

Report to Cabinet



Date of Meeting	23 rd November 2021
Portfolio	Cabinet Member for Finance and Corporate and Corporate
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Finance Update Report Qtr 2 2021/22

Executive Summary

1. To inform Cabinet and the Corporate Overview and Scrutiny Committee of the Council's forecast 2021/22 financial position as at the end of September 2021.

1.1 The Finance Update report contains details of the following:

- The forecast Revenue outturn position, which is a break even position. The General Fund pressure relating to Covid-19 is £13,843k, and is offset by the use of government funding and reserves.

There continues to be a pressure on the High Needs Block Dedicated Schools Grant (DSG). The forecast 2021/22 in-year pressure is £1,437k which will leave a closing 2021/22 deficit position on the DSG reserve of £6,511k, which is being addressed through the Recovery Plan.

- Savings plans of £1,167k ongoing and £8k one off were included in the 2021/22 budget, as part of the 2021/22 Estimates process. These are currently forecast as achieved, on target or to be achieved through mitigating actions. In 2020/21 unachieved savings of £150k were reported which continue in 2021/22; these will be met through the use of Government Grants and through mitigating actions.
- An update on the Health & Social Care Pool Fund forecast position at Quarter 2, 2021/22.
- Forecast Capital expenditure of £97,897k, after rephasing of £18,491k into future years. The majority of the rephased expenditure, £16,241k (88%), relates

to Children's Services and Junction 19 which are externally funded through grants. The balance of £2,250k is funded by prudential borrowing.

- The forecast 2021/22 Collection Fund position being a deficit of £4,460k, which will be mitigated by additional Government Section 31 grant of £9,113k, leaving a residual surplus of £4,653k.
- The mid-year 2021/22 Treasury Management update, discussed in section 4.8 and Appendix D.

Recommendations

- 2.1 Cabinet notes the forecast 2021/22 financial positions for Revenue, Capital, and the Collection Fund as at the end of September 2021, as detailed in section 4.
- 2.2 Cabinet approves the delegation to the Chief Finance Officer in consultation with the Portfolio Holder of Finance, to award the Insurance Contract and fund any budget shortfall from the budget pressures fund, as mentioned in section 4.1.2; and Cabinet approves that authority is given to the Assistant Director for Legal Governance and Workforce to execute the legal documents in connection with the Insurance Contract.
- 2.3 Cabinet approves the use of £557.2k of Sport England National Leisure Recovery Fund funding to reimburse Your Trust for eligible costs (£555.7k), and to pay Leisure Net Solutions (£1.5k) to cover grant evaluation and monitoring costs, as detailed in section 4.1.2.
- 2.4 Cabinet notes the Health & Social Care Pool forecast position as detailed in section 4.2.
- 2.5 Cabinet approves the Budget Pressure requests detailed in section 4.3.
- 2.6 Cabinet notes the forecast achieved Savings target in section 4.4.
- 2.7 Cabinet notes the net Capital budget changes of £9,560k, detailed in section 4.6.1.
- 2.8 Cabinet notes the Capital re-phasing of £18,491k into future years detailed in section 4.6.2.
- 2.9 Cabinet approves the requests to switch budgets within the Economy and Children's directorates as detailed in section 4.6.3.
- 2.10 Cabinet notes the Capital budget to be brought back into 2021/22 as detailed in section 4.6.3.

2.11 Cabinet notes the mid-year 2021/22 Treasury Management update report contained in section 4.8.

Reason for Recommendation

3. Cabinet Members should be kept updated on the financial position of the authority, as effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities.

This report focuses on the forecast 2021/22 financial position as at the end September 2021.

Key Points for Consideration

4. Revenue Budget 2021/22

4.1 The budget set by Budget Council on 3rd March 2021 was £235,984k. Increases in the budget to quarter 2, 2021/22 are detailed in the following table:

When	Reason for change	Amount (£'000)
Mar-21	Approved budget	235,984
Aug-21	Increased Business Rates Top Up grant to reflect final settlement	157
Aug-21	Increased Business Rates S31 grant to reflect impact of Extended Retail Relief scheme	9,025
	GRAND TOTAL	245,166

The Revenue Budget Table in 4.1.1 provides detail of budget allocations and the estimated 2021/22 financial position.

4.1.1 The forecast position as at the end of September 2021 is a General Fund breakeven position:

- Non Covid-19 in-year forecast is a breakeven position.
- The pressure attributable to Covid-19 of £13,843k is covered by government Covid funding, and use of £1,400k of reserves to support Your Trust as it recovers from the impact of the Covid-19 pandemic.

The table below provides detail by Directorate:

Directorate/Detail	Current Controllable Net Budget	Forecast Controllable Outturn Q2	Forecast In-Year Saving/ (Overspend)	Previous forecast - Q1 Monitoring	Movement since August Cabinet
	£'000	£'000	£'000	£'000	£'000
Adult Care	50,274	50,274	0	0	0
Children's	47,194	47,264	(70)	(277)	207
Economy	16,257	16,780	(523)	(437)	(86)
Neighbourhoods	52,142	52,038	104	(69)	173
Public Health	19,143	19,143	0	0	0
Resources	12,609	12,339	270	169	101
Total Services Spending	197,619	197,838	(219)	(614)	395
Contribution from Integrated Pool Budget	106,000	106,000	0	0	0
Contribution to Integrated Pool Budget	(106,000)	(106,000)	0	0	0
Total Pooled Budgets	0	0	0	0	0
Finance Control - Corporate Budgets	21,360	21,141	219	614	(395)
Finance Control Budget Pressures	1,298	1,298	0	0	0
Total Finance Control Spending	22,658	22,439	219	614	(395)
Net Expenditure	220,277	220,277	0	0	0
Uncontrollable Budget Spend	24,889	24,889	0	0	0
Total Budget	245,166	245,166	0	0	0

The variations to controllable Revenue budget, by service, which are not related to Covid-19 are detailed below, and further detail may be found in Appendix A:

Service	Narrative	Amount £'000
Adult Care	The core service provision is expected to break even with a pressure from commissioned placements being matched by in year savings, mainly from staff turnover and one off funding from Health.	0

<p>Children's</p>	<p>As at quarter 2 the overall position on the General Fund element of the Children's budget is a forecast £70k pressure. The overspend is a result of SEND transport (£500k pressure). This is a statutory duty which cannot be funded by the Dedicated Schools Grant (DSG). The pressure is partially mitigated by reduced placements, staffing vacancies, increased Schools support income, and use of the Early Years block DSG reserve.</p> <p>DSG - There is an overspend on the High Needs block DSG of £1,437k, as the service is seeing a significant increase in Education Health Care Plan applications, which is related to the new academic year growth, as well as delayed applications as a result of Covid-19.</p> <p>In the High Needs Recovery Plan the projection for 2021/22 was a £1,500k deficit therefore the £1,400k is in line with expectations. The cumulative deficit position of the High Needs block DSG is £6,511k. There continues to be a pressure on Special School places and the number of children in the mainstream setting requiring additional SEN support.</p>	<p>(70)</p>
<p>Economy</p>	<p>The Economy Directorate is reporting a potential in-year pressure of £523k. There is a pressure within the Property Growth Fund due to the budgeted savings requirement being based on forecast levels of investment to date; as potential investments depend upon market forces and the availability of suitable opportunities the Council's actual level of investment to date is lower than initially anticipated and therefore the savings requirement does not match operational activity. Future years approved budgets have been realigned to take into account current investment levels and so this is a non-recurrent pressure. There is also a pressure in relation to a commercial development due to higher than budgeted voids/unlet units increasing landlord exposure to expenditure liabilities on service charge and Business Rates.</p>	<p>(523)</p>

