



North Tyneside Council

Cabinet

24 July 2020

Monday, 3 August 2020 commencing at 6.00pm. The meeting will be held virtually and will be live streamed at the following link: <https://youtu.be/FIMQVxidFmM>

| Agenda Item | Page(s) |
|--|---------------|
| <p>1. Apologies for Absence</p> <p>To receive apologies for absence from the meeting.</p> | |
| <p>2. Minutes</p> <p>To confirm the minutes of the meeting held on 29 June 2020 (previously circulated)</p> | |
| <p>3. To Receive any Declarations of Interest and Notification of any Dispensations Granted</p> <p>You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest.</p> <p>You are also invited to disclose any dispensation in relation to any registerable and/or non-registerable interests that have been granted to you in respect of any matters appearing on the agenda.</p> | |
| <p>4. Report of the Young Mayor</p> <p>To receive a verbal report on the latest activities of the Young Mayor and Young Cabinet.</p> | |
| <p>5. 2020/21 Financial Management Report to 31 May 2020</p> <p>To receive the first budget monitoring report for the current financial year which reflects the forecast financial position as at 31 May 2020.</p> | 5 - 76 |

Members of the public are welcome to attend this meeting and receive information about it.

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| <p>6. 2021-2025 Financial Planning and Budget Process incorporating the Associated Engagement Strategy</p> <p>To consider a report outlining the process to be adopted for the Authority's Financial Planning and Budget process for 2021/22 as part of the proposed framework for the four years 2021/22 to 2021-2025.</p> | 77 - 138 |
| <p>7. North Shields Town Centre and Fish Quay Masterplan</p> <p>To receive a report on the progress made in delivering the North Shields Town Centre and Fish Quay Draft Masterplan since April 2019; and agree the Masterplan to be used as a basis for consultation and engagement over the Summer / Autumn 2020.</p> | 139 - 148 |
| <p>8. Exclusion Resolution</p> <p>This is to give further notice in accordance with paragraphs 5(4) and 5(5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to consider items 9 and 10 below in private.</p> <p>Resolved that under Section 100A (4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 3 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.</p> <p>Reasons for taking the items in private: The reports contain information relating to the financial or business affairs of any particular person (including the authority holding the information).</p> | |
| <p>9. Health and Safety services</p> <p>To consider a report seeking approval for the Head of Resources to progress the return of Health and Safety Services to direct management and operation by the Authority.</p> | 149 - 154 |
| <p>10. Corporate Risk Management Report</p> <p>To consider a report on the latest review of key corporate risks undertaken by the Senior Leadership Team.</p> | 155 - 220 |
| <p>11. Date and Time of Next Meeting</p> <p>Monday 21 September 2020 at 6.00pm.</p> | |

Circulated to Members of Cabinet: -

N Redfearn (Elected Mayor)
Councillor B Pickard (Deputy Mayor)
Councillor G Bell
Councillor C Burdis
Councillor S Cox
Councillor S Day
Councillor P Earley
Councillor R Glindon
Councillor C Johnson
Councillor M Hall

**Young and Older People's Representatives and Partners of
North Tyneside Council.**

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North Tyneside Council Report to Cabinet 3 August 2020

Title: 2020/21 Financial Management Report to 31 May 2020

| | |
|---|---|
| Portfolios: Elected Mayor Finance and Resources | Cabinet Member: Norma Redfearn Councillor Ray Glindon |
| Report from: Finance | |
| Responsible Officer: Janice Gillespie, Head of Resources | Tel: 643 5701 |
| Wards affected: All | |

PART 1

1.1 Executive Summary:

This report is the first monitoring report to Cabinet on the 2020/21 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the first indication of the potential revenue and capital position of the Authority at 31 March 2021.

Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic will have on the Authority. The Authority has received two payments of grant funding from Government (total of £12.531m) of which £0.733m was allocated to Covid-19 pressure arising in March 2020. The impact of pressures arising from Covid-19 in 2020/21 are forecasted to be significant and the May position contains Covid-19 pressures over and above the level of grant funding received to date. Due to the level of uncertainty of how service delivery will continue to be impacted by Covid, this report is an initial view and it is expected this will change over the coming months as the response and recovery continue. Like all authorities North Tyneside is seeing a clear financial impact as a result of the pandemic and current indications are that the Covid funding received to date does not cover all anticipated costs/loss of income. Discussions are on-going at both local and national level around the financing of the residual pressures expected as a result of Covid-19.

Areas of business as usual continues to face financial pressures across areas of Social Care and demand led services that have been reported over a number of years. In considering the financial outlook for 2020/21, Services have considered the financial pressures they will face in 2020/21 and how they will mitigate these.

This report necessarily reflects these known pressures the Services will be required to manage during the financial year. As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority. It is anticipated that the overall in-year pressures of this nature will be managed by the Services.

Considering the anticipated financial impact of Covid-19, the report provides an early view of the Council Tax, Business Rates and sundry debt collection rates with an early indication of the Collection Fund position for 2020/21, and also provides an update to considerations of the Authority's cash flow position.

The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2020/21 Schools budgets, planning for 2021/22, Schools funding and the forecast outturn for the Housing Revenue Account as at 31 May 2020.

Finally, the report provides an update on the 2020/21 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Collection Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 31 May 2020 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £10.609m new revenue grants (as outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £1.286m to 31 May 2020 and the financing of the Plan to the end of the year (Annex Section 8); and
- (d) approves variations of £4.271m and reprogramming of £9.659m for 2020/21 within the 2020 – 2025 Investment Plan (Annex Section 8).

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 19 June 2020.

1.4 Authority plan and policy framework:

The budget is a key strand of the Authority's Budget and Policy Framework.

1.5 Information:

1.5.1 Financial Position

This report is the first monitoring report presented to Members on the Authority's 2020/21 financial position. It provides an early indication of the expected revenue and capital financial position of the Authority as at 31 March 2021. This report is an initial view and it is expected this will change over the coming months as the response

and recovery to Covid-19 continues.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2020/21 approved budget savings plans;
- An indication of the impact of Covid-19 on Collection Rates;
- An indication of the impact of Covid-19 on the Collection Fund;
- The implications of Covid-19 of the Authority's cash position; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

1.5.2 General Fund Revenue Account

The budget for 2020/21 was approved by full Council at its meeting on the 20 February 2020. The net General Fund revenue budget was set at £161.361m. This included £3.244m of savings to be achieved (£0.805m relating to 2020/21).

The forecast overall pressure is estimated at £12.968m against the approved net budget. This is made up of a forecasted pressure of £0.908m on normal activities and £12.060m relating to the impact of Covid-19. The £0.908m pressure in the services is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £4.284m and Adult Services of £1.023m, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £3.663m of pressures in Corporate Parenting and Placements, £2.195m in Wellbeing and Assessment and £0.848m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2019/20 and arise from:

- Continued growth in demand in Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk;
- The shared pressure with the North Tyneside Clinical Commissioning Group around agreeing adequate levels of contributions for clients with health needs and to support social care; and
- Negotiations with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs are at an early stage for 2020/21.

It is anticipated that the outturn forecast for normal activities will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

With regards to the impact of Covid-19, the main drivers behind the £12.060m shortfall are also within Health, Education, Care and Safeguarding where £11.991m is for increased costs to the Authority of supporting the market (£3.513m), impact on savings targets (£2.691m), additional demand (£2.454m), increased costs for children in care (£1.211m) and lost income within School Improvement (£0.868m).

Significant Covid-19 related pressures exist in Environment, Housing and Leisure, (£5.427m) due to loss of income in Sport & Leisure and Highways & Transport and in Commissioning & Asset Management through income lost within Catering (£3.824m).

1.5.3 New Revenue Grants

The following revenue grants have been received during April and May 2020:

| Service | Grant Provider | Grant | Purpose | 2020/21 value £m |
|--------------------------------------|--------------------------------------|--|---|-----------------------------|
| Health Education Care & Safeguarding | National Foundation of Youth Music | Arts Council and Youth Music Grant | Delivery of a Youth Music Programme | 0.020 |
| Environment Housing & Leisure | Arts Council England | Digital Lending Grant | For the purchase of new e-books and e-audio products | 0.001 |
| Health Education Care & Safeguarding | UK Border Agency | Unaccompanied Asylum Seeking Children | For individuals under 18 who have applied for asylum in their own right | 0.031 |
| Health Education Care & Safeguarding | Department for Education | Looked After Children Mental Health Assessment Pilot | Piloting a new mental health assessment framework for looked after children entering care | 0.017 |
| Central Items | Department for Education | Adoption Support Fund | To provide therapeutic support to Adopted & Special Guardianship (SGO) children during the Covid-19 situation | 0.204 |
| Central Items | Department of Health and Social Care | Infection Control Grant | To provide support to care homes and other providers to fund the cost of controlling Covid-19 infection | 1.103 |

| Service | Grant Provider | Grant | Purpose | 2020/21 value £m |
|---------------|---|--|--|---------------------|
| Central Items | Ministry of Housing, Communities and Local Government | Covid-19 Local Authority Support Grant | To support the local authority in funding the financial impact of Covid-19 | 5.709 |
| Central Items | Ministry of Housing, Communities and Local Government | Covid-19 Hardship Fund | To offer support to claimants of Local Council Tax Support that may be facing hardship due to Covid-19 | 2.024 |
| Central Items | North of Tyne Combined Authority | Covid-19 Capacity Fund | Support including a grant scheme and specialist advice to businesses, a grant scheme and employment funding for community organisations, back to work employment support for residents and a marketing campaign for the town centres | 1.500 |
| Total | | | | 10.609 |

1.5.4 School Funding

Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2020/21 is £6.689m. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2019/20 was the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside and the overall projected balances for 2020/21 continues this trend.

As well as school balances reducing overall, some individual schools continue to face significant financial challenges. There are twelve schools with deficit budget plan in 2020/21, with seven of these schools continuing to be in deficit following 2019/20 and five schools that are new to deficit in 2020/21.

Cabinet will recall that the High Needs Block ended 2019/20 with a pressure of £4.542m. The initial forecasting of the budget position for 2020/21 indicates an anticipated in-year pressure of £1.943m reflecting a further rise in demand for special

school places. The Authority is planning for places at the end of 2020/21 to total approximately 786. This compares to a total of 762 places at this point of 2019/20.

1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2021 of £6.339m; assuming all identified Covid-19 related costs and income shortfalls are covered Centrally. These balances are £1.335m higher than budget which was set at £5.004m. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous year's financial performance (£0.211m) but there is also an in-year estimated underspend of (£1.124m), against an in-year budget of £2.589m, due to underspends arising on repairs budgets from Covid-19 impacts (£0.965m) combined with forecast vacancy savings of (£0.159m).

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of 31 May 2020, 3,926 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

1.5.6 Investment Plan

The approved 2020-2025 Investment Plan totals £263.937m (£82.924m 2020/21) and is detailed in table 39 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2020/21, reprogramming and other variations identified through the Investment Programme Governance process.

An officer led review of the Investment Plan has resulted in proposals for reprogramming of (£9.659m) and variations of £4.271m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £74.096m for 2020/21 and to the end of May 2020 spend of £1.286m had been incurred which represents 1.74% of the revised plan.

1.5.6 Performance against Council Plan

The 2020-2024 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Council Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

Our People will:

- Be listened to so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.
- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Recognise the climate emergency by further reducing the Borough's overall carbon footprint. This will include reducing the Council's carbon footprint, along with encouraging and enabling everyone to reduce their carbon footprint.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated in Wallsend and Whitley Bay, through effective public, private and community partnerships, while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.
- Be a thriving place of choice for visitors through the promotion of our award-winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Benefit, along with our people and places, from our ambitious vision which we created with partners in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. The area under most financial pressure is Health Education Care and Safeguarding.

In common with most local authorities, and in line with the national picture, North Tyneside has seen costs within adult social care continue to rise. Along with the number of adults supported increasing over the last few financial years, the individual needs of those residents have increased due to people living longer with multiple complex conditions. Supporting those needs requires more intensive packages of care which are more expensive to provide. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

In Children's Services, good progress continues to be made on engaging with children in the early years of life to ensure that they are ready for school. Safeguarding vulnerable children and maximising their educational attainment remain key priorities.

Over recent years, there has been an increase nationally in demand for children's

residential placements but with no corresponding increase in central government funded provision. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Data for LAC levels suggest that, whilst fluctuating, there is a general trend of a steady increase in numbers (as per Section 4.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet may approve the recommendations at paragraph 1.2 of this report.

Options 2

Cabinet may decide not to approve to recommendations at paragraph 1.2 of this report.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Cabinet is recommended to agree the proposals set out in section 1.2 of this report as it is important that Cabinet continues to monitor performance against the Budget, especially given the current level of financial pressures faced by the public sector.

1.8 Appendices:

Annex : Financial Management Report to 31 May 2020
Appendix 1: 2020 – 2025 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance matters – Tel. (0191) 643 8109
David Dunford – (Acting) Senior Business Partner – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters- Tel. (0191) 643 5727
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Revenue budget 2020/21
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>
- (b) Investment Plan 2020-25
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix D(i))

- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CIId=136&MIId=238&Ver=4> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s2657/Our%20North%20Tynside%20Performance%20Report%20Cover%20March%202020.pdf>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 15 September 2020.

2.2 Legal

The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, Cabinet Members, the Senior Leadership Team and Senior Finance Officers.

2.3.2 External Consultation / Engagement

The 2020/21 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

- Chief Executive ☐ X
- Head of Service ☐ X
- Mayor/Cabinet Member(s) ☐ X
- Chief Finance Officer ☐ X
- Monitoring Officer ☐ X
- Head of Corporate Strategy ☐ X

2020/21 Financial Management Report Annex

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SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

- 1.1 This report is the first monitoring report to Cabinet on the 2020/21 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the first indication of the potential revenue and capital position of the Authority at 31 March 2021. The report explains where the Authority continues to manage financial pressures.

Like all local authorities, North Tyneside Council is in a significant period of financial uncertainty with the impact of the Covid-19 pandemic increasing the challenge of being able to forecast the financial impact across the authority. We are in the early stages of understanding the impacts and expect the forecast position to change over time as we see the impacts evolve and change. We continue to see areas of pressure across Adults and Social Care, but there are significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

- 1.2 The Authority's approved net revenue budget of £161.361m is forecast to outturn with a pressure of £12.968m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.6 below sets out the variation summary across the General Fund.
- 1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to identifying the impact of Covid-19 which currently is forecast to add pressures of £23.858 to the General Fund in 2020/21. The

total Local Authority Support Grant received from Government to date is £12.531m of which £0.733m was required to offset Covid-19 issues in 2019/20. The remaining £11.798m is being applied against the forecasted pressures leaving an amount of £12.060m over and above current grant funding. Therefore, the pressures relating to normal business activities across the Authority are currently in the region of £0.908m.

- 1.4 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of Business as usual.
- 1.5 Through close motoring of Covid implications the forecast position will change through the year. Whilst some of the impact of additional cost and lost income are captured work is in progress to ensure transparency with regard to some of the savings that changes to operations will drive out. For example, we expect to see savings are car mileage, and potentially energy costs as a result of many office-based staff working from home. We have seen a reduction in printing across the authority and are working to understand with Engie how the authority will see the financial benefit that accrues from that.

Work is also underway to understand the longer-term financial implication and what that means for the longer-term financial plan. Some of that work is set out in Section 5 where an update on the Collection fund position is included in this Annex.

1.6 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 31 May 2020

| Services | Budget | Forecast | Variance | | Of which - Covid-19 | Of which - Business as Usual | Outturn Variance 2019/20 | Business as Usual Change since Outturn |
|--|----------------|----------------|---------------|--|---------------------|------------------------------|--------------------------|--|
| | £m | £m | £m | | £m | £m | £m | £m |
| Health, Education, Care and Safeguarding | 70.163 | 87.461 | 17.298 | | 11.991 | 5.307 | 5.759 | (0.452) |
| Commissioning and Asset Management | 7.053 | 12.713 | 5.660 | | 5.215 | 0.445 | 0.178 | 0.267 |
| Environment, Housing and Leisure | 42.671 | 48.496 | 5.825 | | 5.427 | 0.398 | (0.637) | 1.035 |
| Regeneration and Economic Development | 1.352 | 1.696 | 0.344 | | 0.045 | 0.299 | 0.275 | 0.024 |
| Corporate Strategy | 0.632 | 0.846 | 0.214 | | 0.051 | 0.163 | (0.003) | 0.166 |
| Chief Executive's Office | (0.081) | (0.144) | (0.063) | | 0.000 | (0.063) | (0.090) | 0.027 |
| Resources | 2.779 | 3.058 | 0.279 | | 0.005 | 0.274 | 0.452 | (0.178) |
| Law and Governance | 0.033 | 0.543 | 0.510 | | 0.254 | 0.256 | 0.204 | 0.052 |
| Central Items | 16.746 | (0.353) | (17.099) | | (10.928) | (6.171) | (6.188) | 0.017 |
| Support Services | 20.013 | 20.013 | 0.000 | | 0.000 | 0.000 | 0.000 | 0.000 |
| Total Authority | 161.361 | 174.329 | 12.968 | | 12.060 | 0.908 | (0.050) | 0.958 |

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £0.805m in 2020/21 approved by Council in February 2020 brings the total savings the Authority has had to find in the ten years following the 2010 Comprehensive Spending Review (CSR) to £127.756m.

2.2 **Table 2: Year on Year savings since 2010 CSR**

| Year | £m |
|----------------------|----------------|
| 2011/12 | 16.169 |
| 2012/13 | 16.739 |
| 2013/14 | 12.240 |
| 2014/15 | 16.552 |
| 2015/16 | 14.158 |
| 2016/17 | 15.737 |
| 2017/18 | 18.338 |
| 2018/19 | 10.143 |
| 2019/20 | 6.875 |
| 2020/21 | 0.805 |
| Total Savings | 127.756 |

2.3 In addition to the £0.805m of new savings proposals approved as part of the 2020/21 budget setting process, £1.346m of savings targets were agreed in prior year budget setting processes for delivery in 2020/21. Savings targets of £1.093m within Health, Education, Care and Safeguarding (HECS) were met in 2019/20 through management actions and still require a permanent solution in 2020/21. The total amount of savings that need to be achieved in 2020/21 is therefore £3.244m.

2.4 The delivery of savings in 2020/21 is expected to be significantly impacted by the Covid-19 pandemic especially within HECS and Commissioning & Asset Management.

2.5 **Table 3: Efficiency Savings by Service at May 2020**

| Service | 2020/21 Target £m | Projected Delivery £m | Management Actions £m | Still to Achieve £m |
|----------------------------------|--------------------------|------------------------------|------------------------------|----------------------------|
| HECS | 2.691 | 0.000 | 0.000 | 2.691 |
| Commissioning & Asset Management | 0.249 | 0.164 | 0.000 | 0.085 |
| Environment Housing & Leisure | 0.125 | 0.125 | 0.000 | 0.000 |
| Central Items | 0.179 | 0.179 | 0.000 | 0.000 |
| TOTAL | 3.244 | 0.468 | 0.000 | 2.776 |

2.6 The governance structure of the Efficiency Savings programme includes a monthly review of progress by the Senior Leadership Team (SLT). In addition, in-year budget and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main variations in relation to the savings which, at this early stage in the year, are shown as yet to be achieved are outlined in the sections below.

Health, Education, Care and Safeguarding (HECS)

2.7 HECS has a target yet to be achieved of £2.691m. This consists of £1.093m of savings reported in 2019/20 as being met in year through management actions but still requiring a permanent solution and £1.598m of savings identified for delivery in 2020/21. These savings targets relate to a number of areas;

- Increasing income £0.385m
- Service delivery changes £1.160m
- Staffing £0.053m

2.8 This service has been significantly impacted by the Covid-19 pandemic and due to the level of response required during the containment phase and the level of uncertainty across the remainder of the financial year, at this stage a prudent forecast that those savings will not be achieved has been assumed. HECS is continuing to work on the delivery of these targets but in a context of a fragile care market and disrupted assessment and care management processes it will be very challenging to fully deliver these targets in 2020/21. The pressure arising within the budget due to forecasted non-delivery has been shown as part of the Covid-19 financial impact and has been adjusted out of the HECS budget position and is shown within Central Items against the Covid-19 grant.

Commissioning and Asset Management

2.9 Within Commissioning and Asset Management, the only savings targets forecast to be only partially met relate to the increase in school meals fees of £0.082m target of which £0.052m is not likely to be achieved due to Covid-19 related school closures which have also impacted a target relating to increases in catering SLA's of £0.100m of which £0.033m is forecasted as yet to be achieved. The value of the savings forecasted as yet to be achieved have also been adjusted out of the service's position and have been shown within Central Items as Covid-19 related costs.

