will be inadequate to cover the full cost of responding to and recovering from the pandemic during this financial year. To mitigate against this risk Cabinet approved the setting aside of specific funding within the 21/22 budget.
- 3.7 This forecast is considered prudent based on the latest 'roadmap to recovery' although this will be kept under close review given the fluid position. To the extent that the above position improves resources may be released for other priorities and / or to support the wider recovery from the pandemic.

CRITICAL SUCCESS FACTORS

- 3.8 The following Critical Success Factors [CSF] measure the financial and commercial performance of the new Council Plan [21-24]:

ID	Critical Success Factor	Q1 Target	Q1 Actual	Q1 Narrative
EB02	% of borrowing to net budget	9.5%	9.37%	The % of debt borrowing costs to net expenditure is higher than previous years due to the requirement to borrow to fund the Glassworks. On the advice of the S151 Officer borrowing outside of

	This indicator shows how much of the Council's budget is being used to fund debt costs.			already approved priorities should be minimised pending the CSR / confidence that risks attached to the funding of debt have been minimised.
EB03	Performance against overall budget This indicator measures the Council's overall financial performance.	100%	88%	The forecast outturn against budget at Q1 is an overspend of £22M or 11.8% over budget. This mainly relates to the ongoing impact of COVID 19. This overspend is fully funded from a combination of grant monies and a separate provision set aside in the 21/22 budget. However, all services should now return spending to within core budgets as the impact of the pandemic subsides. The S151 Officer has requested Executive Directors to establish action plans to mitigate all identified business as usual spending pressures.
GB07	% occupancy of commercial premises This indicator shows how many commercial business properties within Barnsley are currently empty (vacant)	8.8%	9.9%	Total Number of commercial properties per business rate listing is 6,039. Currently 5,442 are occupied (90.1%) and 597 (9.9%) are empty. Some of this is directly related to COVID 19.
	Business Rates Collection Rate This indicator shows the % collection rate against the budget for business rates income	97.5%	95.1%	Business Rates collection is currently forecast to be lower than target due to: - A significant ratepayer (2 nd largest in the Borough) did not make a payment during Q1 reducing the forecast by 0.62%. Payments were subsequently brought up to date in Q2. The entitlement to extended retail leisure and hospitality relief has reduced from 100% to 66% from 1 July 2021 increasing the net collectable debit. The forecast has been updated to reflect the potential risk of non-collection which will be closely monitored over the remainder of the year.
	Council Tax Collection Rate This indicator shows the % collection rate against the budget for council tax income	96%	96.8%	Council Tax collection remains in a strong position and the number of localised council tax support applications has stabilised in Quarter 1. This will be monitored closely as there remains a risk of non-collection / reduced net collectable debit as the furlough scheme is phased out.
EB05	Performance Against Commercial Income Target Holistic overview of all commercially traded income across the council.	100%	88%	A shortfall in commercial income is forecast as a direct result of the ongoing impact of COVID 19. For example, car parking income is predicted to be 20% short of overall target. This and other commercial income streams may improve as we exit restrictions though this will be kept under scrutiny during the remainder of the year.
EB08	Proportion of expenditure with local suppliers The amount of influenceable BMBC expenditure with	30%	34%	£24.1m of influenceable spend with local suppliers against a total spend of £71.5m as at Q1.

	companies that have a Barnsley postcode and therefore meet our local supplier definition. This ties in with our Inclusive Economy agenda to aid economic growth within the Barnsley area.			
HB17	Numbers on local council tax support The number of households claiming Local Council Tax Support.	21,000	23,498	There has been a small reduction in claimants on Local Council Tax Support (LCTS) during the Quarter. However, the number of LCTS claimants remains significantly higher than pre- pandemic levels indicating that jobs / incomes continue to be severely impacted by the pandemic . The current level of claimants is currently being reviewed to ensure there is still an entitlement to LCTS.
	Implementation of Agreed Management Actions	TBD	TBD	This KPI is reported annually.

DIRECTORATE UPDATES

3.9 Council services are forecasting a **significant overspend for 21/22 of £17.8M**. This is made up of £17.6M of costs relating to the impact of COVID-19, combined with operational overspends of £0.2M. Details of variances have been split between existing business as usual activities and those relating to COVID-19.