Neighbourhoods	<p>The Directorate is currently forecasting in-year savings of £272k, mainly from the delayed filling of vacancies and additional income. This is partially offset by non-Covid pressures totalling £168k which relate to projected shortfalls on income generation.</p> <p>Strategic Housing: - There is a pressure relating to the Homelessness service area due to increased numbers of service users, and accommodation costs that can only be partially offset by government Housing Benefit subsidy. The pressure is £1,270k. Budget provision of £840k has been made, and further corporate funding of £430k has been earmarked to address the remaining pressure.</p> <p>To address the ongoing increasing pressure, a working group has been established with officers from Housing, Finance and Adults. The aims of the group are to understand the basis for the increase in demand pressures, introduce short term measures to address funding, including additional growth within the 2022/23 budget estimates and Medium Term Financial Strategy, and develop a strategy to improve the housing provision and close the funding gap.</p>	104
Finance Control	In-year saving relates to reduced borrowing costs (deferred and lower rates) of £454k, partially offset by reduced interest income of £303k due to the delay of a planned loan; and £68k in year saving relating to other minor variations.	219
Resources	The Resources Directorate is reporting a forecast in-year saving of £270k in relation to non-Covid activities. There are employee savings from vacant posts across the directorate, temporary arrangements and one off funding, and savings within the Occupational Health Contract. However these are partially offset by a pressure within the Legal Shared Service with Manchester City Council due to a general increase in Children's legal work, and pressures within Human Resources in relation to software costs.	270
Total		0

4.1.2 Other issues

- **2022/23 Insurance tender**

Authority to commence the insurance tender process was agreed at August 2021 Cabinet. It is now recommended that Cabinet delegates authority to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, to approve the award of the tender and the completion of any necessary documentation once the procurement process is completed; and Cabinet gives authority to the Assistant Director for Legal Governance and

Workforce to execute the legal documents in connection with the Insurance Contract.

In addition, delegate approval to Chief Finance Officer in consultation with the Portfolio Holder for Finance to allocate resources from budget pressures fund for any increased cost as a result of the procurement of the Insurance Contract.

- **Your Trust**

Public Health, as Client for Your Trust, has received £557.2k of funding from the Sport England National Leisure Recovery Fund (NLRF), of which

- £555.7k is payable to Your Trust to support the organisation as it recovers from the impact of the COVID-19 pandemic. The grant is to cover eligible costs that have been incurred.
- £1.5k is to be used to pay for evaluation and monitoring data for the NLRF which has been commissioned at a national level by Sport England.

Member approval is sought to authorise use of this funding, and to reimburse Your Trust for eligible costs that have been incurred, and to pay £1.5k to Leisure Net Solutions to cover grant evaluation and monitoring costs.

4.1.3 The variations to controllable Revenue budget, by service, due to Covid-19 are detailed below:

Expenditure	£'000s
Adult Social Care	3,629
Children's Social Care/Education	3,843
Public Health & Housing	9,108
Cultural & Related	1,688
Environmental & Regulatory Services	202
Finance & Corporate	2,644
Other services	1,384
Total forecast expenditure pressure	22,498

Less funding received for specific Covid-19 grants & CCG funding	(16,678)
Forecast net expenditure pressure	5,820
Income	£'000s
Sales, fees and charges	1,220
Commercial Income	6,803
Forecast reduction in income	8,023
Total forecast pressure	13,843
Use of 2021/22 unringfenced Government Emergency Funding, and Covid Reserve b/fwd from 2020/21	(11,843)
Forecast Government compensation re Sales, Fees & Charges Income, and use of reserves	(2,000)
Forecast 2021/22 net Covid pressure	0

Work is on-going to assess the financial impact and timeframe involved relating to Covid-19. The longer term implications are being considered to support the Council in its financial planning going forward.

As at 31st March 2021, £8,679k was held in an earmarked reserve to be used to offset the post 2020/21 impact of Covid 19, recognising that some of the forecast financial impact of the pandemic will not materialise until 2021/22 and future years. The reserve is to be used to offset demand led and economic pressures as the pressure materialises.

4.2 Health & Social Care Pool Budget

The risk share agreement for 2021/22 makes each partner responsible for their own pooled fund gap.

The forecast position as at June 2021 for the Health & Social Care Pooled Fund was presented to ICB on 21st September 2021, and showed a forecast over performance of £0.4m against the H&SC Pool Budget. A summary position is detailed below:

Health and Social Care Pooled Budget 2021/22				
June forecast position	2021/22 Budget	2021/22 Forecast	Variance	Narrative
	£m	£m	£m	
<u>Expenditure Budgets</u>				
Total Adult Pooled Services	275.0	276.9	1.9	

Total Children's Pooled Services	103.1	107.0	3.9	
Total Health and Social Care Pooled Budgets	378.1	383.9	5.8	The forecast variance of £5.8m represents:- £5.4m of LA Covid pressures before adjusting for Covid funding. £0.4m over performance against health budgets
<u>Contribution from Partners</u>				
CCG	(272.8)	(273.1)	(0.3)	The CCG are contributing an additional £0.3m above budget in relation to HDP claims from the LA for April to June.
LA	(105.3)	(110.4)	(5.1)	The LA are contributing an additional £5.1m from Government Emergency Covid funding to fund the Covid pressures identified.
Total Contributions	(378.1)	(383.5)	(5.4)	
Forecast Position	0.0	0.4	0.4	

As at the end of June, the LA reported a nil variance against non-Covid budgets and a £5.4m Covid pressure (£3.9m against Children's Social Care and £1.5m against Adult Social Care). The Covid pressure is forecast to be funded from a combination of Covid related health funding (£0.3m) and Government emergency funding received by the LA (£5.1m) leaving no in-year pool Covid pressure.

During Quarter 2, there is a forecast over performance against pooled CCG budget of £0.4m which relates to Non-NHS Providers (£0.2m) and Adult database beds activity (£0.2m). It is anticipated that the over performance will be funded from national funding, but this will not be reflected in the Pool until the allocation is received. Once this allocation is received the Pool will show a breakeven position.