SECTION 3 – NEW REVENUE GRANTS

3.1 New revenue grants have been received or notified during April and May 2020.

Table 4: Grants Received or Notified in April and May 2020

| Service | Grant Provider | Grant | Purpose | 2020/21 value £m |
|--------------------------------------|--------------------------------------|--|---|-----------------------------|
| Health Education Care & Safeguarding | National Foundation of Youth Music | Arts Council and Youth Music Grant | Delivery of a Youth Music Programme | 0.020 |
| Environment Housing & Leisure | Arts Council England | Digital Lending Grant | For the purchase of new e-books and e-audio products | 0.001 |
| Health Education Care & Safeguarding | UK Border Agency | Unaccompanied Asylum Seeking Children | For individuals under 18 who have applied for asylum in their own right | 0.031 |
| Health Education Care & Safeguarding | Department for Education | Looked After Children Mental Health Assessment Pilot | Piloting a new mental health assessment framework for looked after children entering care | 0.017 |
| Central Items | Department for Education | Adoption Support Fund | To provide therapeutic support to Adopted & Special Guardianship (SGO) children during the COVID 19 situation | 0.204 |
| Central Items | Department of Health and Social Care | Infection Control Grant | To provide support to care homes and other providers to fund the cost of controlling Covid-19 infection | 1.103 |

| Service | Grant Provider | Grant | Purpose | 2020/21 value £m |
|---------------|---|--|--|---------------------|
| Central Items | Ministry of Housing, Communities and Local Government | Covid-19 Local Authority Support Grant | To support the local authority in funding the financial impact of Covid-19 | 5.709 |
| Central Items | Ministry of Housing, Communities and Local Government | Covid-19 Hardship Fund | To offer support to claimants of Local Council Tax Support that may be facing hardship due to Covid-19 | 2.024 |
| Central Items | North of Tyne Combined Authority | Covid-19 Capacity Fund | Support including a grant scheme and specialist advice to businesses, a grant scheme and employment funding for community organisations, back to work employment support for residents and a marketing campaign for the town centres | 1.500 |
| Total | | | | 10.609 |

- 3.2 In addition to the above, the Authority also received a £1.140m Test, Track and Contain grant relating to Covid-19 from the Department of Health and Social Care. The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of Covid-19. This grant was received in June 2020 and as such is not included in the table above.

2 July 2020 saw a further announcement of support for Local Government of £500m of unringfenced funding to respond to funding pressures. The share for North Tyneside Council was confirmed as £1.777m on 16 July 2020. In addition, the Government also announced support will be provided to support pressures on sales, fees and charges. The support will involve a 5% deductible rate, whereby Authorities will absorb losses up to 5% of their planned sales, fees and charges income, with the Government compensating authorities for 75p in every pound of their relevant loss thereafter. Officers are currently working through this element of the announcement

SECTION 4 – SERVICE COMMENTARIES

4.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2020/21, with forecasts being prepared on a prudent basis at this early stage in the financial year. Challenge sessions are planned to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Heads of Service and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

4.2 Health, Education, Care & Safeguarding (HECS)

4.2.1 HECS is showing an initial forecast variance of £5.307m against its £70.163m net controllable expenditure budget. This position is after adjusting for a total of £11.991m of Covid-19 related cost and income pressures which are now shown within Central Items. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

4.2.2 The HECS service continues to be heavily impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work has also been ongoing to support social care providers to maintain their vital services. In addition to cost pressures, income losses directly related to Covid-19 disruption are forecasted amounting to £1.315m. The following Covid-19 related pressures are forecasted within HECS for 2020/21.

4.2.3 Table 5: Impact of Covid-19 on HECS

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|-------------------------------|------------------------------------|--------------------------------------|-------------------------------------|--|
| Mainly Wellbeing & Assessment | 0.000 | 0.388 | 0.388 | Lost client contributions |
| Mainly Wellbeing & Assessment | 2.454 | 0.000 | 2.454 | Additional demand |
| Mainly Wellbeing & Assessment | 3.513 | 0.000 | 3.513 | Supporting the care market |
| Mainly Integrated Services | 0.754 | 0.000 | 0.754 | Supplies and services incl. PPE |
| Employment & Skills | 0.000 | 0.058 | 0.058 | Lost course fee income |
| School Improvement | 0.000 | 0.869 | 0.869 | Lost income from the Langdale Centre, High Borrans and school development work |

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|---|-------------------------|---------------------------|--------------------------|--|
| Mainly Corporate Parenting & Placements | 1.213 | 0.000 | 1.213 | Increased costs for children in care |
| Across the Service | 2.691 | 0.000 | 2.691 | Savings targets at significant risk of non-delivery due to Covid-19 issues |
| Adoptions | 0.051 | 0.000 | 0.051 | £0.051m costs relating to adoptions |
| Total | 10.676 | 1.315 | 11.991 | |

- 4.2.4 The financial impact of the Covid-19 crisis began in the last month of 2019/20 and is expected to continue throughout 2020/21. Under Government guidance which applied from 19 March 2020, the costs of packages for residents who have been discharged from hospital and any increased costs of packages which prevented admissions to hospital have been charged into a new pooled fund where the costs will be met by contributions from the Government paid via the North Tyneside Clinical Commissioning Group (NTCCG). The end date for these new arrangements has not yet been published but has been assumed to be 31 July for the purpose of forecasting. The Discharge Guidance states that there will be a transition period to allow local authorities to undertake a financial assessment of clients provided with a care package during this period. The forecast assumes that the costs of packages provided through the pooled fund will return to the Authority for the last seven months of the financial year and is identified as additional demand (£2.454m) in Table 5 above.
- 4.2.5 The forecasted costs of supporting the care market is estimated to be £3.513m and relates to supporting care homes and other providers to meet the additional operational costs of Covid-19, for example in relation to PPE and backfilling absent staff. All providers with operational services during the Pandemic have been paid an additional fee premium of 5% to cover Covid-19 operational costs. In addition, any provider which has been severely affected by Covid-19 can apply for reimbursement of any Covid-19 costs not funded through other sources, which have been suffered over and above the additional fee premium paid. The Authority is also working with care home providers within the Borough to address issues relating to the future sustainability of the market especially where individual providers have high levels of vacancies. There are similar operational cost pressures for in-house services totalling £0.754m of which £0.600m relates to PPE costs with additional costs also forecasted in relation to transport for clients, additional costs of Local Authority funded funerals and additional phone and IT costs to support increased levels of agile working.
- 4.2.6 Lost income across the service has also been identified as an impact of Covid-19 disruption. This relates to client contributions (£0.388m) where reduced levels of income are forecasted at the current rate for the remainder of the financial year.

This position is likely to improve as some currently suspended services are re-started albeit at reduced capacity. A loss of income within School Improvement of £0.869m is forecasted relating to a full year loss of income at High Borrans education centre and other fee income loss for the period April to August. Course fee income within Employment and Skills of £0.042m for the full financial year is also forecasted.

4.2.7 A total of £1.213m of sustained costs relating to children in care have been identified as a result of care provision being extended as court delays prevent children leaving care and additional operational costs within in-house settings and in externally provided care packages. A fee premium of 5% has been forecasted against all externally provided care for the full financial year.

4.2.8 Once the impact of Covid-19 has been adjusted for, the remaining pressures broadly reflect a continuation of the position in 2019/20. Further details are shown in paragraphs 4.2.10 to 4.2.36.

4.2.9 **Table 6: Forecast Variation for HECS at May 2020**

| | Budget | Forecast May | Variance May | Of which-Covid-19 related | Of which-Business as Usual | Variance 2019/20 | Business as Usual Change since Outturn |
|--|---------------|---------------------|---------------------|----------------------------------|-----------------------------------|-------------------------|---|
| | £m | £m | £m | £m | £m | £m | £m |
| Corporate Parenting & Placements | 16.739 | 22.846 | 6.107 | 2.444 | 3.663 | 5.262 | (1.599) |
| RHELAC Service | 0.004 | 0.004 | 0.000 | 0.000 | 0.000 | 0.037 | (0.037) |
| Child Protection, Independent Assurance and Review | 0.673 | 0.688 | 0.015 | 0.000 | 0.015 | 0.006 | 0.009 |
| Early Help & Vulnerable Families | 0.980 | 0.901 | (0.079) | 0.000 | (0.079) | (0.089) | 0.010 |
| Employment & Skills | 0.549 | 0.539 | (0.010) | 0.058 | (0.068) | (0.068) | 0.000 |
| Integrated Disability & Additional Needs Service | 2.272 | 3.272 | 1.000 | 0.152 | 0.848 | 0.404 | 0.444 |
| School Improvement | 0.056 | 0.830 | 0.774 | 0.869 | (0.095) | (0.166) | 0.071 |
| Regional Adoption Agency | (0.010) | 0.041 | 0.051 | 0.051 | 0.000 | 0.000 | 0.000 |

| | Budget | Forecast May | Variance May | Of which-Covid-19 related | Of which-Business as Usual | Variance 2019/20 | Business as Usual Change since Outturn |
|--|---------------|---------------------|---------------------|----------------------------------|-----------------------------------|-------------------------|---|
| | £m | £m | £m | £m | £m | £m | £m |
| Children's Services Sub-total | 21.263 | 29.121 | 7.858 | 3.574 | 4.284 | 5.386 | (1.102) |
| Wellbeing, Governance & Transformation | 2.156 | 2.220 | 0.064 | 0.000 | 0.064 | 0.099 | (0.035) |
| Disability & Mental Health | 31.851 | 32.897 | 1.046 | 1.777 | (0.731) | (0.485) | (0.246) |
| Wellbeing & Assessment | 11.505 | 19.998 | 8.493 | 6.298 | 2.195 | 1.188 | 1.007 |
| Integrated Services | 2.997 | 2.820 | (0.177) | 0.342 | (0.519) | (0.405) | (0.114) |
| Business Assurance | 0.293 | 0.307 | 0.014 | 0.0000 | 0.014 | (0.024) | 0.038 |
| Adult Services Sub-total | 48.802 | 58.242 | 9.440 | 8.417 | 1.023 | 0.373 | 0.650 |
| Public Health | 0.098 | 0.098 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total HECS | 70.163 | 87.461 | 17.298 | 11.991 | 5.307 | 5.759 | (0.452) |

Main budget pressures across HECS

- 4.2.10 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of care homes within the Borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring funding contributions from the NHS for clients with health needs as the NTCCG themselves face continuing budget constraints.
- 4.2.11 The main factor behind the overall outturn position is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. Although the number of children in care rose to 321 in January 2020, the numbers dropped to 299 by the end of 2019/20 and have remained stable (see 4.2.27 below). In addition to third party care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs. Within adult services, cost pressures remain in relation to third party care provision especially in relation to older people.

Adult Services

- 4.2.12 In Adult Services, there is a forecasted pressure of £1.023m which compares to an outturn variance of £0.373m in 2019/20. The position in 2019/20 benefitted from a one-off adjustment of £1.257m to reflect payments in advance for care delivered by a direct payment. Work is in progress to determine the longer term financial impact of the review of direct payments and the subsequent impact on the budget.
- 4.2.13 There are on-going pressures in third party payments for care provision which is £3.466m above budget levels. There is also a smaller pressure relating to premises costs (£0.165m). These are partially offset by increased client contributions and contributions from the NHS (£2.354m). There are also underspends against transport budgets and supplies and services of £0.103m and £0.151m respectively. The demand pressures were foreseen by Cabinet and backed by £1.800m of centrally held contingencies.
- 4.2.14 Pressures within external payments for care provision total £3.466m above budget. Table 7 below shows external payments for care pressures analysed into service types.

Table 7: Analysis of Adult Services Care Provision Pressure by Service Type

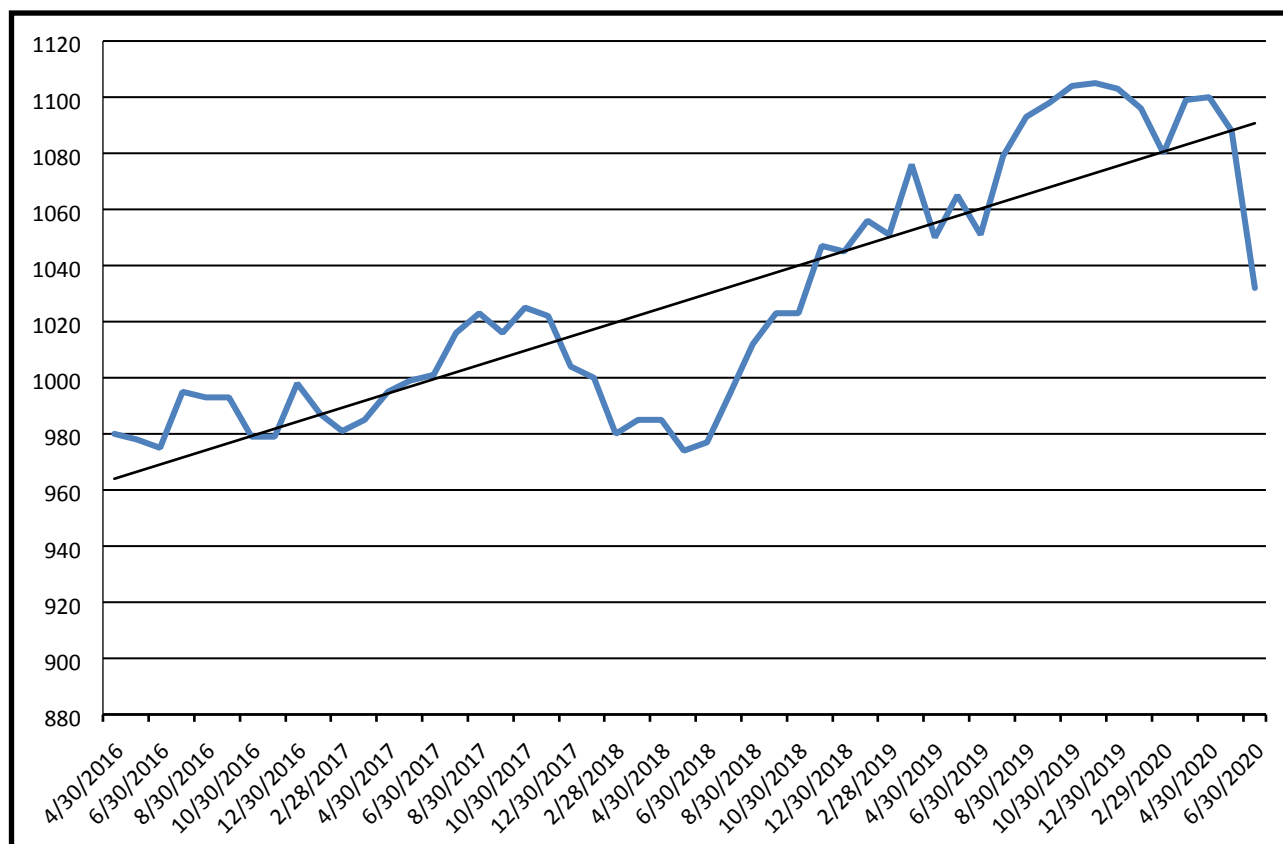
| Type of Service | May £m | March £m |
|------------------------------|--------------|--------------|
| Residential and Nursing Care | 2.950 | 3.934 |
| Homecare and Extra Care | 1.451 | 1.151 |
| Other Community-Based Care | (0.935) | (0.890) |
| Total | 3.466 | 4.195 |

Residential and Nursing Care

- 4.2.15 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term placements were strengthened and numbers of placements fell in the first part of 2019/20. However, challenges remained, for example the option to move clients from short-term placements to community provision diminishes after longer lengths of stay in short-term placement as clients lose skills and family concerns increase around risks at home. The numbers of placements overall for residential and nursing care, continued in an overall upward trend since July 2019 to a total number of clients placed in care homes of 1,093 at the end of March 2020.
- 4.2.16 The impact of the Covid-19 pandemic, however, has had a significant impact on the numbers in residential and nursing care due to a higher than normal level of deaths and a slower rate of new admissions to care. The number in residential and nursing across all client categories at the end of May was 1,032. The reduced numbers in care has resulted in a reduced forecast pressure of £2.950m compared to £3.934m at the end of 2019/20.

4.2.17 The movement in numbers placed in residential and nursing care is shown in Chart 1 below.

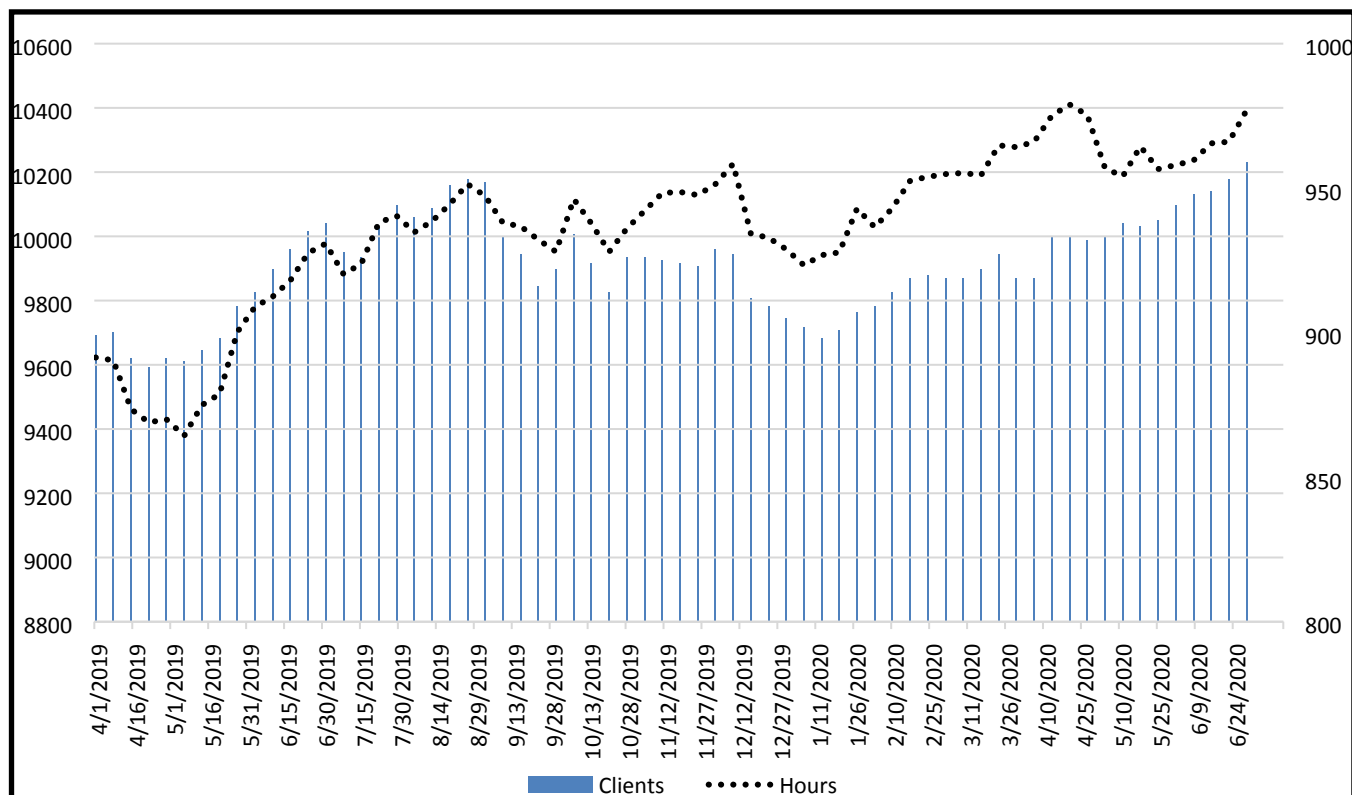
Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



Homecare and Extra Care

4.2.18 As reported during 2018/19, the Authority, in line with the national trend, had seen an increase in the number of homecare hours provided despite a fall in the total number of clients receiving this type of service. Cabinet will recall from the 2019/20 Outturn Report that the number of clients rose by 3% during 2019/20 however the number of hours delivered increased by 8.3%. The trend during the first two months of 2020/21 has been fairly volatile with an increase in the number of clients (left axis) and hours delivered (right axis) as shown in Chart 2 below:

4.2.19 Chart 2: Trends in Homecare/Extra Care Services



4.2.20 HECS is working hard to continue to embed the asset-based approach by re-engineering the customer pathway through the service to ensure that assessments are proportionate and that clients receive the appropriate level of support to meet their needs to the extent that they are eligible under the Care Act as cost-effectively as possible. Work is continuing to develop further technology solutions to meet needs related to areas such as medication prompts and shopping in a more cost-effective way. The approach around the proportionate assessments carried out during the Covid-19 pandemic under Care Act easement guidance is expected to support further change within the service and management are working hard to ensure positive changes are retained in future practice.

Client Related Income

4.2.21 There is a forecasted pressure in NTCCG contributions for shared care of £0.929m due to a reduction in contributions for clients who have a significant health need but who do not meet the threshold for continuing healthcare often referred to as 'shared care'. Shared care is not subject to the same statutory guidance as Continuing Healthcare and funding arrangements are agreed on an individual client basis between the Authority and the NTCCG. This form of funding has been reducing since 2015/16 and there is a further reduction in 2020/21 of £0.310m mainly due to the full year impact of changes notified in 2019/20. Management within HECS are working hard to ensure that clients with significant health needs are appropriately supported by contributions from NHS funding. This reduction is offset by a surplus against budget in other areas of NHS funding to give an overall surplus of £0.364m. Contributions from clients are forecasted to

be significantly above budget with a surplus of £1.990m, partially offsetting the overspends within payments for externally provided care.

