BARNSLEY METROPOLITAN BOROUGH COUNCIL

REPORT OF: **Executive Director – Core Services & Service Director – Finance (Section 151 Officer)**

TITLE: **CORPORATE FINANCE PERFORMANCE Q1 2021/22**

REPORT TO:	**Cabinet**
Date of Meeting	**21 September 2022**
Cabinet Member Portfolio	**Cllr Gardiner - CORE**
Key Decision	**No**
Public or Private	**Public**

Purpose of report

To consider the financial performance of the Authority during the first quarter ended 30th June 2022 and assess the implications against the Council's Medium-Term Financial Strategy (MTFS).

Council Plan priority

All

Recommendations

That Cabinet:

CORPORATE FINANCE PERFORMANCE

1. **Note the £13.7M projected overspend on the Council's General Fund in 22/23.**

2. **Note that £10.9M of this relates to exceptional risks referenced as part of setting the 22/23 budget in February 2022 which have now materialised.**

3. **Note that these cost pressures will be funded via the use of one-off reserves in this financial year pending the development of a mitigation / transformation plan to address anticipated financial pressures in 23/24 and beyond.**

4. **Note that the remaining £2.8M relates to unanticipated cost pressures across several Council services.**

5. **Request that action plans are drawn up to mitigate overspends as far as is possible and that those are submitted to Cabinet as part of the Q2 performance management update:**

    - **Children in Care [Children's Services]**
    - **Assessment & Care Management [Children's Services]**
    - **Estates – Commercial Rental Income [Growth & Sustainability]**
    - **Car Parking Income [Growth & Sustainability]**
    - **Home to School Transport [Growth & Sustainability]**
    - **Assisted Living Technologies [Public Health & Communities)**
    - **Legal Costs / Income Shortfall [Core]**

6. **Note the current 22/23 forecast position on the Housing Revenue Account.**

7. **Approve the write off of historic bad debts totalling £0.9M as detailed in the report.**

<u>CAPITAL PROGRAMME PERFORMANCE</u>

8. **Note to forecast position on the Capital Programme (paragraphs 2.11 to 2.17 refer).**

<u>TREASURY MANAGEMENT</u>

9. **Note the key messages from the Council's Q1 Treasury Management activities (paragraphs 2.18 – 2.28 refers).**

1. INTRODUCTION

1.1 The Council's 2022/23 budget was agreed by Full Council on 24th February 2022/23. This was predicated on the delivery of several key assumptions (highlighted below), whilst also highlighting significant emerging risks that would also require addressing over the planning period. As such, the updated MTFS set aside one-off resources to temporarily mitigate these anticipated pressures pending the development of a transformation and efficiency plan to address the anticipated budget gaps on a sustainable basis over the medium term.

2. PROPOSAL

<u>Overall General Fund Position to the Quarter Ending June 2022</u>

2.1 The table below summarises the Council's financial performance for 22/23.

Directorate	Approved Net Budget 2022/23	Projected Net Outturn 2022/23	Variance
	£'000	£'000	£'000
Children's Services	41,967	44,179	2,213
Growth & Sustainability	50,150	51,728	1,578
Place Health & Adult Social Care	60,652	60,148	-504
Public Health & Communities	10,476	9,999	-477
Core Services	19,752	19,719	-33
Service Totals	**182,997**	**185,773**	**2,777**
Corporate (Exceptional Items)	29,946	40,831	10,885
TOTAL General Fund	**212,943**	**226,604**	**13,662**
Housing Revenue Account	**73,095**	**73,095**	**-**

2.2 The current forecast is for a year-end overspend of in the region of £13.7M comprised of the exceptional items referenced as part of setting the 22/23 budget [£10.9M], together with unanticipated overspends across several Council departments which have arisen during the quarter [£2.8M].

2.3 Further detail on each Directorate's position is highlighted below at paragraph 2.10. However, of particular concern are the unanticipated overspends in the **Children Services** and **Growth and Sustainability Directorates**, both of which are reporting significant unexpected cost pressures.

2.4 **It is recommended that Executive Directors draw up action plans to mitigate these overspends as far as is possible and that those are submitted to Cabinet as part of the Q2 performance management update.**

2.5 Over and above that, there are significant exceptional cost pressures totalling £10.9M. The table below summarises these pressures with further detail provided in paragraph 2.10.

Pressure	£M
Pay	5.500
Energy	3.705
Fuel	0.280
Inflation	1.400
TOTAL	**10.885**

2.6 In line with the agreed financial strategy, these pressures will be addressed in year from resources set aside specifically for this purpose, pending the development of a transformation and efficiency plan to address the anticipated budget gaps on an ongoing and sustainable basis over the medium term. Further updates on the MTFS and the proposed programme of transformational activity will be submitted to Cabinet later in the financial year.