4.3 Budget Pressures

The Budget Pressure Fund for 2021/22 is £1,128k. The following table details requests received for the 2nd Quarter to 24th September 2021, and requests previously approved:

Service	Ongoing £000s	One off £000's	Total £000s	Narrative
Balance from Quarter 1, 2021/22	1,000.5	317.4	1,317.9	
<u>Previously Approved Allocations</u>				
Children's		24.9		Additional top-up funding has been approved in the delegated report for Food Vouchers to be provided to families throughout the Summer break
Neighbourhoods		165		To mitigate the removal of 2021/22 bin charges as approved at August 2021 Cabinet
Revised Balance 2021/22	1,000.5	127.5	1,128.0	
<u>Quarter 2 Allocation Requests</u>				
Children's	44.5			2 posts - Social Worker, and Special Educational Needs & Disability assessment worker
Economy	30.0			Corporate Landlord - re increased maintenance costs across Council properties
Funding Remaining 2021/22	926.0	127.5	1,053.5	
Future Year Allocations 2022/23				
Children's	44.5		44.5	2 posts - Social Worker, and Special Educational Needs & Disability assessment worker - full year effect

If the requests are approved the balance remaining for budget pressures in 2021/22 is £1,053.5k; £926k ongoing and £127.5k one off.

4.4 **Savings**

The overall savings target for Services for 2021/22 is £1,175k (£1,167k recurrent, and £8k one-off), as approved as part of the 2021/22 estimates process.

Within the final 2020/21 outturn report there were unachieved savings of £150k. These savings continue to be a pressure in 2021/22 and will be achieved through the use of Government grant or through mitigating actions within the Service in 2021/22.

The table below shows the savings for 2021/22, as agreed in the 2021/22 estimates process, which are all forecast to be achieved, on target or achieved through mitigating actions.

Service	Nature of Saving	Savings Target - Ongoing	Savings Target - One Off	Total Balance to Address
		£'000	£'000	£'000
Adult Care	Staffing reduction in Adult Social Care in areas not covered by other savings proposals	40		-
Adult Care	Changes to Adult Care charging policy	80		-
Adult Care	Staffing realignment Prevention / Recovery and Reablement Teams*	119		-
Economy	Increased Planning Income from Pre Application Charges/Planning Performance Agreements	30		-
Economy	Project Manager Capitalisation (NB)	20		-
Economy	Re-letting for health and social care		8	-
Economy	Admin support review	10		-
Resources	Treasury management review	300		-
Resources	Insurance reserve review	300		-
Resources	Revenues and Benefits Service Review	50		-
Resources	Artificial Intelligence - Revenues and Benefits	30		-
Corporate	Leadership and Senior Management Review	188		-
	Total Savings and Balance to Address	1,167	8	-

4.5 Transformation Fund

The following schemes have been allocated Transformation funding for 2021/22. A brief description of funding allocated is listed below:

- **Economy**

Strategic Planning Core Budget - The transformation funding of £106k has been used to supplement the core budget for the Strategic Planning team. This has allowed the team to continue to focus on work to support the Greater Manchester Spatial Framework which is an integral part of the growth plans for Rochdale and the Covid-19 recovery plan.

One Public Estate (OPE) - Integration Manager & Support Officer: - Funding provided of £67k for additional staff to enable participation in partnership working around the OPE programme. The benefits of which include: asset rationalisation across the public estate, rental income, capital receipts and access to sources of funding.

Planning Services – Funding of £47k in 2021/22 to part fund 6 additional posts in Planning. The funding is to support the service through the next 3 years as they maximise opportunities around digital innovation, embed performance reporting and measures and focus on generating new fee income through business development and commercial behaviours. The 6 posts are funded through additional fee income (£233k), Budget Pressures funding (£325k agreed at August Cabinet in the Q1 Finance Update) and Transformation funding (£280k agreed at 14th July Transformation Board)

- **Resources**

Council property title and marketing project funding of £19k (Creation of 2 Full Time Equivalent (FTE) Posts for 24 months (year 1):- Council property title and marketing project (Creation of 2 FTE Posts for 24 months (year 2):- Having a dedicated resource has enabled matters to be completed much quicker which has resulted in increased capital receipts and associated legal fees.

Stepping up approach to transformation: - Funding of £45k (2021/22) for a 2 year Transformation & Reform Lead Role. Whilst currently vacant, the role is expected to be advertised in the near future and therefore the remaining budget is expected to be spent.

Artificial Intelligence Project: - Funding of £61k (2021/22) for Two Proof of Concept projects which are currently being undertaken within Revenues & Benefits. The projects are expected to utilise the full budget funding made available through the Transformation Fund.

Artificial Intelligence Project: - Additional funding of £39k (2021/22), and £131k in future years, to fund a Business analyst post for 2 years, and training costs.

4.6 Capital Budget 2021/22

The forecast position for the 2021/22 Capital Budget is £97,897k, with spend to date of £20,834k (18% of budget). The table below shows a summary of the budget movements to the end of September 2021:

	2021/22	2022/23	2023/24
	£'000s	£'000s	£'000s
BUDGET AS AT END OF JUNE 2021	107,328	103,745	64,115
Capital Budget Changes	9,560	-	-
Quarter 1 Highways Maintenance scheme rephase to 2022/23	(500)	500	-
Rephasing requested Quarter 2	(18,491)	18,491	-
BUDGET AS AT END OF SEPTEMBER 2021	97,897	122,736	64,115

4.6.1 Capital Budget Changes

Details of the increases to capital budgets are shown in the table below:

Service	Narrative	Funding Method	Capital Budget Increases (Reductions) £000's
Adults	Additional DFG Grant Allocation for 21/22	External Funding	355
Children's	Budget realignment with Capital Grants Unapplied	External Funding	(24)
Children's	Budget realignment to match grant allocations received in the School Condition Programme	External Funding	(240)
Children's	Land Receipt for former Balderstone High School Site	Capital Receipts	1,268
Children's	High Needs Provision Capital Allocations	External Funding	1,157
Economy	Create Future High Streets Fund grant budget 1 st Tranche	External Funding	4,108
Economy	Create remaining Brownfield Land grant budget	External Funding	1,204
Economy	Create Town Hall Delivery Grant budget	External Funding	81
Economy	Create Roch Flood Innovation – EA grant budget	External Funding	279
Neighbourhoods	Agilisys contribution to N1R works	RCCO	15

Service	Narrative	Funding Method	Capital Budget Increases (Reductions) £000's
Property & Highways	Allocate the Local Transport Plan funding to various Property & Highways schemes	Government Grants	1,357
	Total Capital Budget Changes		9,560

4.6.2 Capital Re-phasing requests to the end of September 2021, which have been approved by the Chief Finance Officer, are shown in Appendix B (2).

The estimated revenue savings to be achieved through the rephasing of schemes above funded via prudential borrowing have been accounted for in the quarter 2 Revenue monitoring, and will be included in the 2022/23 Estimates process.