Premises

- 4.2.22 There is a pressure of £0.165m in premises costs relating mainly to rent for respite premises for clients with a learning disability and accommodation costs for teams based within the community.

Children's Services

- 4.2.23 In Children's Services the £4.284m forecast position relates mainly to demand pressures of £3.663m in Corporate Parenting and Placements and £0.848m in Integrated Disability and Additional Needs. These pressures are partially offset by underspends in Early Help and Vulnerable Families, Employment and Skills and School Improvement. The pressures were foreseen by Cabinet and backed by £2.616m of centrally held contingencies. This position excludes Covid-19 related pressures of £3.574m which have been transferred to Central Items.

Corporate Parenting and Placements

- 4.2.24 The pressures within Corporate Parenting and Placements can be broken down as follows:

Table 8: Analysis of Pressures in Corporate Parenting and Placements

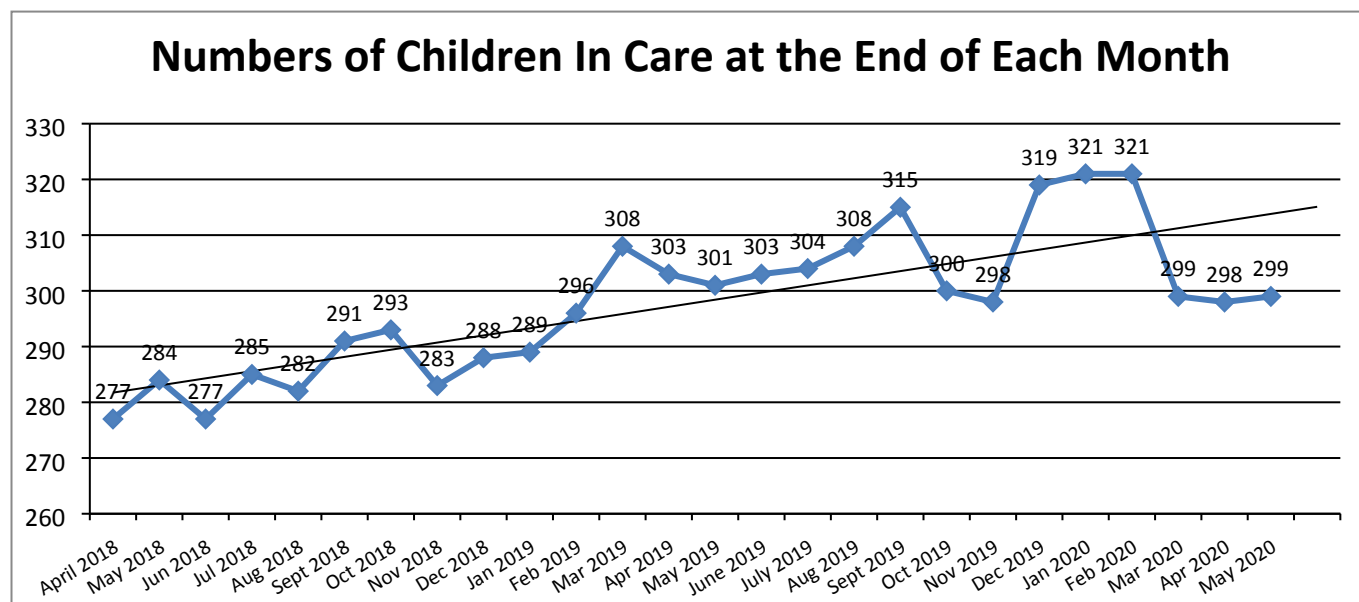
| Type of Service | Budget 2020/21 £m | Variance May £m | Variance 2019/20 £m | Change Since Outturn £m |
|-----------------------------------|-------------------------|-----------------------|---------------------------|----------------------------------|
| Care provision – children in care | 9.384 | 1.960 | 4.362 | (2.402) |
| Care provision – other children | 3.200 | 0.719 | 0.634 | 0.085 |
| Management & Legal Fees | (0.053) | 0.437 | (0.104) | 0.541 |
| Social Work | 4.164 | 0.542 | 0.402 | 0.140 |
| Safeguarding Operations | 0.044 | 0.005 | 0.005 | 0.000 |
| Total | 16.739 | 3.663 | 5.299 | (1.636) |

- 4.2.25 The forecast has been developed based on the children in care as at the end of May 2020. The number in care at the end of May was 299 which was unchanged from March after dipping slightly to 298 in April. The May forecast for the total number of care nights however is currently significantly lower for 2020/21 at 106,720 nights compared to the total number of care nights delivered in 2019/20 which was 112,622 and this explains the reduced forecast for the new year. The number of children in care can be volatile and costs for individual children can be very high. The forecast will be increased if numbers of care nights delivered starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the potential economic effects of the Covid-19 crisis impact on families.

Care Provision – Children in Care

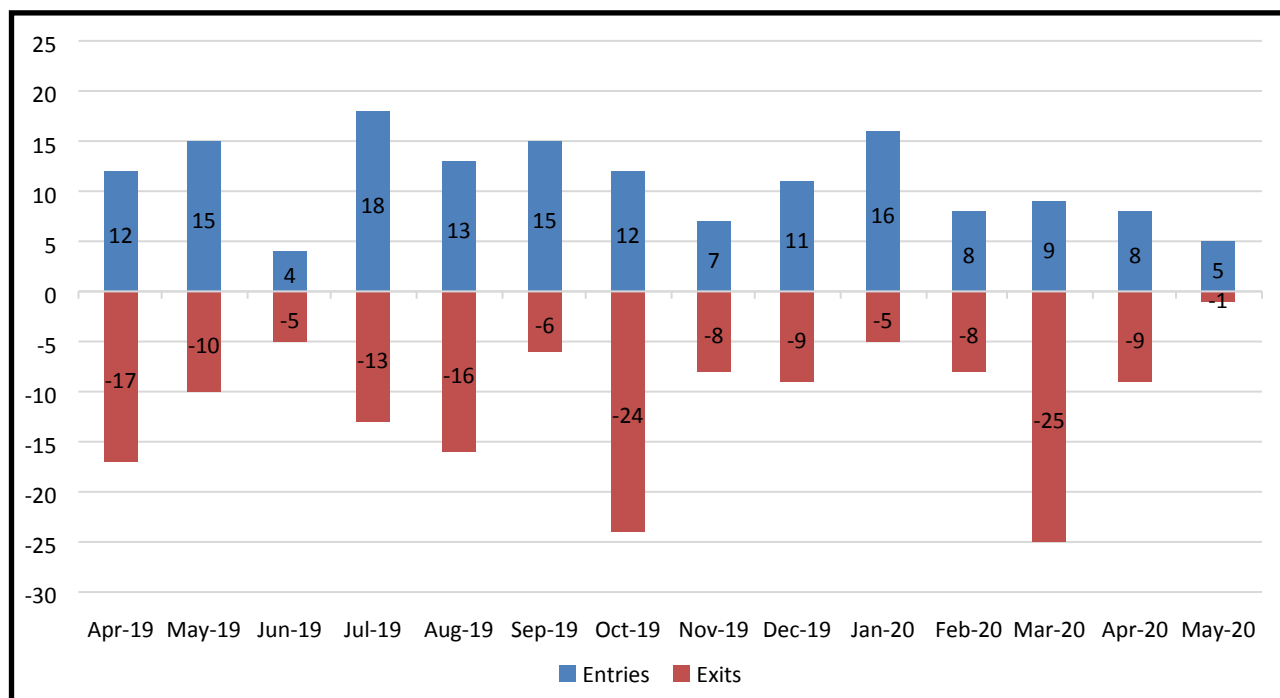
4.2.26 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in government-funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases being felt nationally.

4.2.27 Chart 3: Children in Care at the End of Each Month



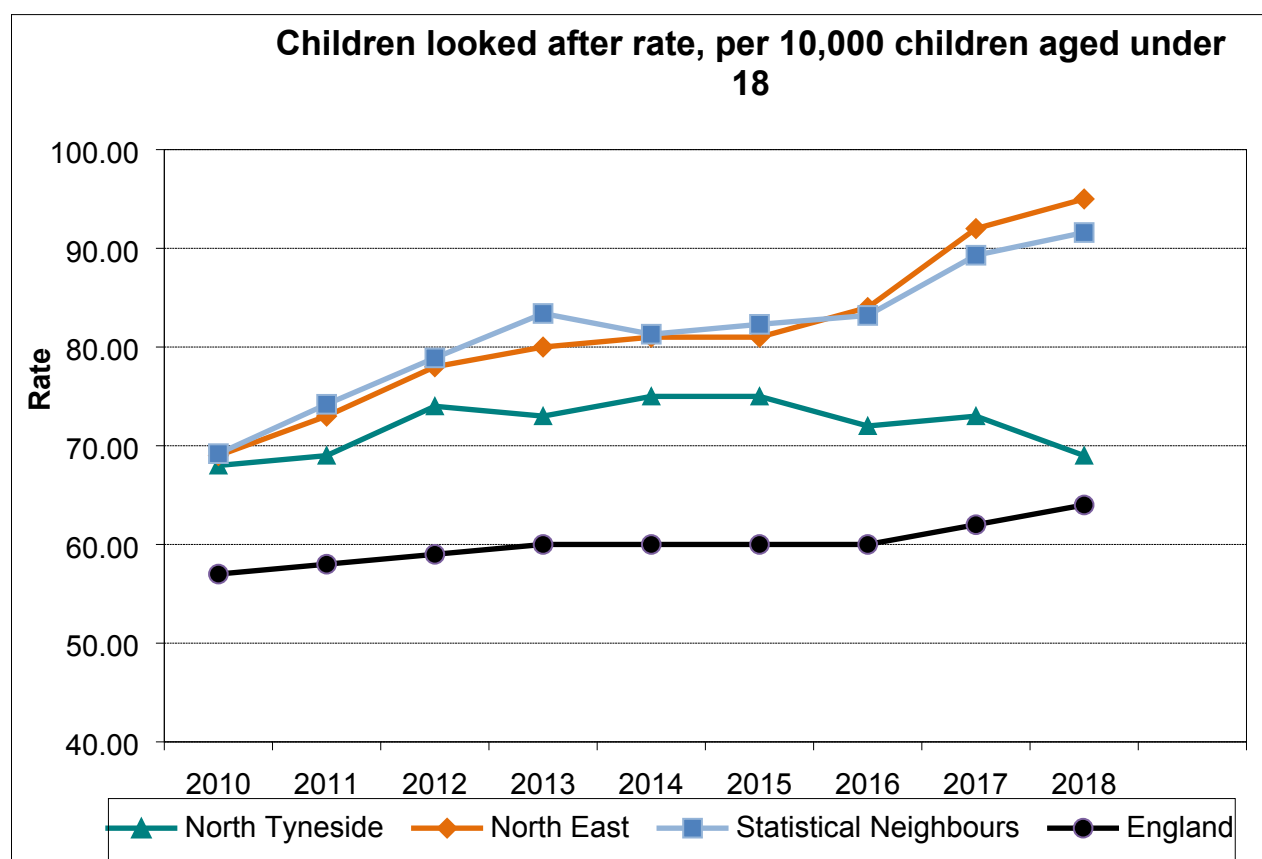
4.2.28 Delays within the court system continue to impact on the numbers of children leaving care. Although the situation had initially improved since the autumn, the impact of the Covid-19 has introduced further issues. The Authority currently has 10 cases delayed either because the court cannot complete the hearings remotely or because Covid-19 has affected the availability of specialist assessments. The impact of this is that children are remaining in care for longer where otherwise an improved situation for them could have achieved in a shorter time frame. The financial impact is the ongoing cost of placements. The pattern of children leaving care proved to be much more volatile in 2019/20 as compared to 2018/19 but with a general pattern of less children leaving care, as shown in Chart 4 below. The impact of Covid-19 on numbers leaving care in April and May can be seen with only one leaver in May.

Chart 4: Detailed Movement in the Numbers of Children in Care



4.2.29 The most recent available national comparators from 2018/19, as demonstrated by Chart 5 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

4.2.30 **Chart 5: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



- 4.2.31 Placement mix in 2019/20 continued to change, moving towards the complex end of the spectrum which led to increase in overall costs last financial year. Placement numbers are holding steady at this point in the year with a reduced forecast for care nights in the more complex and costly services. Residential care nights are forecasted to be 7,311 for the year compared to 8,649 in 2019/20. Residential placements continue to be costly with a current average annual cost of £0.259m but which can be very volatile and is dependent on the individual needs of the cohort of children and young people in externally provided residential placements at any point in time. External supported accommodation can also be expensive. During 2019/20 there was a cohort of eight young people with very complex needs being supported for the majority of the year at an average cost of approximately £0.005m per week and these placements are continuing into 2020/21.

4.2.32 Table 9: Forecast cost, forecast variance, average placement cost and placement mix

| Placement Type | 19/20 Outturn Variance | Average Annual Placement cost (£m) | 2020/21 Forecast Bed Nights | 2019/20 Outturn Bed Nights | Placement Mix | No. of children May 20 | No. of children March 20 |
|----------------------------------|------------------------|------------------------------------|-----------------------------|----------------------------|---------------|------------------------|--------------------------|
| External Residential Care | 0.830 | 0.259 | 7,311 | 8,649 | 7% | 23 | 23 |
| External Fostering | 0.144 | 0.038 | 9,553 | 11,184 | 9% | 24 | 26 |
| In-House Fostering Service | 0.298 | 0.022 | 74,520 | 76,731 | 70% | 204 | 203 |
| External Supported Accommodation | 0.946 | 0.148 | 3,746 | 4,349 | 4% | 16 | 15 |
| Other* | 0.032 | various | 11,590 | 11,709 | 10% | 32 | 32 |
| Total | 2.250 | | 106,720 | 112,622 | 100% | 299 | 299 |

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

Care Provision – Children not in care

- 4.2.33 The pressure of £0.719m (2019/20 outturn variance, £0.634m) relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). Cabinet will recall that the Authority's policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £2.616m established in Central Items in 2018/19 was, in part, intended to mitigate against these costs.

Management and Legal Fees

- 4.2.34 This area has a forecast pressure of £0.437m (2019/20 outturn variance, underspend of £0.104m). The position in the last financial year was due to the release of available grant funding to support pressures across the service. Pressure in this area includes management costs of £0.104m, professional fees relating to children in care £0.060m, legal costs £0.100m and other child related costs such as professional fees, DNA tests, drug and alcohol testing, asylum seeker support, counselling sessions and costs for other therapeutic interventions.

Social Work

- 4.2.35 Within the overall pressure of £3.663m for Corporate Parenting and Placements, there are staffing pressures of £0.542m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net pressure is due to the need to establish an additional team, to support with case load management (£0.234m) and as a result of market supplement payments (£0.259m). Children's services ended the year with no agency staff in place and caseloads were in line with good practice.

Integrated Disability and Additional Needs (IDANS)

- 4.2.36 IDANS is forecasting a pressure of £0.848m (2019/20 outturn variance was £0.404m). Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs). Within North Tyneside, the number of children with an EHCP has risen from 1102 in January 2018 to 1700 in May 2020. Within this service area the main pressures relate to operational staffing costs within in-house residential services of £0.150m, and an associated unachieved health income target of £0.100m. There are also forecast staffing pressures of £0.237m in Educational Psychology partly relating to cover arrangements associated with maternity leave and partly relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. The IDANS service is continuing to carefully review planned provision.

4.3 Commissioning and Asset Management

- 4.3.1 Commissioning and Asset Management (C&AM) has a forecasted outturn pressure of £0.445m as set out in Table 11. This is after adjusting for forecast pressures of £5.215m relating to the impact of Covid-19 on the service.
- 4.3.2 C&AM has also been heavily impacted by the Covid-19 pandemic, particularly in relation to supporting schools and in relation to lost income. The following Covid-19 related costs have been forecasted within C&AM for 2020/21 and have been transferred to Central Items and set against the Covid-19 Local Authority Support Grant.

4.3.3 Table 10: Covid-19 Financial Impact within Commissioning and Asset Management

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|---------------------|------------------------------------|--------------------------------------|-------------------------------------|--|
| Catering | 0.666 | 3.158 | 3.824 | Lost school meals income and hospitality income and costs of providing additional free school meals services |
| Cleaning | 0.000 | 0.333 | 0.333 | Additional hours of cleaning and associated equipment and materials directly related to Covid-19 |
| Other income | 0.000 | 0.113 | 0.113 | Lost income for parking charges at Quadrant and school absence penalty notices |

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|--------------------------|-------------------------|---------------------------|--------------------------|--|
| Home to school Transport | 0.225 | 0.000 | 0.225 | Additional costs of transport under infection control |
| Volunteer Scheme | 0.100 | 0.000 | 0.100 | Supporting vulnerable residents by additional foodbank support for the full financial year |
| Property | 0.400 | 0.000 | 0.400 | Loss of ability to recharge staff time to capital |
| Property Services | 0.000 | 0.135 | 0.135 | Potential rental income reductions |
| Savings Targets | 0.000 | 0.085 | 0.085 | Savings targets for school meals fee increases and non-fee-paying income are forecasted not to be achieved at this stage |
| Total | 1.391 | 3.824 | 5.215 | |

- 4.3.4 In relation to paid school meals, there is a forecasted income loss of £2.316m. This assumes a 100% loss of income for the period April to July 2020 dropping to a 50% loss from September to December and a 25% loss for the remainder of the year. Remaining Catering income losses (£0.182m) relate to staff restaurants and civic catering which are forecasted on the same basis as school meals losses and non-fee-paying income loss (£0.660m) which is forecast for the period April to July 2020. These pressures are net of a saving in provisions of £0.787m and costs relating to a loss of perishable food stock of £0.184m. A pressure of £0.666m is forecasted for the costs of packed lunches over and above grant funding for free school meals as this form of provision is forecasted to be more costly than normal operations.
- 4.3.5 Additional cost pressures of £0.333m for cleaning has been identified for the full financial year. This relates to anticipated additional cleaning hours that will be required as a result of Covid-19 with a forecasted increase in staffing costs by a third (£0.263m) for the period to March 2021 plus costs of new cleaning machinery and equipment and additional cleaning materials (£0.070m). This forecast will continue to be reviewed as the year progresses.
- 4.3.6 Anticipated losses of car parking income at Quadrant are forecasted as £0.065m and relate to the full financial year. Salary sacrifice arrangements for staff parking are currently suspended. A loss of income of £0.048m is forecasted in relation to school non-attendance penalty notices for the full year.
- 4.3.7 Additional costs of £0.225m in relation to Home to School Transport have been forecasted as the service is expecting increased pressure from September with a

need to provide more single journeys to allow for social distancing in line with anticipated guidelines.

- 4.3.8 Additional forecasted pressures in relation to Property relate to a forecast for staff recharges of £0.100m which are unachievable due to Covid-19 related delays to capital schemes and potential rental income losses of £0.135m. An amount of £0.300m has been identified as the forecasted cost of making all council buildings Covid-19 compliant prior to reopening.

4.3.9 **Table 11: Commissioning and Asset Management Forecast Variation**

| | Budget £m | Forecast May £m | Variance May £m | Of which – Covid-19 £m | Of which – Business as usual £m | Variance 2019/20 £m | Business as Usual Change since Outturn £m |
|---|----------------------|--------------------------------|--------------------------------|---|--|------------------------------------|--|
| School Funding & statutory staff costs | 4.690 | 4.661 | (0.029) | 0.000 | (0.029) | (0.029) | 0.000 |
| Commissioning Service | 0.359 | 0.349 | (0.010) | 0.000 | (0.010) | (0.010) | 0.000 |
| Facilities & Fair Access | 0.353 | 5.436 | 5.083 | 4.580 | 0.503 | 0.505 | (0.002) |
| Community & Voluntary Sector Liaison | 0.439 | 0.521 | 0.082 | 0.100 | (0.018) | (0.018) | 0.000 |
| Strategic Property & Investment | 1.727 | 1.727 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| High needs Special Educational Needs | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Property | (0.645) | (0.110) | 0.535 | 0.535 | 0.000 | (0.269) | 0.269 |
| Commissioning & Asset Management & support | 0.154 | 0.153 | (0.001) | 0.000 | (0.001) | (0.001) | 0.000 |
| Procurement | (0.024) | (0.024) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total Commissioning & Asset Management | 7.053 | 12.713 | 5.660 | 5.215 | 0.445 | 0.178 | 0.267 |

- 4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.503m largely unchanged from the 2019/20 outturn. The overspends are across Catering and Cleaning (£0.244m) and Home to School Transport (£0.223m) with a smaller pressure on Quadrant

car parking income (note the impact of lost Quadrant car parking income resulting from Covid-19 building restrictions has been transferred to Central Items).

The issues in Catering and Cleaning relate to non-staffing cost increases and staffing pressures which have not been met by increases in income while the Home to School Transport pressures relate to the increase in children with complex needs attending special schools which is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant (see paragraphs 5.8 to 5.15 for more details). National supplier relief guidelines have been followed and transport contractors have been paid at usual rates during the lockdown period however, only the costs of anticipated additional routes to comply with social distancing have been included as Covid-19 costs. These main budget issues with Facilities and Fair Access are difficult to forecast and there is considerable uncertainty resulting from Covid-19 related changes in the operation of schools. Business as usual forecasts are currently largely based on 2019/20 outturns as there is a limited amount of financial data available relating to 2020/21. As such these forecasts prudently include pressures which existed in 2019/20 but which may not fully materialise in 2020/21 due to the restrictions on operations caused by the Pandemic.