Corporate Resources

2.7 The above position (as reported in the table at paragraph 2.1) excludes any impact in relation to the collection of core taxation income (Council Tax and Business Rates). Council tax collection is currently forecast to be 95.3%, which is 0.7% below the stretch target of 96% [impact of the cost-of-living crisis on household incomes and the ability to pay council tax and other bills]. Collection below 95% would result in a financial pressure over and above that reported in this report and therefore this position will be closely monitored throughout the remainder of the year.

2.8 Business Rates collection is also below target at 96.25% compared to the stretch target of 97.5% [ongoing impact of COVD19, inflation and supply chain issues on business cashflow and ability to meet business costs including business rates]. The impact of this will be offset by additional S31 grant for additional reliefs awarded this year so that there is no impact on the overall budget. Similar to Council Tax, this position will be closely monitoring throughout the remainder of the year.

2.9 Overall, the current arrears (debt) position as at the end of June stood at £22.3M, a net increase of £4.0M since the start of the year. The Council's overall bad debt provision has also been revised to reflect current arrears. Approval is also sought to write off historic debts of £0.929M which have become uneconomical to collect.

DIRECTORATE UPDATES

2.10 The following detailed updates have been provided by Executive Directors

Executive Director's Summary for Children's Services

Highlights

The latest approved budget for 2022/23 for the Children's Services Directorate is **£41.967M**. The Directorate is forecasting an outturn of **£44.179M** as at the end of Quarter 1, resulting in a projected overspend of **£2.213M.**

Quarter 1 Position to the End of the Quarter Ending June 2022.

Children's Services Directorate	Net Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Education, Early Start & Prevention	8,713	8,361	-352
Children's Social Care & Safeguarding	32,626	35,190	2,565
Sub-Total	**41,339**	**43,551**	**2,213**
Schools	628	628	0
Total – People	**41,967**	**44,179**	**2,213**

Explanation of Key Variances

BU1 Education, Early Start & Prevention (*underspend of £0.352M*)

An operational **underspend** of **£0.352M** is forecast for the Business Unit and mainly relates to staff vacancies in several service areas. This underspend is offset by increased costs across several external contracts, together with a non-achieved income target in the School Governor Development & Clerking Service.

BU3 Children Social Care & Safeguarding *(overspend of £2.565M*)

An operational **overspend** of **£2.565M** is currently forecast, which is mainly attributable to an increase in LAC placement and associated costs for the year. This anticipated overspend is in addition to the recurrent £4M investment provided for 2022-23 to meet the placement needs of young people with multiple & complex needs, increase in social work activity / caseloads and the increase in support to families with disabled children.

The forecast overspend also reflects the competitive nature of the residential care provider market in 2022/23, with the Council continuing to face challenges (and increasing costs) in placing young children, especially for those with complex needs.

The LAC population at the end of Q1 stood at 363, an increase of 15 since the end of March 2022. Whilst this only slightly exceeds the planned number for the year (360), the recent influx in placements is significantly more than profiled for the first quarter.

The above has also resulted in a rise in the number of placements (and costs) in private residential children's homes which is also contributing to the budget pressure. There are currently 40 young people placed in external care homes (including 16 in semi-independent accommodation) at the end of Q1, compared to a planned number of 34. In particular, there has been an increase in the number of secure welfare / remand placements; inflationary uplifts to fee amounts; and an increasing number of high tariff placements due to complexity of needs. The high tariff cost on some placements reflects competitive pressures in the care markets in relation to the placements of complex young people resulting in providers charging for vacant beds to enable them to meet needs.

In addition, there is also a pressure forecast across in-house and external foster care placements due to more children being in foster care (273) than budgeted for at this time in the financial year (259). Independent fostering placements have also increased since March 2022, whilst the number with BMBC foster care placements currently stands at 205 [an increase of 11 since the end of March].

Finally, Assessment & Care management is forecasting a significant overspend mainly relating to legal costs.

Schools Dedicated Schools Grant (DSG)

The latest Dedicated Schools Grant (DSG) budget for 22/23 totals £94.4M, comprising of £61.5M delegated to schools and £32.9M retained centrally by the Council.

The schools delegated budget consists of funding allocated directly to schools and includes formula funding, high needs, and early years funding. The latest reported position predicts year end surplus balances of in the region of £2.3M. Under the DSG grant conditions surplus balances at year end will be carried forward and earmarked for spend by schools.

However, there is an overspend within Schools Centrally Retained budgets (managed on-behalf of schools) of £3.4M. This relates to the SEND / High needs funding block and compares unfavourably to the planned deficit of £2.6M set at the beginning of the year. The change in the reported position (+£0.7M) predominantly relates to an increase in the number of new commissioned places [more than originally anticipated], associated increases in top up payments and higher than expected inflationary fee increases.