4.6.3 The following budget switches are requested to fund expenditure:

Service	Scheme	Budget Switches £000s
Economy	Request to switch Property Growth Fund - £3,687k to Upperbanks	3,687
Economy	Request to switch - £3,687k to Upperbanks from Property Growth Fund	(3,687)
Children's	Schools Capital Condition Programme – request to switch £304k from New Place Planning	304
Children's	New Place Planning – request to switch £304k to schools Capital Condition Programme	(304)
	TOTAL	0

As part of Quarter 1, 2021/22, a switch of £500k into 2022/23 from the Investment Fund to the Highways Maintenance in-house service was approved. At Quarter 2, 2021/22 there has been a request for £200k of the rephased budget to be brought back into 2021/22 to fund expenditure relating to the purchase of conference equipment at Number 1 Riverside. Approval has been given using the delegated authority of the Chief Finance Officer, Leader and Portfolio Holder.

4.6.4 Capital Receipts

Capital receipts are received on the sale of various assets including land, buildings and vehicles. The forecast movements in the Capital Receipts

Reserve during 2021/22, and provisionally for 2022/23 to 2024/25 are included in the table below.

Description	2021/22	2022/23	2023/24	2024/25
	£000s	£000s	£000s	£000s
Capital Receipts balance as at 1st April 2021	10,867	2,338	2,347	2,847
Use of Capital Receipts to fund 2021/22 Capital Programme, including prior year schemes rephased into 2021/22	(4,393)	-	-	-
Use of Capital Receipts to fund provisional 2022/23 and 2023/24 Capital Programmes, and 2021/22 rephasing into future years	-	(3,980)	-	-
Earmarked use of receipts to fund other future commitments	(2,855)	(852)	-	-
Forecast Capital Receipts income	3,713	1,741	500	400
Forecast uncommitted Capital Receipts balance as at 31st March 2022	7,331	4,240	4,740	5,140

The forecast uncommitted Capital Receipts Reserve balance as at the end of 2024/25 is £5,140k.

4.7 **Collection Fund**

4.7.1 The forecast Collection Fund outturn position for 2021/22 is a deficit of £4,460k, comprising:

- £6,625k deficit relating to Business Rates. However Section 31 grant of £9,113k is forecast to be received to offset Extended Retail Relief discount given; this will leave a forecast net residual surplus of £2,488k.
- £2,165k surplus relating to Council Tax.

The recovery of the Collection Fund from the impact of the pandemic is uncertain; it continues to be affected by the impact of Covid-19 and Government initiatives on businesses and Council Tax payers.

4.7.2 Table 1 shows the forecast 2021/22 Collection Fund position, and the allocation between precepting authorities.

Table 1 – 2021/22 Collection Fund forecast outturn

	Business Rates	Council Tax	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Forecast 2021/22 Collection Fund (surplus)/ deficit	6,625	(2,165)	4,460
<u>Preceptors' share of forecast 2021/22 outturn</u>			
Rochdale BC	6,559	(1,836)	4,723
GMCA Mayoral Police & Crime Commissioner	-	(232)	(232)
GMCA Mayoral General (including Fire Services)	66	(97)	(31)
Forecast Outturn (surplus)/ deficit	6,625	(2,165)	4,460
S31 income - Extended Retail Relief	9,113	-	9,113
Forecast net surplus	(2,488)	(2,165)	(4,653)

The Council's share of the forecast Collection Fund deficit is £4,723k, which will be wholly offset by Government Section 31 grant funding of £9,022k, leaving a net surplus position of £4,299k. This surplus position is a positive position for the first half of the year, and will be subject to on-going review for the remainder of the financial year.

The following table provides the explanation of variances relating to Business Rates:

Explanation of variance	Variation to budget, £'000
Forecast decreased net Business Rates income mainly due to the government decision to give Extended Retail Relief for 2021/22, linked to the Covid19 pandemic; Section 31 grant to offset the discount given is received in the Council's General Fund. Empty Property discount is forecast to be £500k less than budget as the impact of the pandemic on business properties is currently less than anticipated.	9,068
Actual deficit brought forward from 2020/21 is £2,443k lower than had been forecast as part of the 2021/22 Budget process.	(2,443)
Forecast 2021/22 Outturn variance	6,625

The following table provides an explanation of variances relating to Council Tax:

Explanation of variance	Variation to budget, £'000
Forecast increased gross Council Tax income due to higher property numbers, and forecast reduced level of discounts given, as a result of the on-going review of Council Tax accounts in receipt of discounts.	(954)
Forecast reduced level of Local Council Tax Support discount given due to reduced numbers of Working age claimants; however there is uncertainty regarding the impact on individuals of the ending of the Covid19 furlough scheme and issues relating to the economy	(803)
Forecast reduced charge relating to the bad debt provision, although there is uncertainty relating to the on-going impact of Covid 19 on debt collection.	(65)
Actual deficit brought forward from 2020/21 was £3,133k; £3,476k deficit was forecast as part of the 2021/22 Budget process.	(343)
Forecast 2021/22 Outturn	(2,165)

There will be a longer term impact on Collection Fund income which is dependent on the recovery of businesses and households. This will impact on the Council's core funding for services. Work is ongoing to assess the longer term impact on the Council's financial position.

4.8 Treasury Management

4.8.1 Treasury Management activity aims to effectively manage the Council's cash flow requirements through borrowing and investment. The service operates within CIPFA's / MHCLG's Prudential Framework and our own approved Treasury Management Strategy to ensure risk is appropriately managed when seeking to minimise the costs of borrowing and maximise returns on investment.

4.8.2 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in November or December 2021 (removing the emergency reduction enacted at the start of the Covid crisis) with further increases to 0.75% by March 2024.

Gilt yields (which drive PWLB rates) continue to be extremely volatile with fluctuations seen driven by perceptions on the virus and vaccine rollouts (and thereby economic recovery), energy prices and supply shortages (including labour) as well as world events. In November 2020 the PWLB removed its 1% margin placed on borrowing in October 2019. This is subject to an ongoing prohibition on authorities investing in purely 'debt for yield' commercial activities.

Please see Appendix D for further details.

4.9 **Alternatives considered**

- 4.9.1 Not reporting on financial performance puts at risk the achievement of the Council's Medium Term Financial Plan. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.

Costs and Budget Summary

5. **Financial Implications**

The main body of the report provides a detailed analysis of the forecast 2021/22 Finance Outturn position.

Risk and Policy Implications

6. There are no significant legal implications arising as a result of this report to the Cabinet and the Corporate Overview and Scrutiny Committee, but it should be noted that debts, which are recoverable, can be enforced by Court action in accordance with the Court Procedure Rules.

The impact of Covid-19 pressures relating to additional expenditure and lost income is forecast to continue to have an impact on the Council's financial position both in 2021/22 and in the medium term. The 2021/22 budget and Medium Term Financial Plan include forecast lower income levels for Business Rates and Council Tax due to the pandemic, which is being offset through the use of both one off government funding and reserves in the short term. However, this cannot be sustained in the longer term. Recovery from the pandemic is being closely monitored.

Unresolved appeals against the revaluation assessments for 2010 and 2017 cause uncertainty and financial risk for the Business Rates income retained by the Council. The situation is monitored on a monthly basis to ensure that any changes in the trend for successful appeals are recognised due to the future impact on Business Rates income and the impact for the provision for any backdated elements.