- 4.3.11 C&AM is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services to mitigate these pressures in 2020/21 although this will be further complicated by the ongoing challenge of Covid-19 related changes to the way schools will operate in 2020/21. Within Home to School Transport, work continues on route rationalisation using the new QRoute system however this will also be impacted by Covid-19 as sharing of transport will be limited by infection control measures.

4.4 **Environment, Housing & Leisure (EHL)**

- 4.4.1 EHL is forecasting a pressure of £0.398m against the £42.671m budget, as set out in Table 13 below. EHL has realigned budgets and received growth to correct many of the historic pressures which in previous years were mitigated by one off items. The position includes a planned £0.758m draw-down of reserves for the street-lighting PFI contract.
- 4.4.2 EHL continues to be heavily impacted by the Covid-19 pandemic most notably by the closure of its sports and leisure facilities and libraries. The following Covid-19 related financial impacts have been identified within EHL for 2020/21 and have been transferred to Central Items and are set against the Covid-19 Local Authority Support Grant.

4.4.3 Table 12: Forecast Impact of Covid-19 on EHL for 2020/21

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|---------------------------------------|-------------------------|---------------------------|--------------------------|--|
| Sports & Leisure | 0.102 | 2.880 | 2.982 | Lost income due to closures of facilities and costs of additional cleaning supplies, etc. |
| Environmental Services | 0.131 | 0.235 | 0.366 | Additional costs and lost income from café closures Covid-19 signage Additional PPE costs School SLA income foregone |
| Waste & Refuse Services | 0.024 | 0.130 | 0.154 | Reduced commercial income from fewer collections Reduced income from special collections Increased supply costs |
| Cultural Services | 0.172 | 0.324 | 0.496 | Impact on Mouth of Tyne Festival (fees paid to acts, Impact on T&W Museums Lost income in libraries Loss of rental income in buildings |
| Planning and Development | 0.000 | 0.113 | 0.113 | Reduction in building control fees Reduction in planning applications |
| Environmental and Regulatory Services | 0.000 | 0.040 | 0.040 | Taxi licencing activities |
| Highways and Transport | 0.000 | 1.236 | 1.236 | Impact on car parking fees Lost income on engineering fees, streetworks, road permits, etc |
| Homelessness Additonal Costs | 0.034 | 0.000 | 0.034 | Additional bed and breakfast costs to prevent homelessness |

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|---------------------|----------------------------|------------------------------|-----------------------------|--|
| Street-lighting PFI | 0.006 | 0.000 | 0.006 | Costs to counter increased anti-social behaviour |
| Total | 0.469 | 4.958 | 5.427 | |

4.4.4 The impact of the Covid-19 Pandemic on EHL is mainly in relation to lost income. £4.958m of the £5.427m estimated impact is due to income-generating services being closed or expected to operate at a lower level than previously. For the period April to July, lost income is based on closed services and uses prior year income generation patterns to provide an estimated value. Thereafter a high-level impact assessment of ongoing income has been made based on expected operating levels.

4.4.5 In most areas costs forecasted costs relate to additional work or supplies required to operate during the Pandemic, however the Mouth of the Tyne festival has cost pressures due to upfront costs of providing the festival such as booking fees for acts. These fees, at this stage, cannot be guaranteed to be transferrable to the festival when it occurs in 2021/22. These forecasts will be reviewed as more information becomes available.

4.4.6 Table 13: Forecast Variation in Environment Housing & Leisure

| | Budget (£m) | Current Forecast (£m) | Variance (£m) | Of Which Covid-19 (£m) | Of Which BAU (£m) | Outturn 2019/20 (£m) | Change Since Outturn £m |
|--|----------------|--------------------------|------------------|---------------------------|----------------------|-------------------------|----------------------------|
| Sport & Leisure | 2.802 | 6.003 | 3.201 | 2.982 | 0.219 | 0.310 | (0.091) |
| Cultural Services | 6.801 | 7.463 | 0.662 | 0.496 | 0.166 | 0.044 | 0.122 |
| Security & Community Safety | 0.314 | 0.328 | 0.014 | 0.000 | 0.014 | 0.009 | 0.005 |
| Fleet Management | 1.087 | 1.143 | 0.056 | 0.000 | 0.056 | 0.019 | 0.037 |
| Waste and Recycling Disposal | 7.579 | 7.659 | 0.080 | 0.154 | (0.074) | (0.889) | 0.815 |
| Waste Management | 3.880 | 3.878 | (0.002) | 0.000 | (0.002) | 0.101 | (0.103) |
| Local Environmental Services | 7.210 | 7.640 | 0.430 | 0.366 | 0.064 | (0.106) | 0.170 |
| Head of Service and Resilience | 0.234 | 0.218 | (0.016) | 0.000 | (0.016) | (0.036) | 0.020 |
| Street Lighting PFI | 4.323 | 4.329 | 0.006 | 0.006 | 0.000 | 0.000 | 0.000 |
| Consumer Protection & Building Control | 0.997 | 1.026 | 0.029 | 0.040 | (0.011) | (0.040) | 0.029 |
| Transport and Highways | 6.395 | 7.623 | 1.228 | 1.236 | (0.008) | (0.016) | 0.008 |
| Planning | 0.252 | 0.365 | 0.113 | 0.113 | 0.000 | 0.056 | (0.056) |
| General Fund Housing | 0.797 | 0.821 | 0.024 | 0.034 | (0.010) | (0.089) | 0.079 |
| Total | 42.671 | 48.496 | 5.825 | 5.427 | 0.398 | (0.637) | 1.035 |

4.4.7 The main pressures relate to operational pressures envisaged across several services, with a total value of £0.348m, plus cross-cutting pressures on utilities and rates of £0.091m and income pressures of £0.103m. These pressures are slightly mitigated by an expected saving in Waste Strategy of £0.070m.

4.4.8 The following paragraphs 4.4.9 to 4.4.21 outline the pressures in each service area;

Sport and Leisure

4.4.9 Sport and Leisure is predicting a pressure of £0.219m, however this position is after a transfer to Central Items of £1.982m lost income and additional expenditure due to Covid-19 to July and a further estimated £1.000m impact due to reduced take-up of the service thereafter. Whilst income budget targets around gyms have increased by £0.050m compared to 2020/21, EHL is expecting to meet these once the impact of Covid-19 has been adjusted for.

4.4.10 Most of the historical energy and rates pressures within Sport & Leisure have been corrected in the 2020/21 budget, leaving a smaller £0.091m pressure compared to £0.207m in 2019/20. Historical pressures around operational costs (both staffing and non-staffing) identified in 2019/20 outturns have been prudently recast in 2020/21 whilst the review and full impact of the current pandemic is assessed. As such these forecast pressures may not fully materialise in 2020/21.

Cultural Services

4.4.11 Cultural Services within North Tyneside are showing a forecast pressure of £0.166m, which is net of Covid-19 related forecast transfers of £0.496m.

4.4.12 Historical pressures around energy and rates have been partially mitigated in 2020/21, however some historical pressures prudently remain in relation to library income targets and historical pressures on operational costs against budgets. These pressures will continue to be assessed by Cultural Services as the year progresses, taking in the context of the Pandemic as well as operational reality.

Security and Community Safety

4.4.13 This service area has reviewed and realigned both structure and finances to increase its overall viability. Following this work, it is now forecasting small pressure of £0.014m.

Fleet Management

4.4.14 Fleet Management is now forecasting a small £0.056m pressure, mainly in relation to reduced recharging income around transport available for rental and non-recovery of management fees on fuel charges due to lack of use. This income pressure has been partially offset by reduced maintenance costs and will continue to be reviewed as any drop in income may be self-correcting over the year as operations pick up from the current hiatus.

Waste Management including Recycling and Disposal

- 4.4.15 Last year's outturn saving reflected lower than expected volumes of waste disposal. For 2020/21 Waste Management have reviewed the budgets to meet the expected volumes and prices, then realigned budgets where possible to ensure the expected service costs for fleet, bins replacement, green waste and waste strategy are met. This is reflected in an almost balanced position after recognising and transferring Covid-19 pressures of £0.154m relating to reduced commercial and other income. . As waste volume data is made available across the year this forecast will be constantly reviewed.
- 4.4.16 There is a forecast saving of £0.074m in waste strategy costs due to vacant posts that are yet to be filled. Whilst the service is currently forecasting to carry out this work to budget this will need to be carefully monitored and any financial impact identified as it manifests.

Local Environmental Services

- 4.4.17 Local Environmental Services is predicting a forecast pressure of £0.064m, mainly relating to expected additional operational pressures in Bereavement of £0.050m. These pressures are due to a prudent approach to operational spend and will need to be constantly reviewed along with operational income as the year progresses.

This is after transferring out the £0.366m estimated impact of Covid-19 on the service, which mainly relates to lost income in park cafes, additional costs of signage and PPE and lost grounds maintenance SLA income with schools. Schools have been advised under Government guidance to make payments to contracted suppliers, including the Authority, however this is at their own discretion.

Street Lighting PFI

- 4.4.18 The street-lighting PFI contract balances to budget following a planned £0.758m draw-down from reserves, as in previous years. Historical energy cost pressures have been mitigated where possible, reducing the value of the reserve draw-down.

Consumer Protection & Building Control

- 4.4.19 This area is predicting Covid-19 related loss of income of £0.113m. Dealing with these costs centrally leaves an expected small staffing saving of £0.011m.

Transport & Highways

- 4.4.20 This area is forecasting Covid-19 related lost income from car parks of £0.832m, which is based on complete closure to mid-May then reduced ongoing pressure (reducing) of 90% lost income in June for off street parking leading to full recovery from August onwards. On Street parking is forecasting 70% lost income in June reducing to 20% from August until December, followed by full recovery from February. In addition to this loss there are lost engineering fees, streetworks fees and road permit income of £0.404m due to reduced works during 2020/21. Transferring out these costs leaves a small forecast saving of £0.008m.

General Fund Housing

- 4.4.21 The planning service is expecting to carry additional Covid-19 related costs due to increased costs of homelessness, though meeting these costs centrally will leave a small saving of £0.010m.

Regeneration and Economic Development

- 4.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.299m at May 2020, as shown in Table 15 below. This is after moving the expected Covid-19 impact of £0.045m into Central Items to be matched against the grant received.

4.5.2 Table 14: Forecast Impact of Covid-19 on RED for 2020/21

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|--------------|----------------------------|------------------------------|-----------------------------|---|
| Regeneration | 0.000 | 0.045 | 0.045 | Estimated lost rental income at Swan Hunters site |

4.5.3 Table 15: Forecast Variation for Regeneration and Economic Development

| | Budget (£m) | Current Forecast (£m) | Variance (£m) | Of Which Covid-19 (£m) | Of Which BAU (£m) | Outturn 2019/20 (£m) | Change Since Outturn £m |
|-------------------------|----------------|--------------------------|------------------|---------------------------|----------------------|-------------------------|----------------------------|
| Business & Enterprise | 0.734 | 0.740 | 0.006 | 0.000 | 0.006 | (0.022) | 0.028 |
| Regeneration | 0.421 | 0.705 | 0.284 | 0.045 | 0.239 | 0.267 | (0.028) |
| Resources & Performance | 0.197 | 0.251 | 0.054 | 0.000 | 0.054 | 0.030 | 0.024 |
| Total | 1.352 | 1.696 | 0.344 | 0.045 | 0.299 | 0.275 | 0.024 |

- 4.5.4 The pressures in Regeneration result from a forecast inability to achieve staff capitalisation & recharge income targets of £0.164m following reductions to regeneration capital projects and changes to how projects are delivered, together with combined income generation shortfalls at both the Swans-related sites making up the remaining £0.075m pressure.

- 4.5.5 Resources and Performance is carrying historic staffing pressures resulting in a forecast £0.041m pressure. The remaining forecast pressure comes from nominal overspends against the Public Sector Housing service.

4.6 **Corporate Strategy**

- 4.6.1 Corporate Strategy is forecasting a pressure of £0.163m as set out in Table 17 below, after transferring out Covid-19 related costs totalling £0.051m.

4.6.2 **Table 16: Forecast Impact of Covid-19 on Corporate Strategy for 2020/21**

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|-------------------------------|----------------------------|------------------------------|-----------------------------|--|
| Marketing | 0.000 | 0.040 | 0.040 | Marketing income lost |
| Corporate Strategy Management | 0.011 | 0.000 | 0.011 | Production of Covid-19 leaflets and guidance |
| Total | 0.011 | 0.040 | 0.051 | |

4.6.3 **Table 17: Forecast Variation Corporate Strategy**

| | Budget (£m) | Current Forecast (£m) | Variance (£m) | Of Which Covid-19 (£m) | Of Which BAU (£m) | Outturn 2019/20 (£m) | Change Since Outturn £m |
|-------------------------------------|----------------|--------------------------|------------------|---------------------------|----------------------|-------------------------|----------------------------|
| Policy Performance and Research | 0.104 | 0.097 | (0.007) | 0.000 | (0.007) | (0.037) | 0.030 |
| Children's Participation & Advocacy | 0.244 | 0.285 | 0.041 | 0.000 | 0.041 | (0.112) | 0.153 |
| Marketing | 0.272 | 0.328 | 0.056 | 0.040 | 0.016 | 0.062 | (0.046) |
| Elected Mayor & Executive Support | 0.013 | 0.022 | 0.009 | 0.000 | 0.009 | (0.005) | 0.014 |
| Corporate Strategy Management | (0.001) | 0.115 | 0.116 | 0.011 | 0.105 | 0.089 | 0.016 |
| Total | 0.632 | 0.847 | 0.215 | 0.051 | 0.164 | (0.003) | 0.167 |

- 4.6.4 The remaining pressures in the service are due to shortfall of £0.100m against income targets, plus small staffing and operational pressures across the service.

4.7 **Resources and Chief Executive Office**

- 4.7.1 The forecast pressure of £0.211m within Resources and Chief Executive Office, is after an adjustment of £0.005m for Covid-19 revenue costs. In addition, the service has identified £0.050m of capital Covid-19 costs due to purchase of IT equipment. The pressures, as set out in Table 19 below, mainly relate to additional licence costs within ICT Retained Services, IT Customer Journey costs plus an increased staffing pressures in HR, which are mitigated by savings in Finance (Revenues & Benefits) and Chief Executive.

4.7.2 Table 18: Forecast Impact of Covid-19 on Resources for 2020/21

| Service | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|--------------------|----------------------------|------------------------------|-----------------------------|---|
| Corporate HR Costs | 0.005 | 0.000 | 0.005 | Additional resource to support HR for Covid-19 issues |

4.7.3 Table 19: Forecast Variation Resources

| | Budget (£m) | Current Forecast (£m) | Variance (£m) | Of Which Covid-19 (£m) | Of Which BAU (£m) | Outturn 2019/20 (£m) | Change Since Outturn £m |
|---------------------------------|----------------|--------------------------|------------------|---------------------------|----------------------|-------------------------|----------------------------|
| ICT | 2.823 | 3.072 | 0.249 | 0.000 | 0.249 | 0.555 | (0.306) |
| Finance | (0.290) | (0.366) | (0.076) | 0.000 | (0.076) | (0.150) | 0.074 |
| HR & Organisational Development | (0.150) | (0.044) | 0.106 | 0.005 | 0.101 | 0.047 | 0.054 |
| Chief Executive | (0.081) | (0.144) | (0.063) | 0.000 | (0.063) | (0.090) | 0.027 |
| Total | 2.302 | 2.518 | 0.216 | 0.005 | 0.211 | 0.362 | (0.151) |

4.7.4 Within ICT, the main pressures relate to continuing pressures associated with the Customer Journey project running to September (£0.141m), plus on-going pressures relating to various new software development and licence costs. This follows a budget correction of £0.500m for ICT software since 2019/20.

4.7.5 Within the Finance service, Revenues & Benefits is showing an overall saving of £0.064m, which is made up of three main factors:

- Enforcement cost and income are showing a pressure of £0.178m; this is due to the cost of the service exceeding recovery income as a result of changes in recovery proceedings.
- Bank Charges are expected to be £0.030m overspent due to increased costs
- Overpayments Income is forecasting a pressure of £0.649m due to a reduction in overpayment debt as debt is transferred to DWP for recovery. In addition, as a result of the transfer of debt for recovery by the DWP (through the Payment Deduction Programme where overpayments are deducted directly from benefit payments) there is a decrease in the bad debt provision (£0.398m)

- Overpayments eligible for subsidy is showing a surplus variance against budget due to benefits subsidy of £0.523m, as the impact of less claims lowers the net cost of claims less subsidy.

4.7.6 Human Resources (HR) & Organisational Development is showing a pressure of £0.158m due to the full year impact of the restructure, which is offset by small operational savings and increased income (£0.062m) from work on the Step-Up Grant and Health and Safety Insurance recharges.

4.7.7 The Chief Executive's office is showing a saving of £0.063m, due to forecast savings in staffing and operational spend.

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a pressure of £0.256m, following transfer of £0.254m identified Covid-19 costs (see Table 20).

4.8.2 **Table 20: Forecast Impact of Covid-19 on Law & Governance for 2020/21**

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|---------------------------------------|--------------------------------|----------------------------------|---------------------------------|--|
| Customer, Governance and Registration | 0.000 | 0.095 | 0.095 | Registrars – lost income due to reduction in numbers of weddings, civil ceremonies and citizenship ceremonies. |
| | 0.000 | 0.019 | 0.019 | Registrars – lost income due to reduction in weddings venue usage |
| Legal Services | 0.000 | 0.063 | 0.063 | Legal Services – lost fees for property/business transactions |
| Information Governance | 0.000 | 0.077 | 0.077 | Land Charges - lost property transaction income |
| Total | 0.000 | 0.254 | 0.254 | |

4.8.3 **Table 21: Forecast Variation for Law and Governance**

| | Budget (£m) | Current Forecast (£m) | Variance (£m) | Of Which Covid-19 (£m) | Of Which BAU (£m) | Outturn 2019/20 (£m) | Change Since Outturn £m |
|---------------------------------------|--------------------|------------------------------|----------------------|-------------------------------|--------------------------|-----------------------------|--------------------------------|
| Customer, Governance and Registration | (0.075) | 0.064 | 0.139 | 0.114 | 0.025 | 0.003 | 0.022 |
| Information Governance | 0.013 | 0.074 | 0.061 | 0.077 | (0.016) | 0.001 | (0.017) |
| Legal Services | (0.134) | 0.084 | 0.218 | 0.063 | 0.155 | 0.137 | 0.018 |
| Democratic and Electoral Services | (0.064) | (0.058) | 0.006 | 0.000 | 0.006 | 0.007 | (0.001) |
| North Tyneside Coroner | 0.293 | 0.379 | 0.086 | 0.000 | 0.086 | 0.056 | 0.030 |
| Total | 0.033 | 0.543 | 0.510 | 0.254 | 0.256 | 0.204 | 0.052 |

- 4.8.4 Alongside the forecast staffing pressures arising from within Legal Service (£0.180m) and the increased costs of the Coroner Service due to increased costs of autopsies (£0.048m), there are smaller pressures within Customer, Governance and Registration relating to a forecast shortfall against income targets not related to Covid-19. These are slightly mitigated by net operational savings across the service.

4.9 **Central Items**

- 4.9.1 The May 2020 business as usual forecast for Central Items is a surplus of £6.171m. This represents a small change compared to the £6.188m underspend at the end of 2019/20. As described in sections 4.1 to 4.8, the income and expenditure pressures relating to Covid-19 within each service area have been transferred into Central Items to be shown against the Covid-19 support grant. Total pressures of £22.988m has been identified across the rest of the General Fund as shown in Table 22 below;

4.9.2 **Table 22: Summary of Covid-19 Pressures by Service**

| Service | Total Forecasted Covid-19 Pressure £m |
|--|--|
| Health, Education, Care and Safeguarding | 11.991 |
| Commissioning and Asset Management | 5.215 |
| Environment, Housing and Leisure | 5.427 |
| Regeneration and Economic Development | 0.045 |
| Corporate Strategy | 0.051 |
| Chief Executive's Office | 0.000 |
| Resources | 0.005 |
| Law and Governance | 0.254 |
| Total Covid-19 pressures transferred to Central Items | 22.988 |
| Covid-19 Pressure within Central Items – bad debts | 0.300 |
| Covid-19 Pressure within Central Items – items normally recharged to General Fund from HRA | 0.570 |
| Allocation of Local Authority Support Grant | (11.798) |
| Central Items Covid-19 Pressure | (10.928) |
| Remaining Gap | 12.060 |

- 4.9.3 As reported in the 2019/20 Provisional Finance Outturn Report presented to Cabinet in June, the total Local Support Grant received from Government to date is £12.531m of which £0.733m was required to offset Covid-19 issues in 2019/20. The remaining £11.798m has been carried forward into 2020/21 and is being applied against the forecasted pressures leaving an amount of £12.060m over and above current grant funding. This pressure is being partially offset by underspends within Central Items outlined in paragraph 4.9.5 below. Table 23 summarises the position within Central Items.