Children's Services Directorate

3.10 The Children's Services Directorate is currently forecasting an **overspend of £2.557M**, of which £0.584M is related to COVID-19 pressures, combined with a £1.973M operational overspend.

Children's Services 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	7,602	7,726	124	0	0	124
Children Social Care & Safeguarding	27,688	30,122	2,433	584	0	1,849
Sub-Total	35,290	37,848	2,557	584	0	1,973
Schools	629	629	0	0	0	0
Total – People	35,919	38,476	2,557	584	0	1,973

COVID-19 Costs - £0.584M

3.11 A total of **£0.584M** in additional costs are forecast which is attributable to the recruitment of additional Social Worker resource to address increased caseloads brought about by the pandemic.

COVID-19 Income

3.12 The Directorate is not anticipating any COVID 19 income losses.

Business as Usual

3.13 The Children's Services Directorate is forecasting an overspend of £1.973M.

3.14 Children in Care remains an area of concern with a projected overspend of £0.744M. Barnsley's Looked After Children [LAC] population is currently 21 above the target. External residential care is overspent due to several high-tariff placements, combined with an increase in foster care placements. The increasing complexity of the needs of the children is making it more difficult to find appropriate placements and explains the high unit cost (one recent placement costing up to £12k a week as compared to the more usual £3.5k p/w). In addition, there is also slippage in developing the new residential children's home which has resulted in several looked after children staying longer in other higher cost placements than originally envisaged.

3.15 There is also an overspend in Children's Assessment and Care Management [£0.727M] due to the increased cost of one off legal / external counsel support as a result of a rise in care proceedings, combined with an increase in Section 17 support payments.

3.16 Children's Disability & Short Breaks is forecasting an overspend of £0.467M due to an increase in the number of support packages being provided to families with disabled children (18 more since April 2020) combined with a reduction in CCG contributions and increased Section 17 payments.

3.17 Finally, an overspend of £0.124M is forecast within Education, Early Start & Prevention relating to reduced trading income in Inclusion Services [lower income from schools relating to Education Psychology and SEN Support Services], offset partly by vacancies within the Service.

Place Directorate

3.18 The Place Directorate is forecasting an **overspend of £6.098M**, the majority of which (£5.789M) is COVID-19 related.

Directorate	Approved Net Budget 2021/22 £'000	Projected Net Outturn 2021/22 £'000	Variance £'000	Variation Split by:		
				Covid Costs £'000	Covid Income Lost £'000	Business as Usual £'000
Regeneration & Culture	14,014	17,527	3,513	2,177	1,336	0
Environment & Transport	30,783	33,368	2,585	1,446	830	309
Total Place	44,797	50,895	6,098	3,623	2,166	309

COVID-19 Costs

- 3.19 Regeneration and Culture are forecasting additional costs of £2.177M associated with COVID-19. These include costs associated with extending the Kick Start programme (£0.600M), property related / building adaptations to support strict Government guidelines through to the end of September 21 (£0.531M), additional staffing across the Business Unit (£0.380M), costs associated with a return to adult learning (£0.105M), conducting business health checks (£0.176M), counter terrorism measures (£0.082M) and providing Digital Services (£0.050M).
- 3.20 The pandemic has also resulted in a delay to the town centre buildings review and the delivery of a 21/22 planned efficiency saving (£0.253M).
- 3.21 Environment and Transport continue to incur significant additional costs (£1.446M), primarily due to additional agency / overtime and vehicle costs as a result of ongoing social distancing measures [at Q1] and to provide cover for those staff required to self-isolate (£1.162M). There have also been additional costs incurred at HWRC sites (£0.216M) and additional staffing costs within Street Cleaning and Bereavement Services (£0.068M).

COVID-19 Income

- 3.22 Regeneration and Culture currently forecast a shortfall in income of £1.336M reflecting rent relief provided to support businesses whilst they fully re-open. A shortfall in fees and charges income within Employment and Skills and across the Council's cultural offer is also forecast.
- 3.23 Environment and Transport are anticipating income losses of £0.830M. These losses are predominately associated with an ongoing loss of car parking income (£0.747M). In addition, there are shortfalls anticipated within commercial waste, rental income from fairs / circuses and contributions to day care transport (£0.083).