The Valuation Office Agency (VOA) alters rating assessments if new information comes to light indicating that the valuation is inaccurate. These could relate to a demolition, new property builds or other physical changes to a property. The number of alterations, financial impact and timing of the revaluations are not within the control of the Council. There is an on-going risk

that issues decided nationally by the VOA could potentially impact on Rochdale BC's Business Rates income.

The future level of collection of Corporate Debt (including Commercial Income), Business Rates and Council Tax debt is a potential financial risk, particularly with the on-going impact of the Covid-19 pandemic. Collection performance is monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, whilst making adjustments to reflect the current circumstances, and so that any trends may be highlighted and action taken as necessary, at the appropriate time. Debt collection is likely to continue to be affected by the impact of Covid-19 in this financial year. Provisions have been increased to reflect the increased risk of non-collection.

Consultation

7. All services engage with the production of the directorate based financial information within this report. The Leadership Team, the Leader, Cabinet Member for Finance and Corporate, and Opposition Portfolio holder for Finance have been informed of the forecast 2021/22 financial position of the Council and its implications for future years. The report will be presented to the Corporate Overview and Scrutiny Committee on 8th December 2021.

Background Papers	Place of Inspection
8. For further information about this report or access to any background papers contact Samantha Smith	No1 Riverside Floor 2
For Further Information Contact:	Samantha Smith, Samantha.Smith@rochdale.gov.uk Tel : 01706 924198

Appendix A – Revenue Budget ‘Variations to budget’ narrative – Quarter 2, September 2021

Service	Narrative	Budget £'000	Forecast £'000	Variance £'000
Adult Care	Neighbourhoods:- Increase in placement costs offset by one off additional income received from Health towards placements.	44,901	44,430	471
	Boroughwide Services:- Pressures from higher costs commissioned places for service users.	3,871	4,494	(623)
	In House Provider Services:-In year saving in staffing costs due to staff turnover.	1,648	1,496	152
	Adult Care Variation to Budget	50,420	50,420	0
Children's	Cared for Children:- Small underspend on placements.	24,775	24,690	85
	Early Help/Sure Start:- Early Years SEND pressure, partially mitigated by underspend related to staff vacancies	4,998	5,069	(71)
	School Support:- Overachievement of income on personnel and governors.	1,361	1,268	93
	Special Educational Needs and Disability (SEND):- The service is seeing a large increase in Education Health and Care Plan (EHCP) applications which is due to the delayed impact of Covid-19 and will also be due to the growth from the new academic year; the pressure is £1,437k. There is also a pressure of £339k re SEND transport, due to continued growth relating to this statutory duty, and cannot be funded by Dedicated Schools grant.	6,477	8,253	(1,776)
	Youth Service:- Staff vacancies to date, underspend on activities this will have been impacted by covid restrictions during the first quarter.	9	(32)	41
	High Needs Block - The service is seeing a large increase in Education Health and Care Plan (EHCP) applications which is considered to be the delayed impact of covid and will also be the growth from the new academic year. The £1.4m deficit is in line with the recovery plan projection which was a £1.5m deficit for 2021/22.	0	(1,437)	1,437

	Early Years Block - Early years SEND pressure of £121k which will be mitigated by Early Years Dedicated Schools grant reserves; however the pressure growing on the Early Years Block is as a result of SEND.	0	(121)	121
	Children's Services Variation to Budget	37,620	37,690	(70)
Economy	Economic Development:- Pressure relating to a commercial development due to higher than budgeted voids/unlet units, increasing landlord exposure to expenditure liabilities on service charge and Business Rates.	1,919	2,019	(100)
	Property Growth Fund: - The overall Property Growth Fund Investment Portfolio is forecast to deliver the 1.5% budgeted return on investments completed to date. The reported pressure of £0.437m is due to the budgeted savings requirement being based on forecast levels of investment to date; as potential investments depend upon market forces and the availability of suitable opportunities the Council's actual level of investment to date is lower than initially anticipated and therefore the savings requirement does not match operational activity. Future years approved budgets have been realigned to take into account current investment levels and so this is a non-recurrent pressure.	(1,629)	(1,206)	(423)
	Economy Services Variation to Budget	290	813	(523)
Finance Control/ Tax & Treasury	In-year saving relates to reduced borrowing costs (deferred and lower rates) of £454k, partially offset by reduced interest income of £303k due to the delay of a planned loan; and £68k in year saving relating to other minor variations.	13,331	13,112	219
	Finance Control Variation to Budget	13,331	13,112	219
Neighbourhoods	Facilities Management:- In year saving due to underspend in maintenance and utilities in N1R	2,557	2,482	75
	Community & Townships:- In year saving due to vacant posts in Libraries and Community Safety	4,002	3,918	84

	Customer Access :- Additional one off income has been generated in year	1,446	1,333	113
	Strategic Housing: - There is a pressure relating to the Homelessness service area due to increased numbers of service users and accommodation costs, which can only be partially offset by government Housing Benefit subsidy. Although budget provision has been made, further corporate funding of £500k has been earmarked to address the forecast pressure.	2,200	2,200	0
	Properties:- The service has a pressure of £168k in respect of under achievement of income.	229	397	(168)
	Neighbourhoods Service Variation to Budget	10,434	10,330	104
Resources	Finance Services:- In-year staff savings due to a delay in recruitment.	1,665	1,558	107
	Other Managed Budgets:- In-year savings as a result of vacant posts and other temporary arrangements and one-off savings.	2,589	2,384	205
	Revenues and Benefits:- In-year saving due to staffing and additional income from Academies.	1,838	1,815	23
	Legal Services:- Pressure within the Shared Legal Service with Manchester City Council.	1,804	1,937	(133)
	Human Resources:- In-year savings on staffing and the Occupational Health Contract are mitigating a pressure in relation to software costs.	1,893	1,855	38
	Internal Audit:- In-year staff savings due to a delay in recruitment.	631	601	30
	Resources Service Variation to Budget	10,420	10,150	270
Total Variation to Revenue Budget - 2021/22				0