4.9.4 Table 23: Outturn Variation Central Budgets and Contingencies

| | Budget £m | Forecast May £m | Variance May £m | Of Which Covid-19 £m | Of Which BAU £m | Variance 2019/20 £m | Change since Outturn £m |
|-----------------------------|---------------|-----------------------|-----------------------|----------------------------|-----------------------|---------------------------|----------------------------------|
| Corporate & Democratic Core | 1.734 | 1.734 | 0.000 | 0.000 | 0.000 | 0.018 | (0.018) |
| Other Central Items | 15.012 | (2.087) | (17.099) | (10.928) | (6.171) | (6.206) | 0.035 |
| Total Central Items | 16.746 | (0.353) | (17.099) | (10.928) | (6.171) | (6.188) | 0.017 |

4.9.5 Within Other Central Items there are several budget areas which are partially offsetting the Covid-19 pressures. Continuing from 2019/20, there are contingency budgets totalling £4.558m including contingencies held for adult and children's social care of £4.416m. Continued savings have been identified in 2020/21 resulting from the application of the Authority's Treasury Management Strategy. There is a forecasted underspend of £1.314m due to interest savings resulting from higher than forecasted cash balances, reduced interest rates and Investment Plan reprogramming. In addition, reprogramming is also forecasted to deliver a credit against Minimum Revenue Provision of £0.279m.

Sundry Debt

4.9.6 As well as the collection of council tax and business rates, the Authority also has to consider the collection of sundry debts. Table 24 below shows the collection rates for sundry debt over the last 7 years, comparing the amount of debt collected between the March year end and the end of May each year. The figures show a significant drop off in the amount of debt being collected in the months impacted by Covid-19. This forms the basis of the £0.300m increase in bad debts that has been treated as a Covid-19 impact within Central Items

4.9.7 Table 24: Sundry Debt Collection Rates

| Age of Debt / Financial Year | Less than 1 year (%) | 2 and 5 years (%) | Greater than 5 years (%) | Overall (%) |
|---------------------------------|-------------------------|----------------------|-----------------------------|-------------|
| 31 March 2014 | 64.6 | 13.9 | 2.4 | 57.0 |
| 31 March 2015 | 62.6 | 6.2 | 3.2 | 58.4 |
| 31 March 2016 | 57.6 | 2.0 | 4.7 | 47.5 |

| | | | | |
|---------------|------|------|------|------|
| 31 March 2017 | 63.6 | 14.2 | 0.8 | 57.2 |
| 31 March 2018 | 60.6 | 24.9 | 20.6 | 55.6 |
| 31 March 2019 | 57.6 | 11.5 | 19.2 | 45.9 |
| 31 March 2020 | 45.1 | 3.9 | 6.1 | 37.2 |

SECTION 5 – THE COLLECTION FUND

- 5.1 This section has been added to the report due to the impact of Covid-19 on the Collection Fund. Whilst the impact is anticipated to be felt in 2020/21, the nature of the Collection Fund means it is important to consider the impact Covid-19 will have on future years with regards to budget setting in 2021/21 and medium-term financial planning.

Members will recall when the budget was set on 20 February 2020, the budgeted Council Tax for 2020/2021 was £114.558m, of which the retained share for the Authority is £100.886m. For Business Rates (NNDR) the net for 2020/2021 is £58.435m; following adjustment for the previous year's deficit position on NNDR, the budget retained share for the Council for 2020/21 is £27.955m. Business Rates income is supplemented by a top-up grant from Government of £20.505m, providing an anticipated combined budgeted income from Business Rates to the Council of £48.460m.

Council Tax

- 5.2 Cabinet are aware that the Council Tax Base is a key figure used in setting the budget and this is affected by the number of domestic properties in the borough, the level of collection rate expected and the number of households claiming Local Council Tax Support (LCTS). For the 2020/21 Budget, the Council Tax Base was agreed by Cabinet on 20 January 2020. This calculation is based on the number of domestic properties as at the end of November before considering the impact of future housing growth, collection rates and LCTS.
- 5.3 The Covid-19 pandemic has already begun to have a number of impacts on the Council Tax position, most notably through the levels of collection (a 0.31% reduction in April 2020 and 0.78% drop in May 2020) and increase in LCTS. Table 25 below shows the position of the key statistics through the last seven financial years leading up to the budget position set for 2020/21. The statistics show a strong record of growth in the borough combined with a strong collection performance. However, for May 2020, following the impact of Covid-19, the tax base figure is 61,527 which is lower than the budgeted figure of 61,870. The main cause of this has been the increase in the number of LCTS claimants (outlined in 5.4 below). Despite the net collectable debit being higher, increased pressures on collection and increasing LCTS claimants suggest less resources will be generated by the Authority.
- 5.4 Table 26 shows the number of LCTS claimants over a seven-year period. This shows a year on year reduction in the number of claimants in the borough prior to the impact of Covid-19. This impact is shown in the increase seen from the end of 2019/20 to the May position in 2020/21, where we have had an additional 472 claimants, with further claimants expected. A reduced collection rate of 97.5% is now being assumed due to the increased financial difficulties Covid-19 may have had on residents.

Table 25: Council Tax – Performance through the years

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 Budget | 2020/21 End May |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|-------------------|-----------------------|
| No of Domestic Properties | 95,059 | 95,563 | 96,243 | 96,752 | 97,698 | 98,626 | 99,558 | 99,407 | 99,606 |
| Council Tax Base | 53,034 | 55,400 | 56,424 | 56,948 | 58,202 | 59,048 | 60,167 | 61,870 | 61,527 |
| Net Collectable Debit £m | 81.404 | 82.842 | 84.868 | 89.961 | 97.737 | 104.048 | 110.511 | 114.558 | 115.901 |
| In year Collection Rate % | 96.5 | 96.4 | 96.6 | 96.5 | 96.2 | 95.4 | 95.0 | n/a | n/a |
| Assumed Collection Rate % | 98.5 | 98.5 | 98.5 | 98.5 | 98.5 | 98.5 | 98.5 | 98.5 | n/a |

Table 26: Local Council Tax Support Claimants

| Financial Year | Working Age | Pensionable Age | Total Claimants |
|-------------------|-------------|-----------------|-----------------|
| 2013/14 | 11,551 | 10,656 | 22,207 |
| 2014/15 | 11,290 | 10,032 | 21,322 |
| 2015/16 | 10,937 | 9,435 | 20,372 |
| 2016/17 | 10,434 | 8,891 | 19,325 |
| 2017/18 | 10,289 | 8,435 | 18,724 |
| 2018/19 | 9,633 | 8,098 | 17,731 |
| 2019/20 | 9,372 | 7,800 | 17,172 |
| 2020/21 – End May | 9,897 | 7,747 | 17,644 |

- 5.5 The impact of these factors on the Collection Fund position has the potential to push the Council Tax Collection Fund into deficit for 2020/21, which will have a direct impact on available resources for 2021/22.
- 5.6 The Authority has received £2.023m of discretionary funding from Government to support residents who are in financial hardship through Covid-19. This funding came with a clear instruction that Government expected local authorities to provide £150.00 additional Council Tax discount to working age claimants who were in receipt of LCTS. Some claimants did not have that amount of liability which meant that they had

nothing to pay in 2020/21, once the discount was awarded. The hardship discount has been paid to 9,897 LCTS recipients at a cost to date of £1.436m.

The guidance from Government states that any new claimants that are awarded LCTS during 2020/21 should also be entitled to up to £150.00 in hardship support. The Authority is anticipating more claimants to come forward once the Government's furlough scheme comes to an end and there is a potential for job losses if firms either cease trading or reduce staff.

Forecasts at this stage suggest that approximately £0.400m of the grant may be left after all the hardship payments are allocated as the Authority's Recovery Group workstream on Welfare Support is currently looking at criteria and processes for utilisation of the remaining hardship funding.

Business Rates

- 5.6 Significant changes have been made by Government to Business Rates in response to the Covid-19 pandemic, in an effort to help support businesses during the crisis. One such measure was the introduction of a grant aimed at supporting businesses in the retail, hospitality and leisure sectors, small businesses in receipt of small business rate relief and other organisations such as community associations and sporting clubs during the pandemic. Using records held in the Northgate system, initial estimates were that 3,014 business premises would be eligible to apply for this grant at a cost of £34.270m. At the end of May 2020, the Authority had made payments to 2,567 (85.17%) of the eligible businesses, totalling £29.495m. Payments have continued to be made during June and July and as at 3 July 2020, payments totalling £31.200m had been made to 2,706 (89.78%) eligible businesses.
- 5.7 Two further discretionary reliefs were introduced, as a response to Covid-19, for Retail Discount and Nursery Discount. At the end of May 2020, these reliefs totalled £27.094m and £0.219m respectively for North Tyneside.
- 5.8 The implications of these reliefs are that the Authority's net rateable value is reduced, resulting in lower income than budgeted for being generated through Business Rates. Government is compensating Authorities for this through additional Section 31 grants. Section 31 grants are received into the General Fund whereas business rates income retained would be received into the Collection Fund. These extra reliefs will impact the Collection Fund, leaving a greater deficit than expected but a greater S31 surplus will be achieved in the General Fund. The forecasted position for S31 is shown in table 27 below.

Table 27: Section 31 grants in 2020/21

| | Budget £m | May Forecast £m | Difference £m |
|-----------|----------------------|--------------------------------|--------------------------|
| S31 Grant | (4.900) | (17.187) | (12.287) |

- 5.9 Other considerations, resulting from the impact of Covid-19, are not only the ability for businesses to recover and continue to operate in the borough but whether

demand for premises will change as businesses adjust to increase levels of home working. With large business parks in the borough, such as Cobalt, Quorum and Balliol this is a particular concern for North Tyneside. Whilst it is very difficult currently to forecast the implications on the Rates payable by the impacts on business across the borough for illustrative purposes at this early stage a 10% reduction to the overall net rate payable has been assumed. A further consideration will be the impact of collection rates which have fallen towards the end of 19/20 and into 20/21.

5.10 Table 28: Rateable Value and Net Rates Payable by Business Type

| Type | Current Rateable Value £m | Nets Rate Payable (100%) £m | Nets Rates Payable (90%) £m |
|-----------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Shop/Retail | 61.012 | 1.453 | 1.308 |
| Offices | 30.716 | 12.494 | 11.245 |
| Industrial | 33.107 | 13.306 | 11.975 |
| Hospitality | 1.721 | 0.012 | 0.011 |
| Club/Community/Sports | 3.660 | 0.942 | 0.847 |
| Others | 19.694 | 6.508 | 5.857 |
| Total | 149.910 | 34.715 | 31.243 |

5.11 Table 29: Business Rates Collection Rates

| Financial Year | Collection Rate (%) |
|-------------------|------------------------|
| 2014/15 | 97.99 |
| 2015/16 | 98.50 |
| 2016/17 | 97.76 |
| 2017/18 | 98.90 |
| 2018/19 | 99.70 |
| 2019/20 | 97.60 |
| 2020/21 (assumed) | 97.83 |

- 5.12 The overall implications are that the Collection fund could move into significant deficit for 21/22, some of which will be met by the S31 grant for the reliefs issued in 20/21 and is illustrated in Table 30 below.

Table 30: Summary position for Business Rates

| | Difference £m |
|--|------------------|
| Additional S31 Grant (table 27) | (12.287) |
| North Tyneside Projected Deficit (table 30) | 15.245 |
| Additional Deficit | 2.958 |

SECTION 6 - SCHOOLS FINANCE

Update on School Budgets 2020/21 to 2022/23

- 6.1 Schools are normally required to submit their rolling three-year budget plan to the Authority by 31 May each year. Due to the impact of Covid-19, the Council exercised discretion to move this deadline to mid-June, allowing schools to provide initial budget plans before making any allowances for falling rolls, headroom or growth funding (as held within the DSG). Table 31 below shows the current three-year impact of the schools' budgets by phase.

6.2 **Table 31: School three-year budget plan summary by phase**

| PHASE | ACTUAL OUTTURN 2019/20 £m | BUDGET PLAN 2020/21 OUTTURN £m | BUDGET PLAN 2021/22 OUTTURN £m | BUDGET PLAN 2022/23 OUTTURN £m |
|------------------|--|---|---|---|
| Nursery/ Primary | (4.371) | (2.999) | (3.117) | (2.269) |
| Middle / High | 5.113 | 9.422 | 11.563 | 14.659 |
| Special / PRU | (0.907) | 0.266 | 3.702 | 7.831 |
| TOTAL | (0.165) | 6.689 | 12.148 | 20.221 |

- 6.3 The initial planned deficit for school balances is budgeted to rise from a £6.689m deficit in 2020/21 to £20.221m in 2022/23. The schools finance team are continuing to work with schools to refine these budget positions and will also be supporting schools' applications for de-delegated funding held centrally to cover schools experiencing falling rolls, requiring a headroom allocation to help bring them out of deficit sooner or schools experiencing growth in rolls where there is a lag in funding. These applications will be considered by a sub-group of Schools Forum and these allocations will be reported back to Cabinet as they are agreed.

School Deficits

- 6.4 Some individual schools continue to face significant financial challenges. There are twelve schools with a current deficit budget plan for 2020/21. These break down into seven schools with continuing deficits (including two deemed to be in structural deficit) and five schools with a new deficit in 2020/21. An initial deficit review session has been held with each school during May and June 2020, with challenge sessions commencing in July 2020. Before any adjustments identified during the upcoming challenge sessions and the allocation of falling rolls and headroom funding, the total balances of these deficit schools are expected to total £12.716m with individual school deficit values shown in Table 32 below.

6.5 **Table 32: Schools in an expected deficit position 2020/21**

| School | Outturn 2019/20 £m | Budget Plan 2020/21 £m |
|---------------------------|-----------------------------------|---|
| Beacon Hill | (0.149) | 0.699 |
| Benton Dene Primary | 0.041 | 0.016 |
| Forest Hall Primary | 0.000 | 0.014 |
| Greenfields Primary | 0.000 | 0.120 |
| Holystone Primary | 0.051 | 0.032 |
| Ivy Road Primary | 0.257 | 0.300 |
| Longbenton High | 2.092 | 2.610 |
| Marden Bridge Middle | 0.038 | 0.067 |
| Marden High | 0.479 | 0.468 |
| Monkseaton High | 4.310 | 5.164 |
| Norham High | 2.197 | 3.193 |
| St Mary's R C Primary N/S | (0.026) | 0.033 |
| Total | 9.290 | 12.716 |

6.6 Further work continues with special schools to look at appropriate levels of funding for the needs of their current cohort of pupils. A review of High Needs provision in North Tyneside is also being undertaken and the outcome of this review will be reported to Cabinet in due course.

6.7 As in previous years, the details of schools' balances will be reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. This return is co-ordinated by the Authority and would normally be submitted by the deadline of July (to coincide with the end of term). Due to the pressures on schools dealing with Covid-19, this return has been pushed back to 11 September 2020. Concerns have been raised nationally with the DfE as many schools will have difficulties meeting this deadline as schools are planning to either close or be on reduced setting from July to September.

Covid-19 Impact on Schools

6.8 Schools across North Tyneside have identified approximately £0.797m of additional costs due to the impact of Covid-19 for March to July. In April, the DfE issued advice that they would be looking to support costs in schools, especially around additional cleaning, keeping schools open outside normal hours and costs of providing meals. Schools forecasted that costs in these categories would be approximately £0.148m of the £0.797m total impact, with £0.460m due to lost income out of school clubs and other community-led services. DfE have now issued guidelines that significantly reduce the costs that will be covered, leaving schools with a potential £0.650m pressure over the budgeted pressures in 2020/21.

High Needs Block

- 6.9 Cabinet will recall that the High Needs block ended 2019/20 with a pressure of £4.542m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund. This overall pressure in the High Needs block is broadly in line with the national and regional picture and remains an area of concern nationally.
- 6.10 The forecast for the High Needs Block in 2020/21 is an anticipated in-year pressure of £1.943m reflecting a further rise in demand for special school places within the Authority. The total number of places the Authority is planning for at the end of 2020/21 is approximately 786. This compares to a total of 762 places at this point in 2019/20. These additional places create pressures in relation to place funding of £10,000 per place and the associated top-up funding reflecting each child's level of need. A breakdown of the in-year pressure is shown in Table 33 below:

6.11 **Table 33: Breakdown of High Needs Pressures at May 2020**

| Provision | Budget £m | Provisional Outturn Variance £m | Comment |
|-------------------------|---------------|--|---|
| Special schools and PRU | 13.000 | 1.217 | Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder |
| ARPs/Top ups | 4.005 | 0.497 | Pressures in pre 16 top ups e.g. Norham ARP, Melrose ARP |
| Out of Borough | 2.165 | 0.227 | Increased number of children placed outside North Tyneside Schools |
| Commissioned services | 3.957 | 0.002 | |
| Subtotal | 23.127 | 1.943 | |
| 2019/20 Balance | | 4.542 | |
| Subtotal | 23.127 | 6.485 | |

Managing High Needs: The changing needs of children with SEND

- 6.12 North Tyneside, like many Local Authorities in the North East and nationally, continues to experience a significant increase in the numbers of children with Special Educational Needs and Disabilities (SEND). All Local Authorities have a statutory responsibility to keep High Needs provision under review. In North Tyneside, review work has taken place in line with the High Needs Strategic Plan

endorsed by School's Forum and the Joint Commissioning Strategy agreed with the NTCCG. Work has focussed on improving data and intelligence to inform the future pattern of educational provision, considering changes needed to commissioned services and how inclusion in mainstream schools could be strengthened. It has involved the Authority working with School's Forum, the Special School Heads Group, Primary Learning Partnership (Primary Headteachers), Education Improvement Partnership (Secondary Headteachers), the NTCCG, NHS Foundation Trust Therapeutic Services, the Parent Carer Forum and other stakeholders.

- 6.13 A new North Tyneside Inclusion Strategy will be developed in 2020 to strengthen our capacity to meet the needs of children with SEND in line with our North Tyneside Children's Services Pledges to:

The new strategy will;

- seek to clarify our vision for inclusion and build consensus around our shared expectations and consistency of approach across the borough;
- describe our shared purpose, principles and priorities across education, social care and health;
- provide the framework and direction to ensure that the right provision is in place to meet the changing needs of children with SEND; and,
- enable us to identify the actions we will take to improve the lived experience of our children and young people with SEND.

- 6.14 The overriding aim will be to educate children in their home community and in mainstream provision wherever possible. Schools will be consulted on the next phase of changes to Additionally Resource Provision (ARPs). Opportunities to strengthen out-reach provision from Moorbridge Pupil Referral Unit and from special schools will be considered to support more children with Autism and Social, Emotional and Mental Health (SEMH) issues to remain in mainstream provision. Children with SEND in mainstream schools should be supported through a four-stage cycle of assess, plan, do and review, known as the graduated approach. Schools are expected to make reasonable adjustments and use their best endeavours to meet the needs of children and young people, before seeking statutory assessment or requesting High Needs top-up funding.

- 6.15 Where a mainstream placement with additional support is not appropriate, we will prioritise children accessing a local alternative education or special school placement. Only in exceptional circumstances, for those children with the most complex needs that cannot be met in borough, will an external placement be sourced via an independent, non-maintained special school or college. There has been a significant increase in requests from parents for placements in independent, non-maintained special schools and colleges. Feedback from parents and partner agencies indicate that reasons for requesting an external placement frequently include that the therapy offer is not comparable with that of external, independent providers. Also cited is the need for better joint working between education and health teams in school. This includes joint assessment of need and formulation of the EHCP, ensuring the delivery of support to meet need

through a consistent staff team, clarity in setting and monitoring outcomes, and issues in the effective communication with parents.

- 6.16 The NTCCG has recently confirmed additional investment for Autism provision, therapy services linked to the expansion of specialist education places, and additional capacity for the Community Learning Disability Team for children and adults with complex health and care needs. The Authority, NTCCG, Northumbria NHS FT and special schools are working together to improve joint working and to ensure that roles and responsibilities are clear and that parents are assured that their child is receiving the support needed to make the expected progress identified in their plan. This approach will be key to building confidence with parents that their child's needs can be met locally without the need to source an external placement.

Early Years Block

- 6.17 The Early Years block outturn for 2019/20 was a surplus of £0.432m. An adjustment to funding normally takes place by June each year when the DfE reviews funding estimates based on the January pupil census prior to the new financial year. The Authority would normally expect a clawback of funding as a result of this review. Initial indications for 2020/21 show that services can be delivered within the budget available.

Covid-19 Impact on Early Years

- 6.18 The worst-case forecasted impact on funding for Early Years settings was initially estimated to be £0.300m. This was to assist settings that were open to cover costs of supporting children from closed settings, assuming most children would still be attending settings. In practice, open Early Years settings are only applying for additional funding where they are taking in children over their normal numbers (which is mainly impacting on child-minding services rather than nurseries). Due to this managed approach the additional impact on funding is expected to be less than £0.020m.

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

- 7.1 The forecast set out in Table 34 below is based on the results to May 2020. Currently the HRA is forecasting an underspend before the impact of £1.729m of identified Covid-19 costs. Throughout the year costs will be monitored closely across all areas, but with additional focus on Rent Arrears and the effect this has on the bad debt provision, rental income, Council Tax voids and staffing vacancies, which could lead to further improvements in the forecast position.