Business as Usual

- 3.24 Regeneration and Culture are reporting a balanced position on BAU. There is an overspend forecast on the general running costs and under occupancy of buildings (£0.452M) which is currently offset by vacancy management (£0.420M) and underspends on various other items (£0.032M).
- 3.25 Environment and Transport is reporting an overspend of £0.309M mainly due to increased agency and transport costs within the Commercial / Bulky Waste Service, combined with a shortfall in anticipated highways fee income as a result of civil engineering staff vacancies.

Adults & Communities Directorate

3.26 The Adults & Communities Directorate is forecasting an **overspend of £5.238M**, of which £6.718M relates to COVID-19 pressures, offset by operational underspends across the Directorate of £1.480M.

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	55,223	57,890	2,667	3,815	0	(1,148)
BU08 – Safer, Stronger & Healthier Communities	6,751	9,322	2,571	2,904	0	(332)
Total for Directorate	61,974	67,212	5,238	6,718	0	(1,480)

COVID-19 Costs

3.27 Additional costs of £3.815M are estimated in relation to continued COVID 19 support for adult social care / care providers. This includes; general support payments to care providers £1.183M, infection control measures £1.563M and support for rapid lateral flow testing within care settings £1.068M.

3.28 The Directorate also continues to provide support to the most vulnerable at an estimated cost of £2.904M. This includes providing financial hardship support; ongoing resourcing of the emergency contact centre, funding for charities and voluntary organisations, self-isolation payments and providing food parcels during school holidays (£2.656M). In addition, ongoing support is being provided for the homeless and rough sleepers (£0.248M).

COVID-19 Income

3.29 The Directorate is not anticipating any COVID 19 income losses.

Business as Usual

3.30 The forecast underspend is mainly due to vacancy/staff turnover savings and reduced operating spend (£1.141M) across a number of services / teams within the Directorate (social worker teams; Reablement; Day Services; and Safe Communities team). This is partly offset by pressures in the Library Service due to not charging for fines (£0.100M). Forecast spend on adult social care provision (i.e. residential / nursing care, Homecare, etc) is currently on target against the budget, however, an increase in client contribution and claw back of direct payment surplus balances is forecast for the year (£0.439M).

3.31 The above reported position, assumes the full commitment of the resources carried forward from 2020-21 and earmarked for specific programmes (e.g. Better Lives Programme) and spend commitments.

Public Health

3.32 Public Health is forecasting an **overspend of £3.856M**, all of which relates to COVID-19 pressures.

Directorate	Approved Net Budget 2020/21	Projected Net Outturn 2020/21	Variance	Variation Split by:		
				Covid Costs	Covid Income Lost	Business as Usual
	£'000	£'000	£'000	£'000	£'000	£'000
Public Health	3,694	7,550	3,856	3,856	0	0

COVID-19 Costs

3.33 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 £4.690M have been provided by Government to support these costs together with costs currently recorded against other directorates (e.g. social distancing in public buildings and waste services) which are included within the Council’s overall costs reported for COVID 19.

COVID-19 Income

3.34 No income losses are anticipated associated with the COVID 19 pandemic.

Business as Usual

3.35 A balanced position is forecast for business as usual activities within the Directorate. 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

3.36 The Core Services Directorate is forecasting a **minor overspend of £0.049M**, of which £0.634M relates to COVID-19 pressures, offset by operational underspends of £0.585M.

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	6,851	6,971	120	120	0	0
Finance	2,859	2,920	61	0	340	(279)
Business Imp, HR & Comms	4,984	4,818	(166)	16	54	(236)
Legal Services	1,219	1,371	152	0	100	52
Council Governance	4,073	3,955	(118)	4	0	(122)
Total – Core	19,987	20,036	49	140	494	(585)

COVID-19 Costs

3.37 Additional cost pressures of £0.140M relate to additional spend on the Digital First SAP Success Factors project which has been delayed due to the pandemic, combined with additional costs for Occupational Health Unit referrals.