If the deficit materialises at this level, then the accumulated deficit at year end would be in the region of £21M. On 12th July 2022, the DFE formally invited the Council to participate in its 'Safety Valve' programme; if, as part of that process, the DFE is satisfied in respect of the robustness and deliverability of the Council's DSG deficit recovery plans, then the Department will potentially contribute towards the funding of the accumulated deficit.

Current Actions and Future Risks

1. The actions / measures to manage LAC numbers as set out in the LAC Sufficiency Action Plan – ensuring that children are placed in the right placements that meet needs and where possible are placed in family type placements - are detailed below:

   - To recruit 23 new in-house fostering households & maintain the current ones during 22/23.
   - Increase the range of 16+ independent living provision to support the transition to adulthood for those in long term care.
   - Implement the Cabinet approved business case to develop a further 5 bedded BMBC children's residential home to reduce the number of children in external provision – costings have been based on taking the first resident in October 2022.
   - Local authority care is only considered when every other option for children has been fully explored.
   - The Head of Service for Children in Care will be attending the Legal Gateway meetings leading to more consistency & challenge in future and help prevent [as appropriate] children entering the care system at the front door.

- Considering a change in practice where consideration is given to all young people in residential care at the end of Year 11. This ensures that they are supported where appropriate to progress into semi-independent living prior to full independence at 18. This change can be right for some young people, but it will also mean young people are not in residential care longer than they need to be.
- Increase the number of children leaving care through a legal order / reunification to family.

2. A weekly demand oversight group has been established tasked with reviewing demand across children's social care. The aim is to collate data and understand how demand is managed across the pathway from referrals coming through to early help to assessments in the front door. This would assist in assessing the impact on caseloads and managing staffing levels (i.e., vacancies, recruitment and use of agency staff).

3. DSG management plan, together with the SEND Improvement Plan, provides the basis for managing the risks / cost pressures in relation to SEND /high needs. It outlines the actions and measures to ensure spend is brought in line with the budget over the medium term.

The following outline the key risks / outlook for the rest of the year and beyond:

Education, Early Start, & Prevention

- Rising EHCP numbers and demand for SEND support would continue to pose financial / sustainability concerns in the current year and beyond. A DSG management plan is in place to address the sustainability issue over the period to 2024/25.

Children Social Care & Safeguarding

- A key risk facing children social care is the continued increase in demand and caseloads (e.g., contacts, referrals, children in need, LAC, etc.) and the pressure exerted on staffing levels.
- Sourcing placements for children & young people with complex needs both locally and sub-regionally is challenging – resulting in high cost / tariff placements.
- Slippage and delay in developing the in-house residential care home and the impact on the delivery of the approved efficiency savings in 22/23.

Executive Director's Summary for Growth and Sustainability

Highlights

The latest approved budget for 22/23 for the Growth and Sustainability Directorate is **£50.150M**. The Directorate is forecasting an outturn of **£51.728M** as at the end of Quarter 1, resulting in an overspend of **£1.578M**.

Quarter 1 Position to the End of the Quarter Ending June 2022.

Growth & Sustainability Directorate	Approved Net Budget 2022/23 £'000	Projected Net Outturn 2022/23 £'000	Variance £'000
Regeneration & Culture	16,575	16,758	183
Environment & Highways	33,575	34,970	1,395
Total Growth & Sustainability	**50,150**	**51,728**	**1,578**
Housing Revenue Account	73,095	73,095	-

Key Variances

Regeneration & Culture – (*overspend of £0.183M*)

An overall **overspend** of **£0.183M** is currently forecast within Regeneration and Culture. Within Property Services, an overspend of £0.806M is reported due to an underachievement of commercial rents (£0.520M) together with higher than anticipated running costs across the building portfolio (£0.260M). This is offset by underspends elsewhere across the Business Unit, predominantly related to staffing vacancies and an overachievement of income within Culture and Planning services.

Environment & Highways – (*overspend of £1.395M*)

An operational **overspend** of **£1.395M** is forecast for the year. The key variances include an underachievement of car parking income (£0.760M) together with an overspend in Home to School Transport (£0.545M) as a direct result of an increase in the number of children accessing the service over and above that previously forecast. There is also an overspend within Waste, Recycling and Highways services due to staffing issues and increased vehicle costs. These costs have been partly offset by additional income from street works and other sources.

Housing Revenue Account – (*balanced position*)

The HRA is reporting a **balanced position** as at Quarter 1.

Dwelling rent is projected to achieve the budgeted level based upon projected stock levels, expected additions, and anticipated Right to Buy sales during the year. The position also includes projected rent loss from voids of around 1.05% as anticipated within the HRA Business Plan.

Spend on repair and maintenance contracts are also forecasting to spend within budget. Following the cost overruns last year, Berneslai Homes and BMBC colleagues have developed a robust financial management framework which allows resources to be deployed effectively in line with budgets whilst also enabling an appropriate response to demand for reactive repairs.

The responsive repairs budget has also been realigned to account for the volume of works encountered last financial year and uplifted to account for an anticipated contractual CPI inflationary uplift of 10%.