7.2 Table 34: Forecast Variance Housing Revenue Account

| | Budget £m | Current Forecast £m | Current Variance £m | Outturn 2019/20 £m |
|--|----------------------|------------------------------------|------------------------------------|-----------------------------------|
| HRA Management Costs | 10.227 | 10.068 | (0.159) | 9.953 |
| HRA Repairs | 12.247 | 11.281 | (0.966) | 11.457 |
| HRA Other Costs | 40.415 | 40.415 | 0.000 | 37.800 |
| HRA - Rental Income | (60.299) | (60.299) | 0.000 | (59.710) |
| Total before Covid-19 pressures | 2.590 | 1.465 | (1.125) | (0.500) |
| Covid-19 pressures | 0.000 | 1.729 | 1.729 | 0.000 |
| Total after Covid-19 pressures | 2.590 | 3.194 | 0.604 | (0.500) |

- 7.3 The Covid-19 costs for HRA mainly relate to unproductive workforce costs, but also include costs from lost rental income due to properties not being available to let and the costs of PPE.

7.4 Table 35: Forecast Impact of Covid-19 on HRA for 2020/21

| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|---------------------|------------------------------------|--------------------------------------|-------------------------------------|--|
| HRA – PPE | 0.030 | 0.000 | 0.030 | Split across relevant service areas |
| HRA – PPE | 0.065 | 0.000 | 0.065 | Staff involved in procuring, receiving, packaging and delivering PPE being acquired as a direct result of the Covid-19 pandemic - HPC Stores staff, Procurement staff and staff driving vans for delivery. |
| HRA - Other | 0.000 | 0.069 | 0.069 | Losses from increased numbers of empty homes and matched properties that cannot be let |

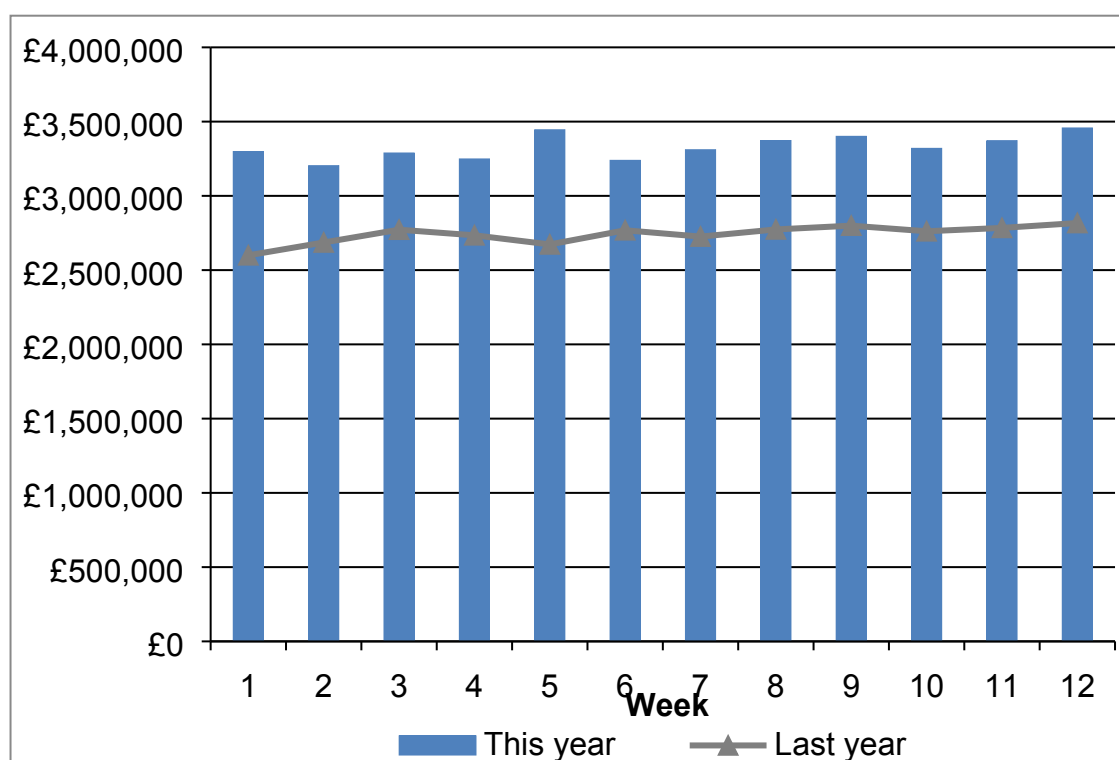
| Service Area | Covid Cost Pressures £m | Covid Income Pressures £m | Total Covid Pressures £m | Description |
|-----------------|-------------------------|---------------------------|--------------------------|---|
| HRA – Workforce | 1.546 | 0.000 | 1.546 | Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work |
| HRA – Workforce | 0.019 | 0.000 | 0.019 | Overtime staffing costs for Community Protection team to assist the Police in carrying out additional checks across the borough |
| Total | 1.660 | 0.069 | 1.729 | |

- 7.5 Rental income is currently performing on target, with the number of empty homes for the first two months of the year broadly in-line with the budget assumptions. There was a slight rise in the number of empty homes early in the period due to the suspension of works resulting from Covid-19 restrictions, but these works have now recommenced, and work is being accelerated. Therefore, the current rental forecasts could improve as the year progresses. However, some of this improved position may be offset by the continuing impact of Universal Credit and the potential of an increase in the bad debt provision along with increased Council Tax void costs due to the initial rise in empty properties if the budgeted empty property assumptions are not maintained for the remainder of 2020/21; all of which will be closely monitored throughout the year.
- 7.6 It is anticipated that savings in management costs will be realised due to delays in recruitment to several vacancies as a result of the Covid-19 pandemic. The recruitment of these vacancies could result in further savings if posts are recruited internally within the HRA. There are also forecasted savings, once Covid-19 costs have been removed, within Repairs. This represents the impact of Covid-19 and the fact that most areas of the in-house construction service have been stood down during the initial months of 2020/21 and as a result have not been incurring costs for materials.

Rent Arrears

- 7.7 The impact of rent arrears has risen in the first two months of 2020/21 as compared to 2019/20. Chart 6 below shows the value of rent arrears in 2020/21 compared to the same period in 2019/20. A team is working proactively with tenants to minimise arrears, and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. For the past two years there has been a pressure on the bad debt provision (the prior 15 years had seen no such pressure), which was mainly in relation to changes caused by Universal Credit.

7.8 **Chart 6: Rent Arrears in Weeks 1-12 (April-June) 2020/21 compared to 2019/20**

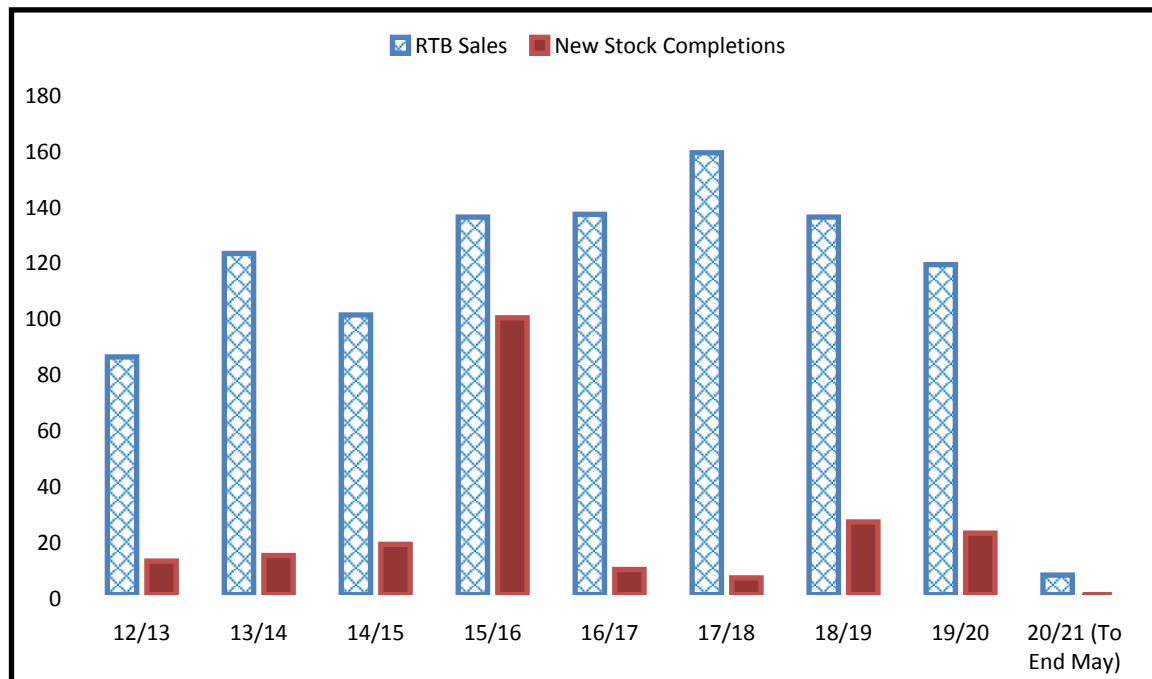


7.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 30 March 2020, there were 3,417 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.033m. At 1 June 2020 there were 3,926 tenants on Universal Credit (increase of 509 tenants) with related arrears of £2.444m (increase of £0.411m).

Right to Buy (RTB) Trends

7.10 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 7 below shows the trend in RTB sales since that time.

7.11 Chart 7: Yearly RTB Sales v New Stock Additions



SECTION 8 - INVESTMENT PLAN

Review of Investment Plan - Position Statement

- 8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers will continue to plan the delivery of those key projects included within the 2020/21 Investment Plan and regularly review the impact of Covid-19. It is unlikely that we will be able to deliver all of the planned works within 2020/21 safely, however it is too early to predict the full impact of the pandemic at this point. Further planning in relation to the delivery of all projects that make up the 2020/21 programme of works will continue; further updates will be provided over the coming weeks and months.

Some of the key highlights of the Investment Plan due to be delivered during 2020/21 are summarised below:

Affordable Homes New Build and Conversion Works

- 8.2 There are currently 3 affordable home projects that will progress during 2020/21, these include:
- The construction of 3 new affordable homes at Edwin Grove, Howdon;
 - The construction of 12 new affordable homes on the former site of the Cedars, North Shields;
 - The construction of 9 new affordable homes on the former site of Bawtry Court, Battlehill; and,
 - In addition to the above projects that will be complete in year there will be a number of other schemes progressed through the design, planning and procurement process during 2020/21 that will subsequently complete in future financial years.

Work will commence on these projects when it is safe to do so following the recent suspension of work due to Covid-19. Revised completion dates will then be produced.

Housing Investment Work

- 8.3 The Housing Capital delivery programme will see the following works delivered across the borough during 2020/21:
- Kitchens and bathrooms to 541 homes;
 - Heating upgrades to 600 homes;
 - Electrical upgrades to 50 homes;
 - Boundary improvements to 1,035 homes;
 - Roof replacements to 334 homes;
 - External Brickwork Repairs to 245 homes;
 - External refurbishment works to 9 non-traditional homes;
 - Damp Proof Course restoration works to 18 homes;
 - Footpath repairs throughout the borough; and,
 - Fire door replacement to 344 flats within communal blocks.

Work will commence on these projects when it is safe to do so following the recent suspension of work due to Covid-19. A revised delivery plan will be produced to outline the impact of the delay.

Education Investment Works

- 8.4 Delivery of the priority condition related projects across the school estate as part of the Schools Condition Investment Programme

Asset Investment works

- 8.5 Delivery of the priority condition related projects across the asset property estate as part of the Asset Condition Investment Programme

Highways and Infrastructure Works

- 8.6 The main Highways & Infrastructure works include:
- Delivery of the LTP, including the annual resurfacing programme and integrated transport projects. Larger projects will include the construction phase of the Pier Road stabilisation scheme and the demolition of Borough Road Bridge;
 - Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities; and,
 - Construction of the Southern Promenade sea wall scheme.

Regeneration Works

- 8.7 Regeneration Works for 2020/21 include:
- Swans – the next phase consists of:
 - CFI Phase 2 – completion of works; and,
 - Sale of the Swans site.
 - North Shields – a grant from Historic England for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street. The scheme will have a total project value of £1.900m;

Variations to the 2020-2025 Investment Plan

- 8.8 Variations of £4.271m to the Investment Plan and reprogramming of £9.659m have been identified and are included in tables 36 and 37 below. Further details are provided in paragraph 8.9:

8.8.1 **Table 36: 2020 - 2025 Investment Plan changes identified**

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023-25 £m | Total £m |
|---|----------------|---------------|---------------|---------------|----------------|
| Approved Investment Plan – Council 3 February 2020 | 67.307 | 50.773 | 41.303 | 84.937 | 244.320 |
| Previously Approved Reprogramming/Variations | | | | | |
| 2019/20 Monitoring | 8.866 | 4.000 | 0.000 | 0.000 | 12.866 |
| 2019/20 Outturn | 6.751 | 0.000 | 0.000 | 0.000 | 6.751 |
| Approved Investment Plan | 82.924 | 54.773 | 41.303 | 84.937 | 263.937 |
| Apr/May 20 Monitoring Variations | 0.831 | 2.823 | 0.345 | 0.272 | 4.271 |
| Reprogramming | (9.659) | 9.266 | 0.393 | 0.000 | 0.000 |
| Total Variations | (8.828) | 12.089 | 0.738 | 0.272 | 4.271 |
| Revised Investment Plan | 74.096 | 66.862 | 42.041 | 85.209 | 268.208 |

8.9 Details of the variations and reprogramming are shown below:

- (a) **New Project: Rising Sun Sports Ground £0.022m** – The Investment Programme Board (IPB) have approved the use of Section 106 funding to deliver improvements to outdoor sports and recreation ground facilities at Rising Sun Sports Ground;
- (b) **DV068 Southern Promenade £0.100m** – The Environment Agency have awarded an additional £0.100m grant in aid towards the cost of construction to the Southern Promenade Wall works;
- (c) **DV073 Ambition for North Tyneside £0.900m** - Historic England High Street Heritage Action Zone funding of up to £0.900m has been awarded to partially fund a project within the Northumberland Square Conservation Area in North Shields. The project will repurpose this area of the town centre, providing opportunities for building owners to reinstate historic features of their properties by way of a third party grant scheme, bring vacant properties into use, reinvigorate the public realm and Northumberland Square and provide opportunity to enhance the housing development at Northumberland Square;
- (d) **ED075 Devolved Formula £0.007m Variation and £0.500m reprogramming** – The variation of £0.007m is to reflect the actual grant awarded by the Department for Education (DfE) for 2020/21. Reprogramming of £0.500m has been reported at this stage. Work with schools is continuing to identify key school led projects for delivery by the end of the 2020/21 financial year;
- (e) **ED120 Basic Need £1.901m 2021/22** – The annual grant determination letter was received on 29 May 2020 with an allocation of £1.901m for 2021/21. This grant is to support the capital requirement for providing new pupil places by expanding existing maintained schools;

- (f) **ED132 School Capital Allocation £0.009m credit** - The variation of £0.009m credit is to reflect the actual grant awarded by the DfE for 2020/21;
- (g) **ED189 School Nursey Capital Fund £0.130m credit** – Percy Main Primary School Governing Body have made the decision not to progress with the project at their school. The DfE, on 11 June 2020, acknowledged the school's decision and will now remove the school from their open projects list;
- (h) **EV034 Local Transport Plan £0.206m** – Gateway 2 for the use of Section 106 funding has been approved by IPB. It is proposed to deliver these over an 18-month period in financial years 2020/21 (£0.116m) and 2021/22 (£0.090m);
- (i) **EV055 Surface Water Improvements £0.095m** - The Environment Agency have awarded a £0.095m grant in aid for the Sea Banks Sea Wall (Tynemouth) appraisal;
- (j) **EV076 Operational Depot Accommodation £0.756m variation (£0.205m 2020/21 & £0.551m 2021/22) and £0.551m reprogramming** – Additional European Regional Development Fund (ERDF) grant has been awarded to finance the Killingworth Sustainable Retrofit Project. As the project is 50% match funded by the Authority, this element has been reprogrammed to 2021/22 to reflect the expected delivery of ERDF element of the works;
- (k) **New Scheme: eCargo Bike £0.076m** – The Authority has been awarded £0.076m from the Energy Savings Trust to provide eCargo bikes. The eCargo bike scheme will predominantly provide bikes for use as pool bikes to a combination of large organisations, including the local authority, and the police force;
- (l) **New Scheme: Transforming Cities Tranche 2 £0.200m** – The North East was allocated a devolved funding 'pot' from which the region can deliver sustainable transport schemes. Three schemes in North Tyneside formed part of the finalised programme. At this stage it is proposed to draw down an initial proportion of the funding relating to each scheme. This will allow scheme development work to proceed and make it possible to obtain firmer costs in relation to aspects of the schemes;
- (m) **HS051 Private Sector Empty Homes £0.786m reprogramming** – The reported reprogramming is required to reflect the ongoing priorities over the next three years;
- (n) **HS004 Disabled Facilities Grant £0.147m variation (2021/22) and £0.634m reprogramming** – The variation is to reflect the actual budget allocation announced for 2020/21. This has been allocated to 2021/22 and because of the reduced delivery time available due to Covid-19 the team will be unable to deliver the full allocation in year and therefore £0.634m is reprogrammed to 2021/22;
- (o) **HS015 HRA Refurbishment /Decent Homes Improvements £4.857m reprogramming** - It is unlikely, due to the impact of Covid-19, that all of the

planned works will be delivered within 2020/21 safely, therefore £4.857m works are being reprogrammed to 2021/22;

- (p) **HS017 HRA Disabled Adaptations £0.171m reprogramming** - Works orders are raised in line with the completion of Occupational Therapists Assessments with only urgent and some minor adaptations being completed due to the impact of Covid-19. Further planning in relation to the delivery of the larger adaptations continue therefore reprogramming of £0.171m is required; and,
- (q) **HS044 HRA New Build £2.160m reprogramming** –The agreed projects are at various stages and there is a delivery programme detailing the timelines for each project. Unfortunately, this programme has been impacted by Covid-19 so most of the work has been suspended. There is a review of the current position around Covid-19 and the projects will re-start when it is safe to do so.

8.10 The impact of the changes detailed above on capital financing is shown in table 37 below.

8.10.1 **Table 37: Impact of variations on Capital financing**

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023-25 £m | Total £m |
|-----------------------------------|----------------|---------------|---------------|---------------|----------------|
| Approved Investment Plan | 82.924 | 54.773 | 41.303 | 84.937 | 263.937 |
| Council Contribution | (1.337) | 0.944 | 0.393 | 0 | 0 |
| Grants and Contributions | (0.303) | 3.957 | 0.345 | 0.272 | 4.271 |
| HRA Capital Receipts | (2.855) | 1.145 | (0.855) | 0 | (2.565) |
| HRA Revenue Contribution | (2.732) | 4.442 | 0.855 | 0 | 2.565 |
| HRA Major Repairs Reserve | (1.601) | 1.601 | 0 | 0 | 0 |
| Total Financing Variations | (8.828) | 12.089 | 0.738 | 0.272 | 4.271 |
| Revised Investment Plan | 74.096 | 66.862 | 42.041 | 85.209 | 268.208 |

Capital Receipts – General Fund

- 8.11 General Fund Capital Receipts brought forward at 1 April 2020 were £1.773m. The capital receipts requirement for 2020/21, approved by Council on 3 February 2020, was £0.423m (2020-25 £1.100m). To date £nil capital receipts have been received in 2020/21. The receipts position is shown in table 38 below.

8.11.1 Table 38: Capital Receipt Requirement – General Fund

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023-25 £m | 2020-25 Total £m |
|---|----------------|----------------|----------------|----------------|------------------------|
| Requirement reported to February 2020 Council | 0.423 | 0.423 | 0.254 | 0 | 1.100 |
| Receipts Brought Forward | (1.773) | (1.350) | (0.927) | (0.673) | (1.773) |
| Total Receipts received 2020/21 | 0 | 0 | 0 | 0 | 0 |
| Receipts used to repay capital loans | 0 | 0 | 0 | 0 | 0 |
| Net Useable Receipts | 0 | 0 | 0 | 0 | 0 |
| Surplus Receipts | (1.350) | (0.927) | (0.673) | (0.673) | (0.673) |

Capital receipts – Housing Revenue Account

- 8.12 Housing Capital Receipts brought forward at 1 April 2020 were £8.313m. The housing receipts are committed against projects included in the 2020-2025 Investment Plan. The approved Capital Receipt requirement for 2020/21 was £3.117m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £0.429m. To date, receipts of £0.493m have been received in 2020/21 of which £nil has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £8.377m to be carried forward to fund future years.