Appendix B – Capital Forecast Spend by Scheme as at Quarter 2, September 2021

Service	Scheme	2021/22 budget, £k	2021/22 Forecast Outturn, £k	Variation, £k	2022/23 budget, £k	2023/24 budget, £k	Total budget, £k
Adult Care	Better Care Fund	380	380	-	-	-	380
Adult Care	Disabled Facilities Grant	3,184	3,184	-	3,633	2,633	9,450
Adult Care		3,564	3,564	-	3,633	2,633	9,830
Children's	Aiming High For Disabled Child	42	42	-	-	-	42
Children's	Devolved Formula Capital	915	915	-	461	461	1,837
Children's	Early Years Capital Grant	19	-	19	-	-	19
Children's	New Place Planning	8,798	3,530	5,268	20,200	10,200	39,198
Children's	Schools Cap Condition Programme	4,860	3,484	1,376	2,308	1,808	8,976
Children's	Special Provision Capital Fund	-	-	-	593	-	593
Children's	CWD Residential Home	1,114	1,114	-	-	-	1,114
Children's	High Needs Provision Capital Allocations	1,157	579	578	-	-	1,157
Children's		16,905	9,664	7,241	23,562	12,469	52,936
Economy	Definitive ROW Improvement Programme	54	54	-	-	-	54
Economy	River Roch Flood Storage	1,010	1,010	-	1,336	4,500	6,846
Economy	Rochdale Gateways Environmental Programme	17	17	-	-	-	17
Economy	Stakehill Industrial Estate	26	26	-	20	-	46
Economy	Asset Development Fund	1,568	1,568	-	1,515	-	3,083
Economy	Property Growth Fund	3,816	205	3,611	42,000	20,000	65,816
Economy	Milnrow TC Butterworth Hall Flood Risk Mgt	-	-	-	100	-	100
Economy	Turf Hill Flood Risk Mgt	500	500	-	-	-	500
Economy	East Lancashire Railway	100	26	74	226	-	326

Service	Scheme	2021/22 budget, £k	2021/22 Forecast Outturn, £k	Variation, £k
Economy	Lower Falinge	4	4	-
Economy	Heywood South/Junction 19	300	300	-
Economy	Northern Gateway Feasibility & Study	359	250	109
Economy	Pennine Holl Lake Feasibility	23	23	-
Economy	Metrolink Feasibility	50	50	-
Economy	Birch Fountain & Horse Trough-Middleton	22	22	-
Economy	Rail Corridor Strategy	3,111	3,111	-
Economy	Michael Faraday Avenue	3,109	3,109	-
Economy	Rochdale Flood Innovation Programme	279	279	-
Economy	Town Centre East Feasibility	58	57	1
Economy	Town Hall Adaptation and Restoration	2,700	2,884	(184)
Economy	Rochdale Market	1	11	(10)
Economy	Town Hall Square PH2	647	647	-
Economy	Drake Street Phase 2	955	955	-
Economy	Town Centre Schemes 2016/17	958	958	-
Economy	Rochdale Town Centre 3 Year Strategy	352	342	10
Economy	Hopwood Hall Refurbishment	97	97	-
Economy	Town Centre Residential Strategy	2,297	2,297	-
Economy	Rochdale Riverside Phase 2 (Upperbanks)	8,186	11,873	(3,687)
Economy	Hey/Midd/Litt Town Centre Masterplans	121	121	-
Economy	Town Centre Masterplan	50	51	(1)
Economy		30,770	30,847	(77)
Neighbourhoods	ICT Infrastructure Refresh Programme	566	466	100
Neighbourhoods	ICT Programmes (Staff)	554	554	-

2022/23 budget, £k	2023/24 budget, £k	Total budget, £k
-	-	4
2,421	-	2,721
-	-	359
-	-	23
-	-	50
-	-	22
1,000	-	4,111
-	-	3,109
-	-	279
335	-	393
3,500	4,831	11,031
-	-	1
2,200	4,700	7,547
200	-	1,155
-	-	958
350	-	702
-	-	97
-	-	2,297
-	-	8,186
-	-	121
-	-	50
55,203	34,031	120,004
444	444	1,454
500	500	1,554

Service	Scheme	2021/22 budget, £k	2021/22 Forecast Outturn, £k	Variation, £k
Neighbourhoods	Office 365	225	225	-
Neighbourhoods	Townships Capital Programme	309	309	-
Neighbourhoods	Housing Standards Fund	835	835	-
Neighbourhoods	New Cemetery Sites	807	807	-
Neighbourhoods	Replacement Parks/Street Machinery	124	124	-
Neighbourhoods	Rights Of Way	127	127	-
Neighbourhoods	Rochdale Cemetery Lodge Repair	94	94	-
Neighbourhoods	Section 106 - Environmental Management	1,890	1,890	-
Neighbourhoods	Townships Capital - Environmental Management	217	217	-
Neighbourhoods	Upgrade Play Equipment	231	231	-
Neighbourhoods	Vehicle Replacement Programme	1,242	905	337
Neighbourhoods	Waste Bin Replacement Programme	288	288	-
Neighbourhoods	Asset Management Group	2,997	2,997	-
Neighbourhoods	Local Transport Plan	4,155	4,155	-
Neighbourhoods	Townships Capital - Highways	677	677	-
Neighbourhoods	Burglary Reduction Scheme	100	100	-
Neighbourhoods	N1R Revolving Doors	120	-	120
Neighbourhoods	Decarbonisation Scheme	11,062	11,062	-
Neighbourhoods	Coroners Service accommodation	5	5	-
Neighbourhoods	Additional Highways Funding	1	1	-
Neighbourhoods	J19 Feasibility	23,791	14,791	9,000
Neighbourhoods	Developer Contributions	83	83	-
Neighbourhoods	GM Full Fibre Programme	926	926	-
Neighbourhoods	Service Desk System Replacement	60	60	-

2022/23 budget, £k	2023/24 budget, £k	Total budget, £k
225	-	450
400	400	1,109
800	800	2,435
833	-	1,640
120	120	364
80	80	287
-	-	94
42	-	1,932
-	-	217
75	75	381
2,858	1,777	5,877
293	298	879
1,750	1,750	6,497
2,714	2,714	9,583
-	-	677
100	100	300
-	-	120
-	-	11,062
-	-	5
-	-	-
-	-	23,791
-	-	83
-	-	926
100	-	160

Service	Scheme	2021/22 budget, £k	2021/22 Forecast Outturn, £k	Variation, £k
Neighbourhoods	Compulsory Purchase Order Programme	1,628	1,028	600
Neighbourhoods	Travellers Authorised Stopping Site	46	46	-
Neighbourhoods	Climate Emergency	500	500	-
Neighbourhoods	Car Parking Machines	9	9	-
Neighbourhoods	Allotments 2017-18 Manifesto Funding	167	167	-
Neighbourhoods	Accelerated Housing	1,561	1,061	500
Neighbourhoods	Affordable Housing	2,325	2,325	-
Neighbourhoods	Customer Transformation Programme	800	730	70
Neighbourhoods	CCTV Upgrade	450	450	-
Neighbourhoods	Library Self Service	20	20	-
Neighbourhoods	Extended Library Hours	150	150	-
Neighbourhoods	Townships Funding Libraries	12	12	-
Neighbourhoods	N1R Utilisation	85	85	-
Neighbourhoods	Highway Investment Programme	1,333	1,333	-
Neighbourhoods	Bowlee Free School	1,280	680	600
Neighbourhoods	Highways Plant & Machinery	2,000	2,000	-
Neighbourhoods		63,852	52,525	11,327
Public Health	Link4Life Capital Project	1,297	1,297	-
Public Health		1,297	1,297	-
Total Capital Forecast Position at September 2021				
		116,388	97,897	18,491