However, there remains significant pressure on the Property Repairs and Improvement (PRIP) contract to deliver the same volume of decency / elemental works due to inflationary and demand pressures, which will be monitored diligently throughout the year.

Significant increases in the cost of gas and electricity [£1.2M] is impacting energy costs in District Heating schemes; given the ongoing cost of living crisis these costs are not currently being passed on to tenants resulting in a cost pressure within the HRA. A review of overhead costs charged to the HRA is expected to produce savings that will mitigate the aforementioned cost pressures in this financial year.

Current Actions and Future Risks

The Directorate continues to work hard to identify actions plans and future transformational efficiencies to both mitigate the reported budget over runs and to support the wider Medium Term Financial Plan.

Executive Director’s Summary for Place Health and Adult Social Care

Highlights

The latest approved budget for 2022/23 for the Place Health and Adult Social Care Directorate is **£60.652M.** The Directorate is forecasting an outturn of **£60.148M** as at Quarter 1, resulting in an overall forecast underspend of (**£0.504M).**

Quarter 1 Position to the End of the Quarter Ending June 2022.

Place Health & Adult Social Care Directorate	Approved Net Budget 2022/23 £'000	Projected Net Outturn 2022/23 £'000	Variance £'000
Older People	31,777	31,973	196
Working Age Adults	26,589	26,419	-170
Management Account	2,286	1,756	-530
Place Health & Adult Social Care	**60,652**	**60,148**	**-504**

The Place Health and Adult Social Care Directorate is reporting an overall underspend position (£0.504M) at Quarter 1, which is mainly attributable to unspent / uncommitted grant funding.

The following explains the key variances:

Older People – (*overspend of £0.196M*)

There is an **overspend** within Older People Services (**£0.196M**) relating, in the main, to additional staffing / overtime costs within the Assisted Living Service together with unachieved income relating to various chargeable services including wardens central call, alarm units and telecare charges.

Working Age – (*underspend of £0.170M*)

An underspend is forecast within the Working Age Adults Service due to staff vacancies within in-house Day Services.

Management Account – (*underspend of £0.530M*)

There is currently uncommitted Adult Social Care grant / resources held within the Management account which are expected to remain unspent at year end.

Current Actions and Future Risks

The long-term effects of the pandemic and the potential impact of the Health & Social Care reforms are expected to place financial pressure across the Directorate over the medium-term.

The Directorate is also undertaking a significant programme of transformational activity [the Better Lives Programme] to improve outcomes for service users and deliver cashable efficiencies to support delivery of the Council's MTFS.

Executive Director's Statement for Public Health & Communities

Highlights

The latest approved net budget for the Public Health & Communities Directorate is **£10.476M**. The Directorate is projecting a net outturn for the year of **£9.999M** (after the earmarking of £2.156M), resulting in a forecast underspend of **£0.477M**.

Quarter 1 Position to the End of the Quarter Ending June 2022.

Public Health & Communities Directorate	Approved Net Budget 2022/23 £'000	Projected Net Outturn 2022/23 £'000	Variance £'000
Public Health	3,869	3,591	-278
Stronger, Safer & Healthier Communities	6,606	6,407	-199
Public Health & Communities	**10,476**	**9,999**	**-477**

Key Variances
The Communities Business Unit is currently forecasting an **underspend** of **£0.199M**, primarily due to staffing vacancies / turnover across services.

Public Health – *(underspend of £0.278M*)

Public Health is currently forecasting an underspend of £0.278M, again primarily the result of staffing vacancies / turnover across Health Protection [£0.2M] and Regulatory Services [£0.078M].

Stronger, Safer & Healthier Communities – (*underspend of £0.199M*)

The Communities Business Unit is currently forecasting an underspend of £0.199M, primarily due to staffing vacancies / turnover across services.

Current Actions and Future Risks

There are several risks facing the Directorate:

- The Government requirement to provide long-term accommodation for rough sleepers.
- Support for households facing financial hardship [resourcing and funding issues].
- New Burdens Domestic Abuse Bill and Protect Duty.
- The long-term impact of the pandemic and potential additional ongoing responsibilities across Public Health.

The Directorate is undertaking a major programme of service transformation during 2022/23 to help address the above risks and also contribute towards delivery of the Council's MTFS.

Executive Director's Statement for Core

Highlights

The latest approved budget for 2022/23 for the Core Services Directorate is **£19.752M**. The Directorate is forecasting an outturn of **£19.718M** (after the earmarking of £0.051M) as at the end of Quarter 1, resulting in a forecast underspend **of £0.034M**.

Quarter 1 Position to the End of the Quarter Ending June 2022.