8.12.1 Table 39: Capital Receipt Requirement - Housing Revenue Account

| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023-25 £m | 2020-25 £m |
|---|----------------|----------------|----------------|---------------|---------------|
| Requirement reported to February 2020 Council | 3.117 | 3.329 | 2.970 | 6.990 | 16.406 |
| Reprogramming 2019/20 Outturn | 0.167 | 0.000 | 0.000 | 0.000 | 0.167 |
| Reprogramming 2020/21 | (2.000) | 2.000 | 0.000 | 0.000 | 0.000 |
| Variation 2020/21 | (0.855) | (0.855) | (0.855) | 0.000 | (2.565) |
| Revised Requirement | 0.429 | 4.474 | 2.115 | 6.990 | 14.008 |
| Receipts Brought Forward | (8.313) | (8.377) | (3.903) | (1.788) | (8.313) |
| Receipts Received 2020/21 | (0.493) | 0.000 | 0.000 | 0.000 | (0.493) |
| Receipts Pooled Central Government | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| (Surplus)/ Balance To be generated to fund future years (subject to further pooling) | (8.377) | (3.903) | (1.788) | 5.202 | 5.202 |

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2020/21.

Investment Plan Monitoring Position to 31 May 2020

- 8.13 Actual expenditure for 2020/21 in the General Ledger was £1.286m; 1.74% of the total revised Investment Plan at 31 May 2020. This is after adjusting for £0.963m of accruals relating to 2019/20 expenditure.

8.13.1 Table 40: Total Investment Plan Budget & Expenditure to 31 May 2020

| | 2020/21 Revised Investment Plan £m | Actual Spend to 31 May 2020 £m | Spend as % of revised Investment Plan % |
|--------------|---|---|--|
| General Fund | 52.754 | 1.209 | 2.29% |
| Housing | 21.342 | 0.077 | 0.36% |
| TOTAL | 74.096 | 1.286 | 1.74% |

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

9.1 The Authority's current cash balance as at the end of May 2020 is £13.600m, with £40.000m invested externally with other UK Local Authorities. As per the Treasury Management Investment Strategy, the maximum period in which the Authority can invest with other Local Authorities is 12 months. Of the investments as at 31 May 2020, the maximum investment maturity date is 26 October 2020.

9.2 Table 41: Investment Position as at 31/05/2020

| Counterparty | Type | Amount (£m) | Maturity |
|---------------------|-------------|--------------------|------------------|
| DMO | Term | 13.600 | 1 June 2020 |
| Lloyds Bank | Call | 0.000 | n/a |
| Inter – LA | Fixed | 40.000 | 26 October 2020* |

**This is the last maturity of this tranche.*

9.3 Short-term cash investment rates are amongst all-time lows and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions. As a result, the Authority has locked in £0.145m in interest income to be received by year end.

9.4 The approach of maintaining low cash balances has been part of the strategy for a number of years and has generated substantial savings year on year. The government's Debt Management Office (DMO) and other deposit investment rates are currently paying 0.01%, taking into account CHAPS transfers fees and principal invested, it can cost the Authority to invest surplus cash. Therefore, the Authority is investing longer to reduce transactional costs as well as maximise returns. The temporary borrowing market is currently very liquid with significant cash available at very low rates. A summary of rates available is shown in table 42 below. PWLB rates also continue to remain low due to the low Gilt yields, which they are tracked against.

9.5 Table 42: Summary of Borrowing Levels

| Temporary Market | | PWLB | |
|-------------------------|--------------|--------------|--------------|
| Tenor | Level | Tenor | Level |
| 1 week | 0.10% | 2 years | 1.98% |
| 1 month | 0.10% | 5 years | 1.98% |
| 3 months | 0.15% | 10 years | 2.21% |
| 6 months | 0.25% | 20 years | 2.64% |
| 9 months | 0.30% | 30 years | 2.65% |
| 12 months | 0.45% | 50 years | 2.48% |

**Please note these levels are from 29/06/2020*

9.6 Any shortfalls in cashflow are covered by in year temporary borrowing, which is a quick and cost-effective method of cash management in the current situation.

Borrowing Position

- 9.7 Table 43 shows the Authority's current debt position, with total borrowing maturing in 2020/21 of £64.470m.

Table 43: Current Debt Position

| | PWLB (£m) | LOBO (£m) | Temp (£m) | Total (£m) |
|----------------------------------|--------------|--------------|--------------|---------------|
| Total Outstanding Borrowing Debt | 398.443 | 20.000 | 68.610 | 487.053 |
| Debt Maturing 2020/21 | 1.000 | 10.000 | 53.470 | 64.470 |

**£10.000m LOBO has a call date in 2020/21 and subject to agreement between the Authority and the lender, the LOBO can be repaid. It is unlikely that the lender will call due to the current spread on interest rates vs Bank of England base rate.*

Covid-19 Impact on Cash

- 9.8 The impact of Covid-19 on cashflow for the Authority has resulted in several large grants being front loaded to the Authority. In March 2020, the Authority drew down £25.000m of PWLB to bolster the Authority's cash position, de-risk our borrowing requirement and take advantage of historically low levels in PWLB, and by doing so has contributed to the surplus cash balance. Whilst a proportion of this is currently invested out for a fixed term, the Authority is currently carrying a cash surplus balance. However, it is anticipated this surplus will unwind as Covid-19 restrictions are reduced. Projected reduced revenue streams, increased costs and repayment of outstanding debt is forecast to utilise cash balances within the year. It is therefore prudent to assume the Authority will be in a deficit cash position to the amount of the projected budget pressure.

The Authority is under-borrowed to the value of £57.655m as at 31 March 2020, and whilst the Authority cannot borrow to fund this revenue pressure however, it can look to utilise reserves, unwind its under-borrowed position and externalise borrowing.

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| | | | | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Total £000 |
|---|--|---|--|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | | | | | | | | | |
| General Fund | | | | | | | | | |
| Maintaining Our Assets | | | | | | | | | |
| BS026 Asset Planned Maintenance | | | | | | | | | |
| | | Council Contribution | | 1,691 | 1,500 | 1,500 | 1,500 | 1,500 | 7,691 |
| | | Football Foundation Grant | | 17 | 0 | 0 | 0 | 0 | 17 |
| | | Section 106 | | 12 | 0 | 0 | 0 | 0 | 12 |
| | | Contribution from Reserves (Insurance) | | 367 | 0 | 0 | 0 | 0 | 367 |
| | | Contribution from Reserves (Leisure) | | 251 | 0 | 0 | 0 | 0 | 251 |
| BS026 Asset Planned Maintenance Total | | | | 2,338 | 1,500 | 1,500 | 1,500 | 1,500 | 8,338 |
| BS029 Wallsend Customer First Centre | | | | | | | | | |
| | | Council Contribution | | 488 | 0 | 0 | 0 | 0 | 488 |
| | | Public Health England | | 384 | 0 | 0 | 0 | 0 | 384 |
| | | Northumbria Violence Reduction Unit Intervene | | 76 | 0 | 0 | 0 | 0 | 76 |
| BS029 Wallsend Customer First Centre Total | | | | 948 | 0 | 0 | 0 | 0 | 948 |
| CO076 Lockey Park Environmental and Play Improvements | | | | | | | | | |
| | | Section 106 | | 23 | 0 | 0 | 0 | 0 | 23 |
| CO076 Lockey Park Environmental and Play Improvements Total | | | | 23 | 0 | 0 | 0 | 0 | 23 |
| CO080 Burradon Recreation Ground | | | | | | | | | |
| | | Council Contribution | | 336 | 0 | 0 | 0 | 0 | 336 |
| | | Section 106 | | 171 | 0 | 0 | 0 | 0 | 171 |
| CO080 Burradon Recreation Ground Total | | | | 507 | 0 | 0 | 0 | 0 | 507 |
| CO082 Sport and Leisure Facility Improvements | | | | | | | | | |
| | | Contribution from Reserves (Leisure) | | 80 | 0 | 0 | 0 | 0 | 80 |
| CO082 Sport and Leisure Facility Improvements Total | | | | 80 | 0 | 0 | 0 | 0 | 80 |
| CO083 Whitley Bay Crematoria | | | | | | | | | |
| | | Council Contribution | | 1,541 | 0 | 0 | 0 | 0 | 1,541 |
| CO083 Whitley Bay Crematoria Total | | | | 1,541 | 0 | 0 | 0 | 0 | 1,541 |
| Coxxx Rising Sun Sports Ground | | | | | | | | | |
| | | Section 106 | | 22 | 0 | 0 | 0 | 0 | 22 |
| Coxxx Rising Sun Sports Ground Total | | | | 22 | 0 | 0 | 0 | 0 | 22 |
| ED075 Devolved Formula Capital | | | | | | | | | |
| | | Education Funding Agency (Devolved) | | 1,463 | 1,079 | 579 | 579 | 579 | 4,279 |
| | | Education Funding Agency (30 Hours) | | 60 | 0 | 0 | 0 | 0 | 60 |
| ED075 Devolved Formula Capital Total | | | | 1,523 | 1,079 | 579 | 579 | 579 | 4,339 |
| ED120 Basic Need | | | | | | | | | |
| | | Education Funding Agency (Basic Need) | | 277 | 2,014 | 113 | 113 | 113 | 2,630 |
| ED120 Basic Need Total | | | | 277 | 2,014 | 113 | 113 | 113 | 2,630 |
| ED132 School Capital Allocation | | | | | | | | | |
| | | Education Funding Agency (SCA) | | 3,535 | 3,534 | 3,534 | 3,534 | 3,534 | 17,671 |
| ED132 School Capital Allocation Total | | | | 3,535 | 3,534 | 3,534 | 3,534 | 3,534 | 17,671 |
| ED186 Backworth Park Primary | | | | | | | | | |
| | | Council Contribution | | -800 | 0 | 0 | 0 | 0 | -800 |
| | | Section 106 | | 800 | 0 | 0 | 0 | 0 | 800 |
| ED186 Backworth Park Primary Total | | | | 0 | 0 | 0 | 0 | 0 | 0 |
| EV034 Local Transport Plan | | | | | | | | | |
| | | Dept for Transport LTP ITA | | 958 | 958 | 958 | 958 | 958 | 4,790 |
| | | Dept for Transport LTP Maint | | 2,427 | 2,000 | 2,000 | 2,000 | 2,000 | 10,427 |
| | | Section 106 | | 296 | 90 | 0 | 0 | 0 | 386 |
| EV034 Local Transport Plan Total | | | | 3,681 | 3,048 | 2,958 | 2,958 | 2,958 | 15,603 |
| EV055 Surface Water Improvements | | | | | | | | | |
| | | Environment Agency Grant | | 364 | 0 | 0 | 0 | 0 | 364 |
| | | NWL Contribution | | 40 | 0 | 0 | 0 | 0 | 40 |
| EV055 Surface Water Improvements Total | | | | 404 | 0 | 0 | 0 | 0 | 404 |
| EV056 Additional Highways Maintenance | | | | | | | | | |
| | | Council Contribution | | 2,101 | 2,000 | 2,000 | 2,000 | 2,000 | 10,101 |
| EV056 Additional Highways Maintenance Total | | | | 2,101 | 2,000 | 2,000 | 2,000 | 2,000 | 10,101 |
| EV069 Vehicle Replacement | | | | | | | | | |
| | | Council Contribution | | 895 | 1,274 | 762 | 1,248 | 0 | 4,179 |
| EV069 Vehicle Replacement Total | | | | 895 | 1,274 | 762 | 1,248 | 0 | 4,179 |

| | | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Total £000 |
|---|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| Get Maintaining Our Assets | | | | | | | |
| IT020 ICT Strategy | | | | | | | |
| | Council Contribution | 1,102 | 1,000 | 1,000 | 1,000 | 1,000 | 5,102 |
| IT020 ICT Strategy Total | | 1,102 | 1,000 | 1,000 | 1,000 | 1,000 | 5,102 |
| Maintaining Our Assets Total | | 18,977 | 15,449 | 12,446 | 12,932 | 11,684 | 71,488 |
| Corporate | | | | | | | |
| EV076 Operational Depot Accommodation Review | | | | | | | |
| | Council Contribution | 3,909 | 551 | 0 | 0 | 0 | 4,460 |
| | ERDF | 2,089 | 551 | 0 | 0 | 0 | 2,640 |
| EV076 Operational Depot Accommodation Review Total | | 5,998 | 1,102 | 0 | 0 | 0 | 7,100 |
| GEN03 Contingencies | | | | | | | |
| | Council Contribution | 5,276 | 500 | 500 | 500 | 500 | 7,276 |
| GEN03 Contingencies Total | | 5,276 | 500 | 500 | 500 | 500 | 7,276 |
| Corporate Total | | 11,274 | 1,602 | 500 | 500 | 500 | 14,376 |
| Education | | | | | | | |
| ED189 School Nursery Capital Fund | | | | | | | |
| | Education Funding Agency (Devolved) | 25 | 0 | 0 | 0 | 0 | 25 |
| | Education Funding Agency (SNCF) | 77 | 0 | 0 | 0 | 0 | 77 |
| ED189 School Nursery Capital Fund Total | | 102 | 0 | 0 | 0 | 0 | 102 |
| Education Total | | 102 | 0 | 0 | 0 | 0 | 102 |
| Housing General Fund | | | | | | | |
| DV064 Council Property Investment | | | | | | | |
| | Council Contribution | 1,738 | 0 | 0 | 0 | 0 | 1,738 |
| DV064 Council Property Investment Total | | 1,738 | 0 | 0 | 0 | 0 | 1,738 |
| HS004 Disabled Facilities Grant | | | | | | | |
| | Better Care Fund | 810 | 2,281 | 0 | 0 | 0 | 3,091 |
| HS004 Disabled Facilities Grant Total | | 810 | 2,281 | 0 | 0 | 0 | 3,091 |
| HS051 Private Sector Empty Homes | | | | | | | |
| | Council Contribution | 106 | 393 | 393 | 0 | 0 | 892 |
| | Homes & Communities Grant | 258 | 0 | 0 | 0 | 0 | 258 |
| HS051 Private Sector Empty Homes Total | | 364 | 393 | 393 | 0 | 0 | 1,150 |
| Housing General Fund Total | | 2,912 | 2,674 | 393 | 0 | 0 | 5,979 |
| Investments | | | | | | | |
| DV066 Investment in North Tyneside Trading Co | | | | | | | |
| | Council Contribution | 4,008 | 0 | 0 | 0 | 0 | 4,008 |
| | Section 106 | 620 | 0 | 0 | 0 | 0 | 620 |
| DV066 Investment in North Tyneside Trading Co Total | | 4,628 | 0 | 0 | 0 | 0 | 4,628 |
| Investments Total | | 4,628 | 0 | 0 | 0 | 0 | 4,628 |
| Regeneration | | | | | | | |
| CO079 Playsites 2019/20 | | | | | | | |
| | Section 106 | 50 | 0 | 0 | 0 | 0 | 50 |
| CO079 Playsites 2019/20 Total | | 50 | 0 | 0 | 0 | 0 | 50 |
| DV054 Spanish City Dome | | | | | | | |
| | Council Contribution | 2 | 0 | 0 | 0 | 0 | 2 |
| DV054 Spanish City Dome Total | | 2 | 0 | 0 | 0 | 0 | 2 |
| DV058 Swan Hunters Redevelopment | | | | | | | |
| | Council Contribution | 232 | 0 | 0 | 0 | 0 | 232 |
| DV058 Swan Hunters Redevelopment Total | | 232 | 0 | 0 | 0 | 0 | 232 |
| DV067 Northern Promenade | | | | | | | |
| | Council Contribution | 340 | 0 | 0 | 0 | 0 | 340 |
| DV067 Northern Promenade Total | | 340 | 0 | 0 | 0 | 0 | 340 |
| DV068 Southern Promenade | | | | | | | |
| | Environment Agency Grant | 626 | 0 | 0 | 0 | 0 | 626 |
| DV068 Southern Promenade Total | | 626 | 0 | 0 | 0 | 0 | 626 |
| DV072 Royal Quays Enterprise Park | | | | | | | |
| | Council Contribution | 2,500 | 7,800 | 0 | 0 | 0 | 10,300 |
| DV072 Royal Quays Enterprise Park Total | | 2,500 | 7,800 | 0 | 0 | 0 | 10,300 |

| | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Total £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Ger Rege DV073 Ambition for North Tyneside | | | | | | |
| Council Contribution | 1,000 | 1,000 | 1,000 | 1,500 | 2,000 | 6,500 |
| Capital Receipts | 423 | 423 | 254 | 0 | 0 | 1,100 |
| Revenue Contribution | 577 | 577 | 746 | 500 | 0 | 2,400 |
| Historic England - Heritage Action Zone | 149 | 134 | 345 | 272 | 0 | 900 |
| DV073 Ambition for North Tyneside Total | 2,149 | 2,134 | 2,345 | 2,272 | 2,000 | 10,900 |
| EV084 A189 Improvements Haddricks Mill to West Moor | | | | | | |
| DFT National Productivity Fund | 302 | 0 | 0 | 0 | 0 | 302 |
| Section 278 | 1,554 | 0 | 0 | 0 | 0 | 1,554 |
| EV084 A189 Improvements Haddricks Mill to West Moor Total | 1,856 | 0 | 0 | 0 | 0 | 1,856 |
| EV087 Air Quality Early Measures Fund | | | | | | |
| Transforming Cities Fund | 7 | 0 | 0 | 0 | 0 | 7 |
| EV087 Air Quality Early Measures Fund Total | 7 | 0 | 0 | 0 | 0 | 7 |
| EV088 Tyne View Terrace Cycleway | | | | | | |
| Transforming Cities Fund | 8 | 0 | 0 | 0 | 0 | 8 |
| EV088 Tyne View Terrace Cycleway Total | 8 | 0 | 0 | 0 | 0 | 8 |
| EV090 S278 Avant Homes at Killingworth Village | | | | | | |
| Section 278 | 66 | 0 | 0 | 0 | 0 | 66 |
| EV090 S278 Avant Homes at Killingworth Village Total | 66 | 0 | 0 | 0 | 0 | 66 |
| Evxxx Transforming Cities Tranche 2 | | | | | | |
| Transforming Cities Fund | 200 | 0 | 0 | 0 | 0 | 200 |
| Evxxx Transforming Cities Tranche 2 Total | 200 | 0 | 0 | 0 | 0 | 200 |
| GEN12 Local Infrastructure | | | | | | |
| Council Contribution | 176 | 100 | 100 | 100 | 100 | 576 |
| GEN12 Local Infrastructure Total | 176 | 100 | 100 | 100 | 100 | 576 |
| HS052 Killingworth Moor Infrastructure | | | | | | |
| Housing Infrastructure Fund | 6,000 | 4,000 | 0 | 0 | 0 | 10,000 |
| HS052 Killingworth Moor Infrastructure Total | 6,000 | 4,000 | 0 | 0 | 0 | 10,000 |
| Regeneration Total | 14,212 | 14,034 | 2,445 | 2,372 | 2,100 | 35,163 |
| Climate Emergency | | | | | | |
| EV083 Street Lighting LED | | | | | | |
| Council Contribution | 500 | 0 | 0 | 0 | 0 | 500 |
| EV083 Street Lighting LED Total | 500 | 0 | 0 | 0 | 0 | 500 |
| EV091 Other Initiatives Climate Change | | | | | | |
| Council Contribution | 73 | 74 | 0 | 0 | 0 | 147 |
| EV091 Other Initiatives Climate Change Total | 73 | 74 | 0 | 0 | 0 | 147 |
| Evxxx E-Cargo Bikes | | | | | | |
| DFT E-Cargo Grant | 76 | 0 | 0 | 0 | 0 | 76 |
| Evxxx E-Cargo Bikes Total | 76 | 0 | 0 | 0 | 0 | 76 |
| Climate Emergency Total | 649 | 74 | 0 | 0 | 0 | 723 |
| General Fund Total | 52,754 | 33,833 | 15,784 | 15,804 | 14,284 | 132,459 |
| HRA | | | | | | |
| Housing | | | | | | |
| HS015 Refurbishment / Decent Homes Improvements | | | | | | |
| See HRA Financing | 16,588 | 24,778 | 20,183 | 21,003 | 21,491 | 104,043 |
| HS015 Refurbishment / Decent Homes Improvements Total | 16,588 | 24,778 | 20,183 | 21,003 | 21,491 | 104,043 |
| HS017 Disabled Adaptations | | | | | | |
| See HRA Financing | 880 | 1,233 | 1,072 | 1,083 | 1,094 | 5,362 |
| HS017 Disabled Adaptations Total | 880 | 1,233 | 1,072 | 1,083 | 1,094 | 5,362 |
| HS039 ICT Infrastructure Works | | | | | | |
| See HRA Financing | 192 | 108 | 109 | 109 | 110 | 628 |
| HS039 ICT Infrastructure Works Total | 192 | 108 | 109 | 109 | 110 | 628 |
| HS041 Housing PFI | | | | | | |
| See HRA Financing | 154 | 0 | 0 | 0 | 0 | 154 |
| HS041 Housing PFI Total | 154 | 0 | 0 | 0 | 0 | 154 |
| HS044 HRA New Build | | | | | | |
| See HRA Financing | 3,528 | 6,910 | 4,893 | 5,040 | 5,191 | 25,562 |
| HS044 HRA New Build Total | 3,528 | 6,910 | 4,893 | 5,040 | 5,191 | 25,562 |

| | | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Total £000 |
|-------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| HR/ Housing | | | | | | | |
| | HS050 Construction Options Project | | | | | | |
| | See HRA Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| | HS050 Construction Options Project Total | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | |
| | Housing Total | 21,342 | 33,029 | 26,257 | 27,235 | 27,886 | 135,749 |
| | | | | | | | |
| | HRA Total | 21,342 | 33,029 | 26,257 | 27,235 | 27,886 | 135,749 |
| | | | | | | | |
| | Total £000 | 74,096 | 66,862 | 42,041 | 43,039 | 42,170 | 268,208 |

Investment Plan Financing

| | | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Total £000 |
|---------------|---|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | | | | | | | |
| General Fund | | | | | | | |
| | Council Contribution | 27,214 | 16,192 | 7,255 | 7,848 | 7,100 | 65,609 |
| | Council Contribution - Capital Receipts | 423 | 423 | 254 | 0 | 0 | 1,100 |
| | Grants & Contributions | 23,842 | 16,641 | 7,529 | 7,456 | 7,184 | 62,652 |
| | Revenue Contribution | 577 | 577 | 746 | 500 | 0 | 2,400 |
| | Contribution from Reserves | 698 | 0 | 0 | 0 | 0 | 698 |
| | General Fund Total | 52,754 | 33,833 | 15,784 | 15,804 | 14,284 | 132,459 |
| | | | | | | | |
| HRA Financing | | | | | | | |
| | HRA Capital Receipts | 429 | 4,474 | 2,115 | 3,922 | 3,068 | 14,008 |
| | HRA Revenue Contribution | 6,883 | 13,679 | 10,403 | 9,093 | 10,100 | 50,158 |
| | HRA MRR | 12,826 | 14,876 | 13,739 | 14,220 | 14,718 | 70,379 |
| | HRA House Building Fund Reserve | 1,204 | 0 | 0 | 0 | 0 | 1,204 |
| | HRA PFI Reserve | 0 | 0 | 0 | 0 | 0 | 0 |
| | HRA Financing Total | 21,342 | 33,029 | 26,257 | 27,235 | 27,886 | 135,749 |
| | | | | | | | |
| | Total£000 | 74,096 | 66,862 | 42,041 | 43,039 | 42,170 | 268,208 |

North Tyneside Council Report to Cabinet Date: 3 August 2020

Title: 2021-2025 Financial Planning and Budget Process incorporating the Associated Engagement Strategy

| | |
|---|---|
| Portfolio(s): Elected Mayor Deputy Mayor Finance and Resources Housing and Transport Community Safety and Engagement | Cabinet Member(s): Norma Redfearn Councillor B Pickard Councillor R Glindon Councillor S Cox Councillor C Burdis |
| Report from Service Area: Finance | Responsible Officer: Janice Gillespie, Head of Resources Tel: (0191) 643 5701 Wards affected: All |

PART 1

1.1 Executive Summary

- 1.1.1 This is the initial report to Cabinet outlining the process to be adopted for the Authority's Financial Planning and Budget process for 2021/22 as part of the proposed framework for the four years 2021/22 to 2024/25. Further reports will follow as part of the process of setting the Authority's Budget for the financial year 2021/22. The next report to Cabinet will be on 30 November 2020 and will outline Cabinets initial Budget proposals.