2022/23 budget, £k	2023/24 budget, £k	Total budget, £k
1,430	2,419	5,477
-	-	46
1,519	1,000	3,019
-	-	9
-	-	167
650	1,705	3,916
-	-	2,325
129	-	929
159	-	609
-	-	20
-	-	150
-	-	12
-	-	85
1,320	-	2,653
-	-	1,280
500	-	2,500
17,041	14,182	95,075
4,806	800	6,903
4,806	800	6,903
Total Capital Forecast Position at September 2021		
104,245	64,115	284,748

Appendix B (2) – 2021/22 Capital budget rephasing

Service	Narrative	Rephasing Requested £000s	Funding Source
Children's	Early Years Capital Grant – This will not be spent in this financial year but once childcare providers are running at a near full capacity again this will be reviewed in 2022/23.	19	External
Children's	New Place Planning – The DfE have delayed the opening dates of both new Free Schools so the LA contributions will be unspent in 2021/22. We are liaising with the Inclusion Board to decide on a way forward for additional SEN places but it is unlikely this will generate any significant spend in this financial year. The building scheme to increase the number of pupil places at Brownhill Learning Community ASC is due for completion in 2022/23, the schemes at Harwood Park, Castleton Primary school and to increase dining capacity at Falinge Park High school, are due to be completed in 2021/22 but this may need to be extended into 2022/23 and 2023/24.	5,268	External
Children's	Schools Capital Condition Programme – This rephasing request is relating to various schools due to works being postponed until Summer 2022/23.	1,376	External
Children's	High Needs Provision Capital Allocations – This is a new grant for 2021/22 and it is estimated that half of the allocation of £1.157m will be spent in 2021/22.	578	External
Economy	Town Centre Schemes – Following Cabinet approval in September 2021, the build contract for the Upperbanks scheme has been awarded and the expected construction costs in 21/22	(184)	

Service	Narrative	Rephasing Requested £000s	Funding Source
	<p>require a switch of £(3,687)k from the Property Growth Fund in 21/22. Town Hall – changes in the procurement process has incurred additional costs and a rephase of £(184)k is requested from Phase 3 of the scheme from 23/24 to 21/22. Minor switch of budgets within the Town Centre programme to fund final payment of works to Rochdale Market £(10)k and a slightly higher than anticipated cost for Town Centre Masterplan £(1)k – this is to be funded from the Town Centre 3 Year Strategy budget £10k and Town Centre East Feasibility budget £1k.</p>		Prudential Borrowing
Economy	<p>Property Growth Fund – The build contract for the Upperbanks scheme has been awarded and the expected construction costs in 21/22 require a rephase of £(76)k from 22/23 to 21/22 on Property Growth Fund and then £3,687k is to be switched to Upperbanks in 21/22; utilisation of the fund for this purpose having been approved at Cabinet in September 2021.</p>	(76)	Invest to Save
Economy	<p>East Lancashire Railway – Awaiting the outcome of a Transport for Greater Manchester study for the tram-train project to confirm the location of a platform at Heywood Station which affects other improvement works at the station, therefore a rephase is requested of £74k to 22/23.</p>	74	Prudential Borrowing
Economy	<p>Northern Gateway Feasibility & Study – Funding to be reprofiled to 22/23 following the receipt of GM Combined Authority grant funding £109k.</p>	109	Prudential Borrowing
Economy	<p>Milnrow TC Butterworth Hall Flood Risk Mgt: £100k to be rephased to 2022/23 as work is not expected to take place in 2021/22 at this stage.</p>	100	Prudential Borrowing

Service	Narrative	Rephasing Requested £000s	Funding Source
Neighbourhoods	ICT Infrastructure Refresh Programme – In the current economic climate the time taken to purchase vehicles has extended beyond the normal timeframes. A request is therefore made to rephase £337k budget into 2022/23.	337	Prudential Borrowing
Neighbourhoods	Number One Riverside revolving doors – Request to rephase £120k to 22/23.	120	Prudential Borrowing
Neighbourhoods	Junction 19 Feasibility – Request to rephase £9m to 22/23.	9,000	External
Neighbourhoods	Compulsory Purchase Order Programme – Request to rephase £600k to 22/23.	600	Prudential Borrowing
Neighbourhoods	Accelerated Housing – Request to rephase £500k to 22/23.	500	Prudential Borrowing
Neighbourhoods	Customer Transformation Programme – This project spans multiple years, a request is made to rephase £70k to 22/23.	70	Prudential Borrowing
Neighbourhoods	Bowlee Free School – A request is made to rephase £600k to 22/23 linked to the building of the school.	600	Prudential Borrowing
	Grand Total of Rephasing	18,491	

Appendix C – Collection Fund

Business Rates

The 2021/22 forecast outturn position relating to Business Rates is a deficit of £6,625k:

Description	Budget	2021/22 Forecast Outturn	(Surplus)/ Deficit	(Surplus)/Deficit movement from previous update
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Gross income	(86,863)	(86,863)	-	-
Net Small Business Rate relief	8,110	8,110	-	-
Mandatory Charitable relief	4,229	4,424	195	195
Discretionary relief	608	9,981	9,373	(175)
Empties & Part Occupied relief	4,500	4,000	(500)	(500)
Net Income	(69,416)	(60,348)	9,068	(480)
Less:				
Charge re bad debt provision	3,000	3,000	-	-
Allowance for cost of collection	326	326	-	-
Provision for rateable value revaluations	3,911	3,911	-	-
Renewable energy schemes	583	583	-	-
Net yield	(61,596)	(52,528)	9,068	(480)
2021/22 payments to preceptors/billing authority	61,596	61,596	-	-
In year deficit	-	9,068	9,068	(480)
Deficit brought forward from 2020/21	24,265	21,822	(2,443)	-
Payments from preceptors/billing authority re 2020/21 deficit per 2021/22 Budget process	(21,794)	(21,794)	-	-
2021/22 Forecast deficit/(surplus)	2,471	9,096	6,625	(480)
2022/23 & 2023/24 Payments from preceptors re 2020/21 deficit as per 2021/22 Budget process	(2,471)	(2,471)	-	-
Net deficit	-	6,625	6,625	(480)

Council Tax

The 2021/22 forecast position relating to Council Tax is a surplus of £2,165k.