Core Services Directorate	Approved Net Budget 2022/23 £'000	Projected Net Outturn 2022/23 £'000	Variance £'000
IT	7,114	7,114	-
Finance	2,609	2,564	(45)
Business Imp, HR & Comms	4,629	4,468	(161)
Law and Governance Services	5,400	5,573	173
Total – Core	**19,752**	**19,719**	**(33)**

Key Variances

An underspend of £0.034M is forecast for 2022/23, the key variances are as follows:

IT Services – (*balanced position*)
The balanced position is due to temporary agency spend required to undertake one-off development work, higher than budgeted spend on IT licenses and residual Code Green expenditure following the closure of the service, offset by vacancies & turnover across several service areas.

Finance – (*underspend of £0.045M*)
A minor forecast underspend [£0.045M] relates to higher than anticipated agency costs due to delays in recruiting to vacant posts & delivering government cost of living crisis schemes, offset by vacancies & turnover across several service areas.

Business Improvement, HR, and Communications – (*underspend of £0.161M*):
An underspend of £0.161M is reported due to several vacancies across the Business Unit.

Law & Governance – (*overspend of £0.173M*):
The anticipated overspend [£0.173M] is mainly comprised of higher than expected agency costs, unmitigated income losses following the loss of work

relating to external clients [including the SYMCA], offset by vacancies & minor underspends across the business unit.

Current Actions and Future Risks

- Technology – Continuing to support the workforce to operate with the right infrastructure as part of our Barnsley Is Our Office approach may potentially give rise to increasing cost pressures.

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

- Benefits & Taxation - Further delays with the implementation of Universal Credit and the resourcing impact of unplanned Government initiatives to tackle the cost-of-living crisis continue to impact workloads and backlogs across the service.

- Legal Services - Increasing demands including in the areas of looked after children and commercial work continue to exert financial and resourcing pressure across the service.

Corporate / Council Wide Budgets

Highlights

There is current a projected overspend within Corporate Budgets of **£10.885M**.

An overall operational overspend of £10.885M is currently forecast mainly due to several risks highlighted as part of the 2022/23 budget setting process starting to emerge and at levels higher than originally anticipated:

Pressure	£M
Pay	5.500
Energy	3.705
Fuel	0.280
Inflation	1.400
TOTAL	**10.885**

Pay Costs - £5.500M

The budget agreed in February was predicated on a pay award of 2%, acknowledging that this was likely to be insufficient given the ongoing cost-of-living crisis.

On the 25th July, the National Employers set out their final pay offer, being an increase of £1,925 on all NJC pay points 1 and above [effective 1st April 2022].

This equates to pay awards of circa 10.5% for the lowest graded staff falling to 4% for those staff on higher salaries [the 4% increase is lower still when applied to more senior officers on Grade 11+].

In financial terms, this equates to a year-on-year cost increase of circa £7M, £5M more than the cost increase originally anticipated.

Energy Costs – £3.705M

The cost of energy has also been rising steeply since the middle part of last year with further recent spikes in cost as a consequence of the ongoing war in Ukraine and other global macro-economic factors. The Council purchases its energy via a Local Government Framework held by YPO who have indicated that the average cost of electricity supplied to the Council will increase by in the region of 130% in 22/23 with gas prices rising by a staggering 270%. The combined impact will see last year's energy bill of £4M rising to £10M, an increase of £6M, though an element of this [£2.3M] will be picked up by contributions from service users / as part of major contracts already provided for.

Fuel – £0.280M

The rising cost of fuel coupled with the fact that the Council can no longer use subsidised red diesel is creating a pressure across the vehicle fleet.

Inflation - £1.400M

Inflation (CPI) currently stands at 9.4% [June 2022], the highest in over 40 years. This is placing a significant cost pressure over and above that already provided for on the Council's major contract (BSF / Waste PFI etc.) as well as the cost of delivering some in-house services.

Current Action

In anticipation of the above risks, a provision of £6.0M (£3.8M one off services grant, £1.3M energy provision, £0.9M inflation) was set aside as part of the 22/23 budget setting process. In addition, the underspend of £4.9M reported as part of the 21/22 final accounts process was also earmarked to help address the pressures highlight above. This position will be monitored closely throughout the financial year with an update provided as part of the Q2 update or by exception if required.

Future Action

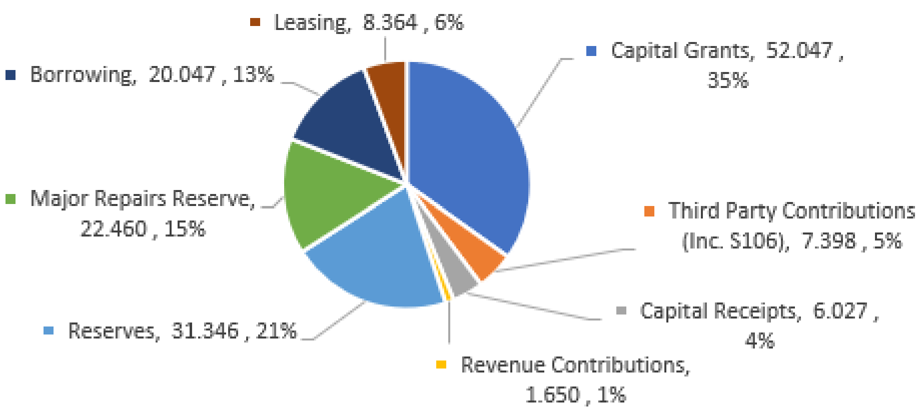
The above pressures will have an ongoing detrimental impact on the MTFS with significant budget deficits forecast for future periods. The financial strategy has been revised to incorporate the development of a programme of transformational / efficiency activity to address the anticipated budget gaps on an ongoing and sustainable basis over the medium term.