COVID-19 Income

3.38 The Core Directorate is anticipating income losses of £0.494M, predominately related to reduced income from school meals because of school / bubble closures (£0.340M). Other losses relate to a shortfall in court fee income due to reduced activity (£0.100M) and training fee income within Health and Safety / other minor income losses (£0.054M).

Business as Usual

3.39 An operational underspend of £0.585M is forecast, which is mainly comprised of staff turnover and vacancy management (£0.634M) pending restructures later in the year and an underspend in the cost of servicing elections (£0.114M). This is partly offset by under achieved income (£0.161M) relating to the suspension of the 2020 YPO dividend (which is paid the following year), although it is anticipated that this may now be received later in the year based on recent YPO trading results.

Corporate Budgets

3.40 Corporate budgets are forecast to **overspend by £4.207M** entirely as result of costs associated with COVID 19. These costs include provision to support the ongoing economic recovery (£2.0M), the cost of PPE (£0.305M), a provision for increased insurance premium costs (£0.5M) and other miscellaneous corporate costs (£0.271M). In addition, provision has been made for additional staffing resources / resilience across the Council should this be required beyond the end of September 21 (£1.131M).

Housing Revenue Account (HRA)

3.41 The HRA is currently forecasting a balanced position for 21/22.

4. Overall Capital Programme Position as at the end of June 2021

The position on the Council's Capital Programme for 21/22 is currently projected to be an overall lower than anticipated expenditure of £2.4M.

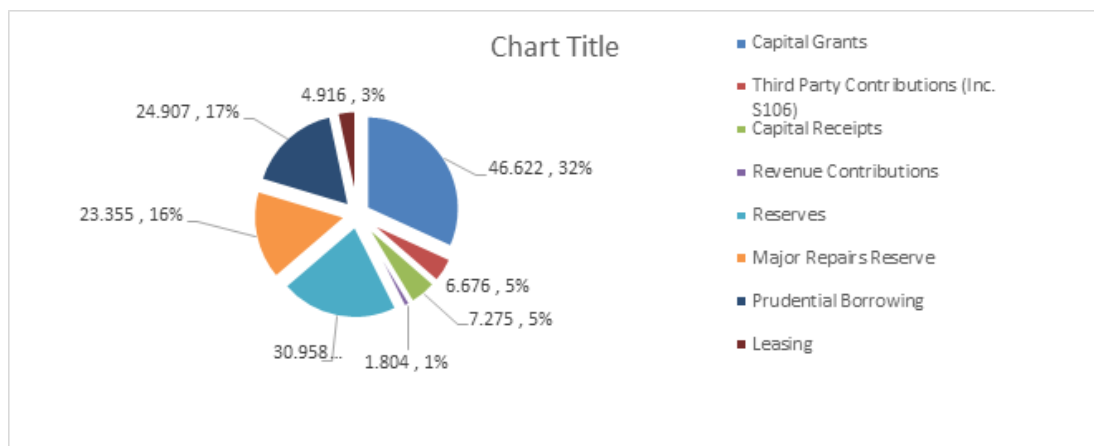
This predominately relates to scheme slippage of £2.1M, together with a reduction in anticipated scheme costs of £0.3M .

A number of new schemes have also been released / approved to commence during the Quarter.

4.1 The Council's capital programme is planned over the five-year period 21/22 through 26/27 and has a total estimated cost of £149.2M. The cost in 21/22 totals £146.5M as highlighted in the table below:

<u>Directorate</u>	2021/22 Capital Programme	Later Years' Capital Programme	Total Capital Programme
	£M	£M	£M
Children's Services	2.392	-	2.392
Place	105.269	2.689	107.958
Adults & Communities	9.355	-	9.355
Core Services	3.195	-	3.195
Housing Revenue Account	26.302	-	26.302
Total	146.513	2.689	149.202

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



Key Messages

Scheme Slippage

4.3 There has been programme slippage of £2.1M during the Quarter, mainly as a result of a delay in appointing the main contractor to construct the Glassworks Market Gate Bridge (£2.0M). The contract has now been issued and the

construction programme is in the process of being finalised with an anticipated start date of December 21.