2021/22 Forecast Council Tax Income

Description	Budget	2021/22 Forecast outturn	(Surplus)/ Deficit	(Surplus)/ Deficit movement from previous report
	£'000	£'000	£'000	£'000
INCOME				
Income from Council Tax	(151,783)	(152,000)	(217)	(217)
Income from premium on Empty Properties	(509)	(700)	(191)	(191)
Council Tax discounts	15,069	14,523	(546)	(546)
Local Council Tax Support Scheme (LCTSS)	22,303	21,500	(803)	(403)
Prior year adjustments	203	203	-	-
Total income	(114,717)	(116,474)	(1,757)	(1,357)
EXPENDITURE				
Charge re bad debt provision	3,442	3,377	(65)	235
Total expenditure	3,442	3,377	(65)	235
Net income to be raised for precept/ billing authority after LCTSS awarded	(111,275)	(113,097)	(1,822)	(1,122)
2021/22 payments to Preceptors	111,275	111,275	-	
In year deficit/(surplus)	-	(1,822)	(1,822)	(1,122)
Deficit brought forward from 2020/21	3,476	3,133	(343)	-
2021/22 Payments from preceptors re 2020/21 deficit as per 2021/22 Budget process	(2,235)	(2,235)	-	-
2021/22 Forecast deficit/(surplus)	1,241	(924)	(2,165)	(1,122)
2022/23 & 2023/24 Payments from preceptors re 2020/21 deficit as per 2021/22 Budget process	(1,241)	(1,241)	-	
Net surplus	-	(2,165)	(2,165)	(1,122)

Appendix D – Treasury update – September 2021

Table 1 below summarises the borrowing activity of the Council in the first half of the year showing the types of loan, the average interest rate and the average length of maturity of each class of loan.

Table 1 Borrowing

<u>Debt Type</u>	<u>Balance at 01/04/21</u> <u>£M</u>	<u>New Borrowing to 30/09/21</u> <u>£M</u>	<u>Repayments to 30/09/21</u> <u>£M</u>	<u>Balance at 30/09/21</u> <u>£M</u>	<u>Average Rate</u> <u>%</u>	<u>Average Maturity</u> <u>Years</u>
<u>Fixed Rate Debt</u>						
PWLB Debt	102.634	-	(3.419)	99.215	2.37%	10.82
Market Debt	56.000	-	-	56.000	4.31%	45.64
Salix	0.245	-	(0.033)	0.212	0.00%	1.15
Short Term Debt	-	-	-	-	-	-
Total Fixed Rate Debt	158.879	-	(3.452)	155.427	3.06%	23.34
<u>Variable Rate Debt</u>						
PWLB	-	-	-	-	-	-
Market Debt	64.000	-	-	64.000	4.52%	44.93
Total Variable Rate Debt	64.000	-	-	64.000		
TOTAL DEBT	222.879	-	(3.452)	219.427	3.48%	29.64

No long term borrowing has been undertaken so far in 2021/22. The current year's revised capital programme, including rephasing from previous years, reductions and planned rephasing to future years (totalling £42m) has so far been funded by internal (from reserves and balances) borrowing. A similar policy, has been used to support the capital programme in the previous 8 years resulting in cumulative internal borrowing at the start of the year of £139m. This means there is potential for external borrowing of £181m in 2021/22 and future years as balances are used for their intended purpose or to bridge the overall budget gap. Our current projections and balance sheet review indicate that in year borrowing will be limited, though some additional borrowing may be undertaken to hedge against potential future interest rate increases.

Delaying our long term borrowing has led to savings of £381k compared to our revised estimate in the first part of the year.

A projection of the net cost of interest on the Council's borrowings and investments is shown in table 2.

Table 2 Interest Summary

Interest Budgets	Revised Estimate £'000	Current Projection £'000	Variation Under/(Over) £'000
Interest Cost on Borrowing (Net of Contributions)	6,486	6,105	(381)
Investment Income	(69)	(116)	(48)
Other Interest Budgets	204	178	(26)
Total	6,621	6,167	(454)

The Treasury Management Strategy details a number of Prudential Indicators which the Prudential Code requires the Council to manage and report on. The indicators are as follows:

- Maturity Structure of Fixed Interest Borrowing
- Operational and Authorised Limits

Maturity

The maturity structure of fixed interest borrowing should enable the maturity of loans across a range of years so that the Council will not be exposed to a requirement for large amounts of repayment at a particular time. This needs balancing against the requirement for certainty of costs to secure budgets going forward and the desire to secure the best possible rates. The Prudential Code requires the Council to place upper and lower ranges on maturity.

Table 3 Period of Maturity

Period of Maturity	Upper Limit	Lower Limit	Actual to Date
Under 12 months	60%	0%	3.42%
Between 12 & 24 months	60%	0%	3.14%
Between 2 & 5 years	60%	0%	9.55%
Between 5 & 10 years	70%	0%	10.08%
Over 10 years	100%	25%	73.81%

Debt Boundaries & Limits

The Council's Operational Boundary (the limit which borrowing should not normally exceed) in 2021/22 (adjusted for PFI projects and externally managed debt) is £540m. The Authorised Limit (a control on our maximum level of borrowing) is £716m. Current borrowing (adjusted for PFI and other debt related long term liabilities) is £311m – comfortably within the approved limits. We do not expect to exceed these limits in the latter half of the year.

Investments

The level of investments on 1st April 2021 was £120.9m and is £129.8m at 30 September 2021. The level of investments the Council targets to maintain in the future will generally be between £30-40m. The balance has remained above our target due to slower capital spend, the accumulation of capital grants unapplied and the maintenance of reserves and balances. The Council expects to exceed its revised investment income target by £48k in the year. The average interest rate earned on investments in the first part of the year was 0.12% compared to our benchmarks of 0.06% / -0.06% (7 Day LIBOR/LIBID plus 2 basis points).

Investments represent surplus cash as a result of timing differences between receipt of funds and related expenditure which creates earmarked reserves and balances held for future need. The Council's main investment priority continues to be the security of capital followed by liquidity and yield / return. The Treasury Management Team aims to achieve the optimum return commensurate with proper levels of security and liquidity. In the current economic climate, with continuing credit concerns it is considered appropriate to keep investments relatively short dated with no investments placed for more than a year. Roughly a third of our current portfolio is available on call (including Money Market Funds) with the remainder invested in notice accounts and fixed term deposits. All investments are made with counterparties with strong credit ratings and adhere to the limits (duration and amount with each institution) specified in our Treasury Management Strategy.

The relative percentages of the investment portfolio held on 30th September 2021 are detailed in table 4 by maturity, investment type, institution and credit rating.

Table 4 Investment Portfolio

Maturity		
Maturing:	Amount £m	%
Instant Call	46.8	36.0 %
Less than 1 Month	7.0	5.4%
1-3 Months	30.0	23.1 %
3-6 Months	46.0	35.5 %
6 Months to 1 Year	0.0	0.0%
Over 1 Year	0.0	0.0%
Total	129.8	100%

Type of Investment		
Investments Types	Amount £m	%
Fixed Term Deposits	66.0	50.9 %
Notice Accounts	17.0	13.1 %
Call and Overnight	7.5	5.7%
Money Market Funds	39.3	30.3 %
Total	129.8	100%

Institutions		
Institutions:	Amount £m	%
UK Banks	52.5	40.4 %
Europe	7.0	5.4%
Rest of World	26.0	20.0 %
Money Market Funds	39.3	30.3 %
UK Local Authorities	5.0	3.9%
Total	129.8	100%

Ratings		
Institution Rating	Amount £m	%
AAA	39.3	30.3 %
AA-	10.0	7.7%
A+	67.5	52.0 %
A-	8.0	6.2%
No Rating	5.0	3.8%
Total	129.8	100%