Overall Capital Programme Position to the Quarter Ending June 2022

2.11 The Council's capital programme is planned over the five-year period 22/23 through 26/27 and has a total projected cost of **£174.3M.** Forecast spend for 22/23 is **£147M, £2.3M** lower than originally planned:

Directorate	2022/23 Capital Programme £M	2022/23 Actual Spend £M	2022/23 Projected Outturn £M	2022/23 Variance £M	Total Capital Programme £M	Total Projected Outturn £M	Total Variance £M
Children's Services	4.472	0.452	3.907	(0.565)	6.472	6,517	0.045
Growth & Sustainability	96.176	7.199	94.447	(1.729)	117.108	117.104	(0.004)
Public Health & Communities	8.756	0.690	8.756	-	8.756	8.756	-
Core Services	5.711	0.322	5.711	-	7.709	7.709	-
Housing Revenue Account	34.224	2.383	34.224	-	34.224	34.224	-
Total	**149.339**	**11.046**	**147.045**	**(2.294)**	**174.269**	**174.310**	**0.041**

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



Scheme Slippage

2.13 The lower than expected spend is primarily due to programme slippage across several schemes during Q1 totalling £2.3M (where expenditure plans are expected to be utilised in a future year rather than the current year, due to events largely outside of the Council's control). Significant slippage is explained further below:

Directorate	Scheme	£M	Explanation
Growth & Sustainability	High Street Heritage Action Zone	(£0.778M)	There have been delays to the programme caused by the pandemic which has meant that some of the funding has had to be rolled over into the second half of the scheme. This has been done in agreement with the funder.
Growth &	M1 J36	(£0.406M)	Major works are expected to begin during Quarter 3 of 22/23

Sustainability	Phase 2		once ground stabilisation work has been completed. It is therefore anticipated that some work and costs will take place in the 23/24 financial year.
Children's Services	Milefield Primary Roofing Works	(£0.362M)	In order to best utilise the summer holiday period and minimise disruption to education, proposed works have been split into two phases. Phase 1 will be undertaken during summer 2022 whereby a mezzanine plant room will be built to house the ventilation system, and Phase 2 will commence in summer 2023 where the roofing works will take place.
Growth & Sustainability	Principal Towns	(£0.353M)	Work in the Royston area is currently paused due to the need to carry out an additional survey to assess the impact of the scheme on Willow Tits, which can only be carried out at a certain time of the year (February - April). Plans are in place to undertake this late in 22/23, however the pause in works will likely cause an overall delay in the area and push other work back into 23/24.
	Other	(£0.436M)	Several other schemes within Growth & Sustainability and Children's Services have reported minor slippage, totaling £0.436M.
	Total	**(£2.294M)**	

Variation in Scheme Costs

2.14 There has also been a minor variation in scheme cost (£0.041M) across several schemes which will be contained within the capital contingency reserve.

New Approvals

2.15 In addition to the above, several new schemes have been approved during the quarter totaling £53.5M:

Reconciliation Between 21/22 Year End and 22/23 Quarter 1 Positions	**Directorate**	**£M**
21/22 Year End Approved Total Position		**95.867**
Approved Schemes During Quarter 1:		
Housing Revenue Account Capital Programme Allocation 22/23	Housing Revenue Account	19.108
Highways Capital Programme Allocation 22/23	Growth & Sustainability	17.660
Vehicle Replacement Programme 22/23	Growth & Sustainability	6.104
Disabled Facilities Grant Allocation 22/23	Public Health & Communities	3.377
The Seam Digital Campus	Growth & Sustainability	1.672
Children in Care – Foundry Lane	Children's Services	1.000
Other		4.551
Total New Approvals		**53.472**
TOTAL QUARTER 1 CAPITAL PROGRAMME		**149.339**

Future Funding

2.16 The following key funding opportunities are currently being pursued:

- **Levelling Up Round 2** – after extensive consultation two bids are being developed for submission to DHLUC. The first bid covers 3 schemes across the town centre – the total package is estimated to cost £12.5M with a £10m ask of LUF funds. The second LUF bid (Barnsley East) is centred around the Elsecar Heritage site and as an estimated scheme value of £18.5m with a £16m ask of LUF funds.