Variation in Scheme Costs

- 4.4 Reduction in scheme costs of £0.3M have been identified during the quarter, predominately relating to the provision of SEND Heart space at Penistone Grammar School. This savings is from the original scheme at Penistone which has subsequently been replaced with a larger scheme at the site [already included in the programme].

New Scheme Approval

- 4.5 The table below details the investments which are to be progressed in the next period, subject to relevant business cases and formal approvals / reports.

Investment Scheme	Directorate	Value £M
Playground safety / resurfacing	Place	0.080
Crematorium reception replacement	Place	0.130
Allotment improvements	Place	0.250
Investment in WIFI connectivity at visitor attractions	Place	0.500
Safety and efficiency focused Telematics System	Place	0.100
New Children's Home	Children's	1.000
New IT Infrastructure	Core	1.065
Fire safety works	HRA	0.100
Sprinkler installation scheme	HRA	0.350
Lang Avenue flooding resilience works	HRA	1.007
Social housing decarbonisation fund	HRA	0.800
Energy efficiency: air source heat pumps / decarbonisation	HRA	1.100
Total Investment		6.482

External funding currently being progressed

- 4.6 As part of the Council's external funding strategy work is ongoing to maximize all available external funding opportunities:

Future High Street Fund

£15.625M has been secured to support works at the Glassworks and The Seam (Active Travel Hub and Multi Storey Car Park). The first wave of funding, £4.337M has been received with the remainder expected over the following two years, £2.059M in 22/23 and £9.229M in 23/24.

Levelling UP Fund

Bids of £19.837M for Elsecar and £19.668M for the Town Centre have been submitted to Government in June 21. The outcomes are expected to be announced in September 2021.

Transforming Cities Fund [TCF] and Active Travel (SCR Bids)

A £230M Sheffield City Region (SCR) bid has been put forward to Government, of which some £27M (£26.2M for TCF schemes and £1.1M for the Active Travel Hub) relates to transport schemes in Barnsley. The funding is to deliver a range of transport initiatives which directly contribute to public transport and active travel improvements. This funding has been secured in principle including £2.8M related to the Market Gate Bridge.

European Structural and Investment Funds (ESIF)

£7.884M has been awarded to support business productivity comprised of both cash grants and advice. £5.4M will be awarded as grants across South Yorkshire, with £2.7M of this funding being awarded to Barnsley businesses.

Ministry of Housing, Communities and Local Government – Brownfield Sites

£40M is to be passed directly to SCR (£8M per year over a 5-year period) to develop housing on brownfield sites. Several outline submissions have been made to SCR with decisions pending.

5. Treasury Management update as at end of June 2021

Economic Summary

- The UK Bank Rate remained at 0.1% during the quarter;
- There was a slight downward trend in PWLB borrowing rates over the first quarter;
- The annual inflation rate in the UK rose to 2.1% year on year in May 2021 (from 1.5% in April 2021).

Borrowing Activity

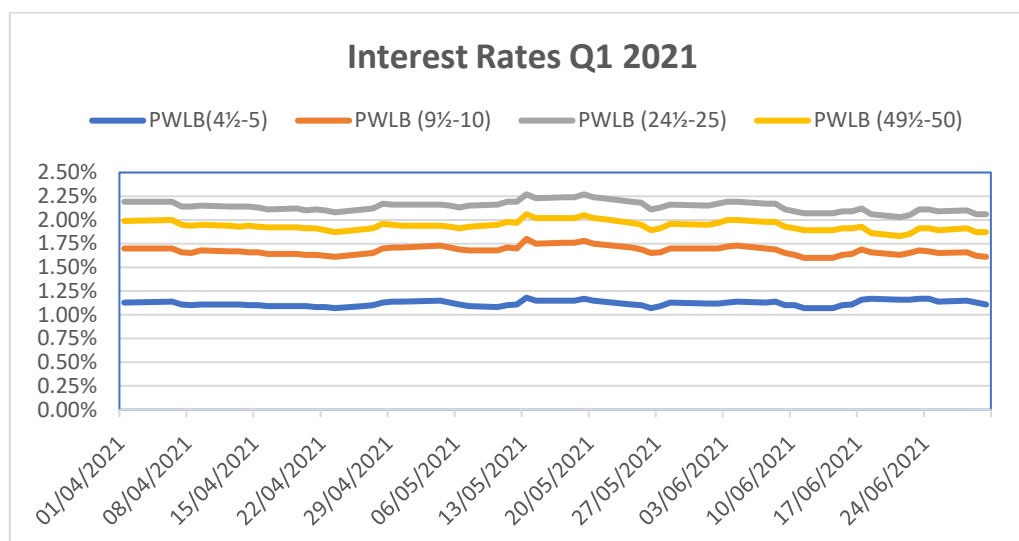
- No new borrowing was undertaken during the quarter in line with the agreed TM Strategy;
- An external borrowing requirement of up to £205 Million has been identified by the end of 2023/24;
- Of this, £108 Million would need to be addressed through fixed rate borrowing in order to meet the Council's agreed interest rate exposure targets.