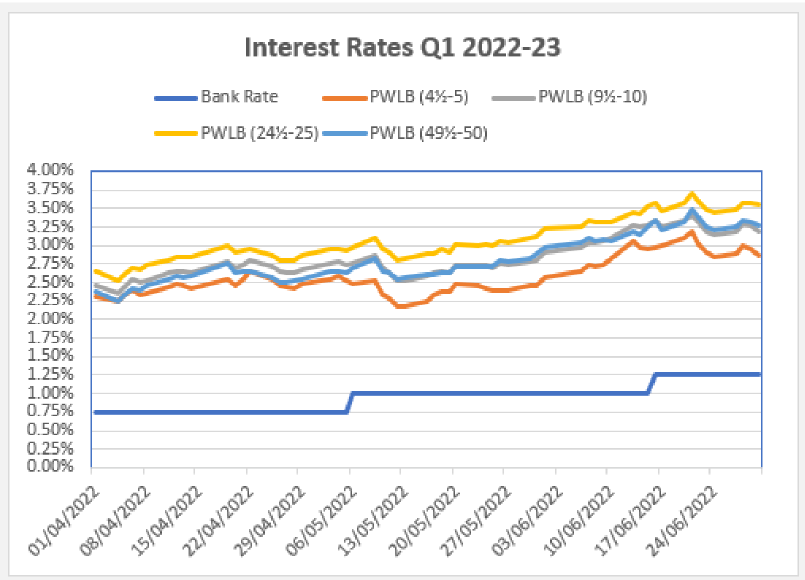
- **Brownfield Sites** - £40M has been allocated to the SYMCA (£8M per year over a 5-year period) by DHLUC to develop housing on brownfield sites. A number of bids are currently being progressed by Strategic Housing to be submitted against this funding.

2.17 It is worth noting that whilst the capital programme is currently forecasting to be delivered within budget, inflationary pressures and supply chain issues are placing a significant strain on the delivery of individual projects as well as the development of the scheme pipeline.

Treasury Management Update as at End of June 2022

Treasury Management – Economic Outlook

2.18 Interest rates continue to be monitored closely. As shown in the graph borrowing rates have been on a rising trend over the course of the first quarter.



2.19 In June 2022, inflation hit a 40-year high at 9.4% and is forecast to keep rising to more than 10% by the end of 2022, before gradually falling back to an estimated 4.7% by the end of 2023.

2.20 As predicted in the Q4 update, the current Base Interest Rate increased to

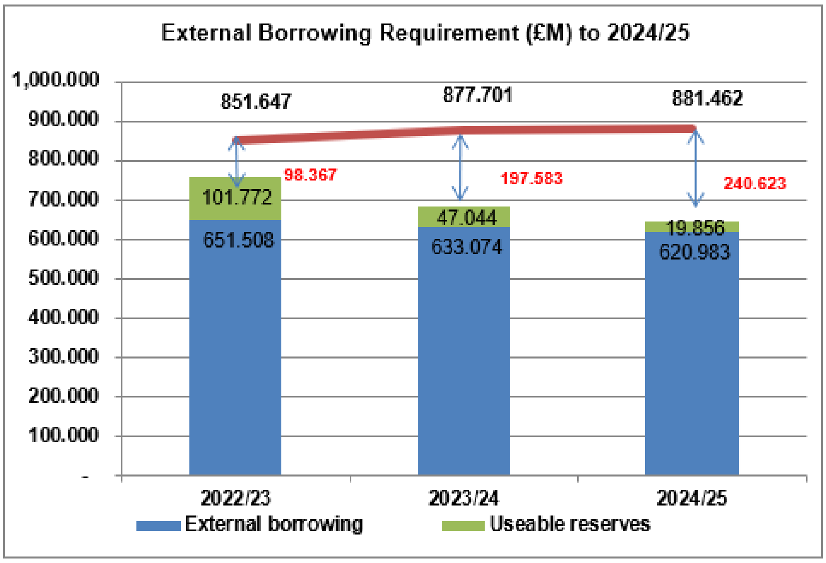
1.25% in June 2022. It is anticipated that the rate will rise further, possibly to 3.00% by the end of 23/24:

	Latest	Sep-22	Mar-23	Sep-23	Mar-24	Sep-24	Mar-25
UK Base Rate ~ Link Group	*1.25%*	1.75%	2.75%	2.75%	2.50%	2.25%	2.25%
UK Base Rate ~ Capital Economics	*1.25%*	1.75%	2.50%	3.00%	3.00%	-	-
PWLB Certainty 50 Years ~ Link Group	*3.27%*	3.40%	3.50%	3.40%	3.30%	3.20%	3.10%
PWLB Certainty 50 Years ~ Capital Economics	*3.27%*	3.60%	3.80%	3.70%	3.60%	-	-

Treasury Management – Borrowing Activity

2.21 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 to minimise its financing costs.

2.22 No new borrowing was undertaken during the first quarter, however, as shown in the graph, based on current capital plans it is anticipated that the Council will need to borrow up to £240.6M by the end of 2024/25.

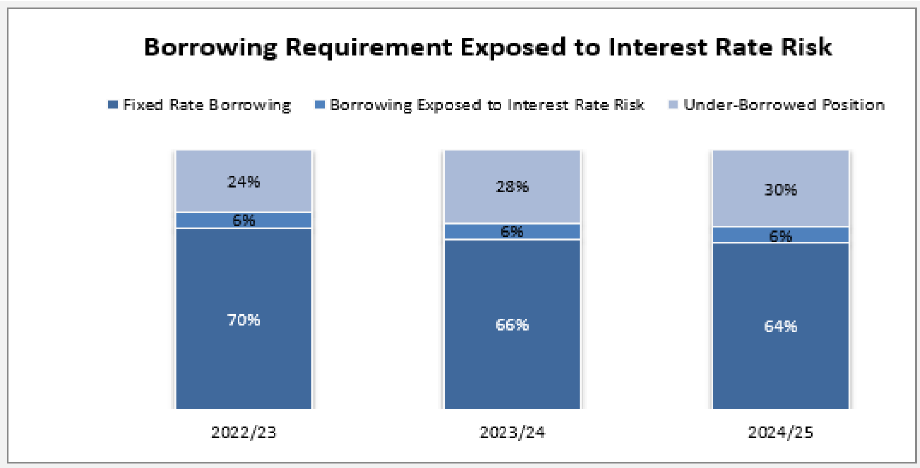


Projected external borrowing requirement 2022/23 – 2024/25	**£M**
Planned capital investment	54.674
Maturing loans / reduced support from useable reserves	201.034
Amounts set aside to repay debt	(15.085)
Total	**240.623**

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

Interest Rate Risk Exposure	2022/23	2023/24	2024/25
Limit on Variable Rate Borrowing / Unfinanced CFR	30%	25%	25%

2.24 Although the graph below shows that the borrowing target for 22/23 has been achieved early (70% fixed rate), based on the above projections, should the Council take no further fixed rate borrowing there would be an exposure of 34% to variable rates in 23/24 and 36% in 2024/25.



2.25 In order to deliver against the strategy, it is therefore anticipated that the Council will need to fix out an additional £95.1M by the end of 2024/25. Treasury officers are actively seeking to secure funding through forward loans to bring some of the fixed rate borrowing requirement forward and lock into lower rates in the current rising interest rate environment.

	2022/23 **(£M)**	2023/24 **(£M)**	2024/25 **(£M)**
Fixed Rate Borrowing Requirement (Cumulative)	-	80.203	95.114
Temporary Borrowing Requirement (Cumulative)	98.367	117.380	145.509
Total	**98.367**	**197.583**	**240.623**

<u>Treasury Management - Investments</u>

2.26 There has been a net increase in investment balances of £17.6M during the quarter.

2.27 The Council's investment strategy remains focused on security (loss avoidance) and liquidity (ensuring cash is available when needed to meet the Council's spending commitments).

2.28 To reflect this strategy, officers continue to place investments in secure Money Market Funds and instant access accounts. The Council has also placed a significant level of short-term deposits with reputable banks and other local authorities to diversify the investment portfolio and help spread counterparty risk.

3. IMPLICATIONS OF THE DECISION

3.1 Financial and Risk

- The Authority's outturn currently stands at an overspend of £13.7M.
- Executive Directors are requested to draw up action plans to mitigate these overspends as far as is possible and that those are submitted to Cabinet as part of the Q2 performance management update.
- Any remaining cost pressure after this exercise will be funded temporarily via the use of one-off reserves in this financial year pending the development of a mitigation / transformation plan to address anticipated financial pressures in 23/24 and beyond.

3.2 Legal

There are no legal implications as a result of this report.

3.3 Equality

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

3.4 Sustainability

Decision Wheel not applicable.

3.5 Employee

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

3.6 Communications

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

4. CONSULTATION

N/A

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 N/A

6. REASONS FOR RECOMMENDATIONS

6.1 Whilst the corporate pressures currently being experienced were, in general, anticipated as part of the 2022/23 budget setting process, the overspend position reported at Quarter 1 is higher than expected. Therefore, Executive Directors are requested to bring forward action plans to address the pressures within their respective areas to address the current position.

7. GLOSSARY

N/A

8. LIST OF APPENDICES

9. BACKGROUND PAPERS

- Service and Financial Planning 2022/23 – The Council's Medium Term Financial Strategy – 2022/23 Budget recommendations (Cab.09.02.2022/6 refers).

10. REPORT SIGN OFF

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

Report Author: Neil Copley
Post: Service Director Finance and S151 Officer
Date: 10/08/2022