Investment Activity

- There was a net increase in investment balances of £29.9 Million during the Quarter;
- Security and liquidity remained the key priorities, and with this in mind an appropriate balance of cash was deposited in secure Money Market Funds and instant access accounts;
- The main bulk of transactions during the quarter related to short term deposits as officers continued to take advantage of the competitive rates offered on short term local authority investments.

Key Messages – Economic Summary

- 5.1 Interest rates continue to be monitored closely. The chart below illustrates a slight downward trend in PWLB borrowing rates during the quarter.

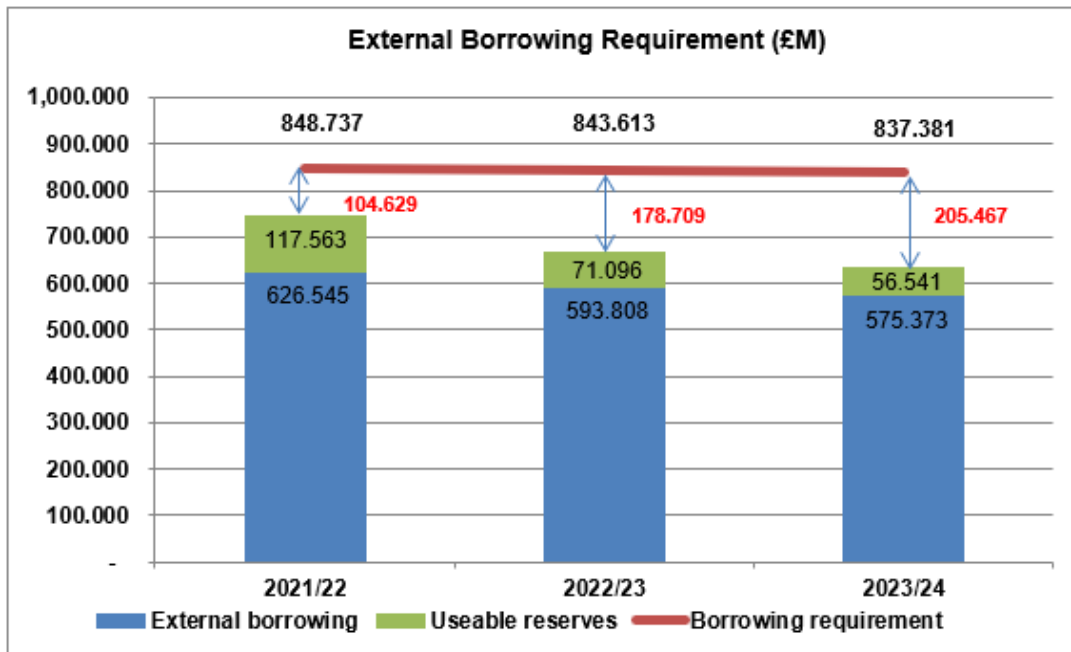


- 5.2 Inflation is forecast to rise in the short-term, although the Council's Treasury Advisers consider this to be a temporary phenomenon and expect it to ease back towards the Central Bank target of 2% by the end of 2022/23.
- 5.3 Given the current outlook for interest rates (shown in the table below), the latest forecasts for the 50-year PWLB interest rate is an increase from 2.00% to 2.20% in March 2022, and then to 2.30% in March 2023. An upward movement in the 50-year PWLB rate may trigger earlier than planned fixed rate borrowing to take advantage of the current low interest rate environment & to deliver the central strategy of debt cost certainty over the longer term. The position will be monitored very closely over the next few months.

	Latest Interest Rate Projections* (Link Asset Services)					
	Latest	Sep-21	Mar-22	Sep-22	Mar-23	Sep-23
UK Base Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%
PWLB Certainty (50 Years)	1.87%	2.00%	2.20%	2.20%	2.30%	2.30%

Key Messages – Borrowing Activity

- 5.4 As outlined previously the Council's borrowing strategy is to limit its exposure to interest rate risk whilst maintaining an appropriate level of internal borrowing* in order to reduce its financing costs.
- 5.5 Over the next 3 financial years it is anticipated that the Council will need to borrow up to £205M. A breakdown of this borrowing requirement has been provided in the table below:

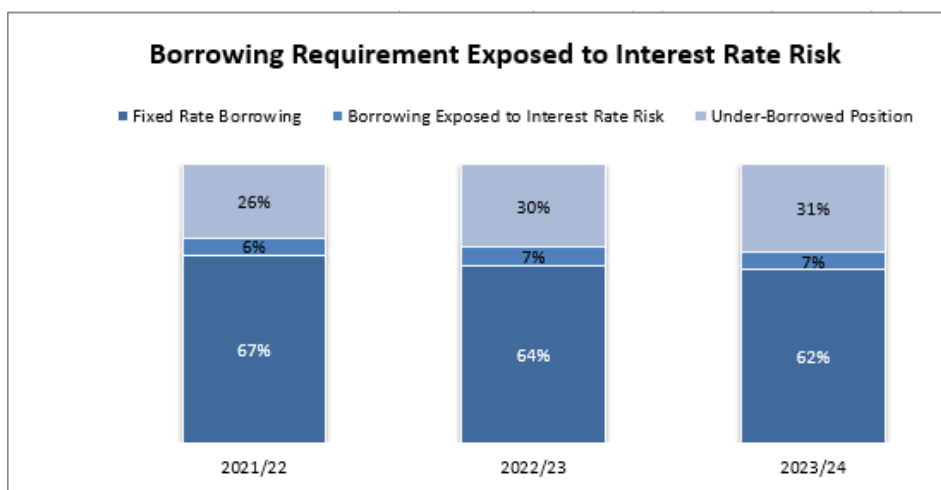


Projected external borrowing requirement 2021/22 – 2023/24		£M
Planned capital investment		24.907
Maturing loans / reduced support from useable reserves		195.560
Amounts set aside to repay debt		(15.000)
Total		205.467

5.6 The Council is committed to maintaining its exposure to interest rate risk within the limits set out below.

Interest Rate Risk Exposure	2021/22	2022/23	2023/24
Limit on Variable Rate Borrowing / Unfinanced CFR	35%	30%	25%

5.7 To deliver against this strategy, it is anticipated that the Council will need to fix out an additional £108M by the end of 2023/24. There is no immediate requirement to do this now as the interest rate exposure targets for 21/22 have already been achieved. However, given the current outlook for interest rates, there is an option to bring some of the fixed rate borrowing requirement forward to benefit from the current low interest rate environment before rates begin to move upwards.



	2021/22 (£M)	2022/23 (£M)	2023/24 (£M)
Fixed Rate Borrowing Requirement (Cumulative)	-	57.493	107.663
Temporary Borrowing Requirement (Cumulative)	104.629	121.216	97.804
Total	104.629	178.709	205.467

Key Messages - Investments

- 5.8 The Council's investment strategy remains to minimise credit risk and ensure that its cash balances are invested prudently and are available when needed to meet its spending commitments.
- 5.9 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 help to spread counterparty risk.

Background Information – available on request

Corporate Finance Performance Q1 – detailed report
Capital Programme Update Q1 – detailed report
Treasury Management Update Q1 – detailed report

Neil Copley 6.8.2021