This report sets out information in relation to the proposed 2021-2025 Financial Planning and Budget process, including key decision milestones. This will include:

- A review of the Medium-Term Financial Strategy (MTFS) and Medium-Term Financial Plan (MFTP);
- Development of the detailed General Fund and Housing Revenue Account Budgets for 2021/22;
- An update of the Investment Plan and the Treasury Management Strategy; and
- The Budget Engagement Strategy to be adopted as part of the 2021-2025 Financial Planning and Budget process.

- 1.1.2 While this report forms an important part of the Authority's Budget-setting process for the 2021/22 Budget, it also provides Cabinet with an overview of the potential financial

implications of COVID-19, for both the current year and for the period of the Authority's Medium-Term Financial Strategy (MTFS). An initial review of the MTFS has been carried out in light of future government announcements and, as the scale of the financial impact of COVID-19 becomes clear, it will need to be updated.

- 1.1.3 In addition, this report acknowledges the exceptional circumstances in which the 2021/22 Budget will need to be prepared. This will have an impact on the organisation's ability to achieve planned Budget savings and income for 2020/21, its capacity to develop and deliver new Budget proposals for 2021/22, and on the wider Budget position, which is the subject of extremely high levels of uncertainty. The report sets out details of a proposed Budget planning process for 2021/22 but recognises that there will be a need for flexibility. In this context, the report also provides a summary of key areas of wider risk and uncertainty for Cabinet to consider.

1.2 Recommendations

It is recommended that Cabinet:

- (a) notes the revised Medium-Term Financial Strategy and the proposed principles for Budget planning for 2021/22, as set out at Appendix A and section 1.5.11;
- (b) approves the proposed outline 2021-2025 Financial Planning and Budget process which incorporates the key decision milestones and dates, as set out at Appendix B;
- (c) recognises that there may be a requirement for flexibility within both the Budget-setting process and the assumptions used, as a result of future Government announcements and other developments relating to COVID-19;
- (d) approves the Budget Engagement Strategy as part of the 2021-2025 Financial Planning and Budget process as set out at Appendix C; and
- (e) considers the key Budget risks and uncertainties as set out in the Medium-Term Financial Strategy, including the implications of announcements made at the Spring Budget 2020 and subsequently as part of the COVID-19 response.

1.3 Forward Plan:

It has not been possible to give 28 days' notice of this report as historically a report on the budget process has been submitted to Cabinet in September each year. However, due to the financial challenges faced by the Authority in light of the response to and recovery from COVID-19 the report was brought forward to the August Cabinet meeting. It first appeared on the Forward Plan that was published on 10 July 2020.

1.4 Information

Council Plan and Policy Framework

- 1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's Budget. The constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.

- 1.4.2 The development of the Budget will follow the process laid down in the Authority's Constitution. The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that the Budget is considered as part of preparing the Annual Governance Statement to Council each year.
- 1.4.3 The priorities in the Council Plan (the "Our North Tyneside Plan") provide the strategic policy framework within which Budget resources will be allocated for 2021-2025.

Background

- 1.4.4 The last few years have been uncertain and challenging for local government but financial planning for 2021/22 is particularly difficult. The financial outlook for local government and public services due to the impact of COVID-19 is just starting to emerge and therefore it is almost impossible to predict the ongoing financial impact to the Authority's resources with any certainty.
- 1.4.5 The new Chancellor of the Exchequer, Rishi Sunak, announced the Spring Budget 2020 on 11 March 2020. The Budget included various announcements with implications for local authority funding, including a plan to undertake a Comprehensive Spending Review (CSR), due to be completed in July 2020. As part of the response to COVID-19, the Chancellor announced on 24 March 2020 that the CSR would be delayed from July to enable the Government to remain focused on responding to the public health and economic emergency.

On 21 July 2020 the Chancellor announced the launch of the CSR which will be published in the Autumn 2020; no date has been given for when the review will be concluded. The review will set UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 to 2024/25, and devolved administrations' block grants for the same period.

Due to unprecedented uncertainty, the Chancellor did not fix a set spending envelope, but confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period and that the Government will deliver on the commitments made at the Spring Budget.

Given the impact COVID-19 has had on the economy, the Chancellor was clear there will need to be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments have been asked to identify opportunities to reprioritise and deliver savings. Departments will also be required to fulfil a series of conditions in their returns, including providing evidence they are delivering the government's priorities and focusing on delivery.

- 1.4.6 The Government continues to explore the long-term reform of adult social care, the Fair Funding and Business Rates Retention reviews have been pushed back to April 2022 at the earliest, and the future of Government grants such as the Better Care Fund and Troubled Families are also uncertain. The outcome of these have the potential for a significant impact on local government and, in the absence of any announcements, this only adds to the challenge.

The COVID-19 pandemic will also have a significant financial impact on the Authority in 2020/21, with the impact then likely to be felt in future years. The Authority began to experience the impact of the outbreak in March 2020 when a number of front-line services were closed. There has been an increase in claims for Local Council Tax

Support and a reduction in business rate income due to business closures is expected. Consequently, the Authority may suffer significant reductions in income in 2020/21 and beyond.

- 1.4.7 Any consideration of the Authority's Medium-Term Financial Strategy and Medium-Term Financial Plan must be undertaken in the context of the funding outlook for local government and what that means for the Authority. Full details of the funding outlook for local government are included in section 3 of the Medium-Term Financial Strategy.

Financial Impact of COVID-19

- 1.4.8 An initial estimate of the financial impact of COVID-19 on the Authority was included in the COVID-19 - A Recovery Framework for North Tyneside report that was received by Cabinet on 29 June. At that time estimates were that the Authority was facing pressures of £24.930m. Since then, as identified in the 2020/21 Financial Management Report to 31 May 2020, the gross estimated financial impact on the General Fund for 2020/21 is £23.858m.
- 1.4.9 In March 2020, the Government originally provided £6.822m to the Authority to support the response to the COVID-19 pandemic. Since then, the Government have made two further funding announcements. On 28 April, the Government announced a further £5.709m of grant funding and on 2 July a further £1.777m. These three tranches of funding, totalling £14.308m, have been provided to enable the Authority to deliver its COVID-19 response across all services. It remains unclear what period this funding is intended to cover.

The Authority submitted its third return (for June) to the Ministry of Housing, Communities and Local Government (MHCLG) on 19 June. This response continued to highlight the Authority's key messages that funding to date appears inadequate to address currently anticipated cost and income pressures for 2020/21. The MHCLG has also published a summary of the first and second round returns on 21 June.

- 1.4.10 The response to COVID-19 is likely to result in significant cost and income pressures in 2020/21, as well as impacting on the scope to achieve planned 2020/21 savings, and the capacity to develop new proposals for the 2021/22 Budget. The forecast use of the COVID-19 grant identifies a shortfall in funding, although there remains a high degree of uncertainty around some of these estimates. If these costs were to fully materialise, and no additional funding were provided, the Authority would need to seek to mitigate the impact over the remainder of 2020/21.

The Government's response and decisions about local authority funding in 2021/22 will be hugely significant. The Government has an opportunity as part of the COVID-19 response to deliver a permanent step change in the recognition of the importance of social care, and to fund local authorities to provide a key contribution as part of the national recovery.

- 1.4.11 As described in section 1.4.5 above, funding announcements are not expected until the Autumn 2020. Whilst a multi-year settlement is welcomed and will give local authorities some degree of certainty, until the details are released Budget planning for 2021/22 remains extremely challenging. The Authority will have an opportunity to make representations to HM Treasury to inform policy development for the CSR. The guidance received for the submission is that it should be based on the priorities of the CSR as set out in the Chancellors statement. The deadline for representations to be submitted is 24 September 2020.

- 1.4.12 The current Medium-Term Financial Plan (MTFP) covers the period to the end of 2023/24. Whilst there is a great deal of financial uncertainty, recommended practice suggests that due consideration is given not only to the short-term but to how the Authority will continue to finance its activities in the medium-term. It is therefore recommended at this stage that the MTFP covers the four-year period 2021/22 to 2024/25.

1.5 Policy Context

Council Plan 2020-2024

- 1.5.1 The current Council Plan (the “Our North Tyneside Plan”) was approved by Council on 20 February 2020. The Plan sets out the overall vision and policy context within which the Financial Plan and Budget proposals are set. It provides a clear strategic framework for the Authority and its partners to operate within. The Plan also provides the strategic policy context for all financial decisions and delivery of services. This programme is designed to reshape services to ensure that the outcomes set out in the Council Plan can be delivered within the resources allocated through the Financial Planning and Budget-Setting process.
- 1.5.2 The Council Plan is focused on ensuring that the Authority works better for its residents. It is supported by three key plans, “We Serve”, “An Ambition for North Tyneside” and the Medium-Term Financial Plan.

The Council Plan has three key themes: Our People, Our Places and Our Economy. These themes are based on the Mayor’s priorities for her second term. The Plan includes descriptions of how the organisation will support people in accessing high quality education, deliver regeneration projects across the borough and ensure that North Tyneside is business friendly. The outcomes for the three themes are set out below:

Our People will:

- Be listened to so that their experience helps the council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.

- Benefit from the council's housing stock being decent and well managed, as well as maximising the potential use of housing such as through extra care schemes.
- Recognise the climate emergency by further reducing the Borough's overall carbon footprint. This will include reducing the council's carbon footprint, along with encouraging and enabling everyone to reduce their carbon footprint.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated as part of our 15 year 'Ambition for North Tyneside' plan. This will include the continued development of Killingworth Lake, creation of a Master Plan for North Shields, the delivery of plans for Segedunum and the Swans site in Wallsend, as well as further work to build on the success of the regeneration at the coast.
- Be a thriving place of choice for visitors through the promotion of our award-winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Benefit from the delivery of our ambitious vision, which we created with partners in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

Review of the Medium-Term Financial Strategy (MTFS) and Medium-Term Financial Plan

- 1.5.3 In line with the principles agreed with Cabinet for setting the annual Budget, an initial review of the Medium-Term Financial Strategy (MTFS) has been performed. The revised MTFS is included as Appendix A to this report.
- 1.5.4 The Authority's 2020/21 Budget and accompanying MTFS were agreed in February 2020, prior to the significant escalation of the COVID-19 pandemic. The impact of the pandemic is having far-reaching consequences and has already required an adjustment in both organisational priorities and ways of working. Inevitably, the MTFS agreed in February could not foresee the adjustments which may be needed to respond to COVID-19 and, as a result, changes in Budget assumptions will need to be taken into account as 2021/22 Budget planning activity progresses.
- 1.5.5 Although there are significant short-term impacts being experienced from the response to COVID-19, it remains to be seen precisely what the medium and longer-term impact will be, and as such the full implications for the Authority's Budget in 2020/21 and beyond remain to be confirmed. However, the pandemic will undoubtedly change the long-term shape of some of our services in relation to joint working, public expectations, levels of demand, and the underlying cost base.
- 1.5.6 In addition, it is highly likely that key income sources including Council Tax (through both the Collection Fund and tax base growth) and Business Rates will be under significant pressure in 2021/22, requiring a revision to planning assumptions. Work is

underway to establish the likely impacts, but at this stage it remains too early to forecast with any confidence.

Likely impacts on Business Rates include:

- Total Business Rates collectable will potentially reduce where increased numbers of businesses close (particularly as temporary financial support measures are withdrawn);
- An increase in the number of properties claiming empty property relief where businesses either cease trading or seek to take advantage of changed working patterns to reduce property costs; and
- Appeals against rateable values may increase where rental values have been impacted.

Likely impacts on Council Tax include:

- The tax base may not increase as forecast due to suppressed growth in new properties;
- Council Tax support is likely to increase linked to increased levels of unemployment and Universal Credit claims; and
- Decreases in the Council Tax collection rate due to households experiencing a reduction in income.

- 1.5.7 Nationally, the Government has provided additional funding to local authorities to support them in responding to coronavirus, in the expectation that authorities will play a key role in maintaining critical social care and other frontline services, assisting education and early years providers to provide care and education for key workers' and vulnerable children, supporting businesses and individuals suffering hardship, and maximising the available capacity in the health service by enabling increased levels of discharge from hospital. However, it is unclear to what extent this commitment to fund the COVID-19 response will extend to ongoing pressures for 2021/22 onwards and, as such, the Budget for next year will be developed in a climate of extreme uncertainty.

Services such as adult social care are seeing an impact from the pandemic, affecting service delivery, demand and ways of working across all parts of the service. It is also unclear how services and demand will need to operate beyond the immediate emergency period, particularly for vulnerable groups who may be affected for longer. Legislation, policies and practices have all seen changes in the previous few weeks. This will have a longer-term impact and may present opportunities for the health and social care system and for our joint work and role with partners.

- 1.5.8 There is a risk that the Authority will see a significant impact from winter pressures in 2020/21, particularly in the event of a second peak in the transmission of the virus.

Whether or not this occurs, it is likely that there will be surges and spikes in activity and demand for services through the next few months as lockdown measures are relaxed, for example in areas such as children's social care and services such as household waste recycling .

- 1.5.9 Finance officers have worked through a range of assumptions and the potential gap between available resources and anticipated expenditure for the General Fund across the next 4 years could be anywhere between £41m to £65m.

- 1.5.10 The Authority has previously agreed a set of principles as part of the process to develop the Budget. The majority of those principles remain relevant for Budget-setting for 2021/22 and for the Medium-Term Financial Plan (MTFP). However, it is important that there is a clear understanding of the work that will need to be undertaken in the lead up to Cabinet presenting its initial Budget proposals in November 2020. It has therefore been necessary to revise the approach to preparing the Budget for 2021/22 and the MTFP.

Where appropriate, the principles set out below provide more detail of the how the work will be undertaken. This will give a clear focus on financial planning priorities over the coming months in order to produce a balanced Budget in 2021/22 and achieve financial balance over the medium-term.

- 1.5.11 The underlying aim is to ensure that the Authority can continue to deliver the Council Plan, focus on delivering the phased approach to recovery, as set out in the Framework for Recovery report described earlier in this report, and do this within the available resources:

- 1) The overall financial strategy will be to ensure that the Authority's resources are directed to achieving the Council Plan and associated outcomes. The Authority's strategy will be reviewed on at least an annual basis;
- 2) Overall, Authority spending should be contained within original Budget estimates. If, following monthly budget monitoring, Service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates;
- 3) In preparation for setting the 2021/22 Budget all services will be required to take part in Budget Challenge sessions;
- 4) In order to inform further revisions of the 2021/22 Medium-Term Financial Strategy, there will be a fundamental review of the assumptions relating to:
 - a. Council Tax and Business Rates planning;
 - b. forecast delivery of planned 2020/21 savings programmes and viability of previously planned 2021/22 savings;
 - c. cost and income pressures, including new pressures resulting from COVID-19;
 - d. any further Government funding announcements for 2020/21 and future years; and
 - e. Seek to identify proposals to begin to address future years, reflecting need for longer-term planning.
- 5) Options to address any shortfall in savings to close the 2021/22 Budget gap will include:
 - a. The Government providing additional funding;
 - b. Corporate / centrally identified savings opportunities; and
 - c. Services identifying further savings.
- 6) The Authority will maintain its General Fund Balance at a minimum level of £7.000m at the end of each year, subject to a risk assessment as part of the annual Budget-setting process;

- 7) The Authority will aim to balance its revenue Budget over the period of the Medium-Term Financial Plan without reliance on the use of the General Fund Balance. The MTFP will cover the period 2021/22 to 2024/25;
- 8) The Authority will plan for any changes to specific grants/interim funding/financial settlement/legislation;
- 9) The Authority will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually;
- 10) Opportunities for working in collaboration and partnership and for different ways of working will be identified and developed where this will support the delivery of the Authority's outcomes and improve service efficiency and delivery. This will include the use of wellbeing powers/general power of competence, development of trading opportunities and different business models, and the sourcing and securing of external funding;
- 11) The Authority will consider the use of prudential borrowing to support capital investment to deliver the Council Plan and will ensure that the full costs of borrowing are taken into account when investment decisions are taken;
- 12) The Authority will aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities, supported by a planned approach to strategic investment managed through the Authority's Investment Plan;
- 13) The Authority will continue to review its strategic assets to maximise the potential to release value for strategic re-investment and to ensure that asset requirements are aligned to the delivery of services across the borough;
- 14) The Authority recognises the impact of increases in Council Tax levels and fees and charges on our residents, many of whom are struggling on relatively low income and low wealth and will therefore balance the need for increases against the delivery of the Our North Tyneside Plan and demand for services. This will include the consistent application of an agreed fees and charges policy;
- 15) The Authority will continue to consider business risk in all decision-making process and, alongside this, will ensure that resources are aligned to reduce any material financial risk to the Authority; and
- 16) The Authority will continue to review its Treasury Management Strategy and the efficient management of debt on an annual basis, with an ongoing focus on delivering safe stewardship.

Housing Revenue Account (HRA)

- 1.5.12 The COVID-19 pandemic has brought a new set of significant impacts and challenges to the housing service, just as it has for other areas of service delivery across the Authority. The period of lockdown in 2020/21 has seen an extended period of time when housing repairs, asset improvements and new build schemes have been stood down, Right To Buy (RTB) applications being stalled, and there was a cessation of the re-letting of properties, with the focus during that time being on delivering emergency

elements of the service only, seeking to ensure at all times that the safety of the Authority's tenants is paramount.

The outcome of this change has been that a backlog of works has been created, and some major works have been delayed whilst all efforts are made to ensure that COVID-19 secure practices are implemented. This will inevitably have a cost impact on the delivery of certain schemes, as extra resources will be needed to make sites safe and enable social distancing in the workplace. Then in the longer-term there may continue to be an element of additional costs and this may impact on the timelines for delivery of certain works as well.

These factors will have to be built into modelling assumptions for the refresh of the 30-year HRA Business Plan, along with any anticipated impact on inflation and trends in other issues nationally, as the UK faces a serious economic downturn.

- 1.5.13 Following the end of the Kier Joint Venture, the Authority has operated its own in-house construction service. This move saw the Authority benefit from aligning the housing business to the Our North Tyneside Plan, deliver value for money to both the General Fund and the HRA and see greater flexibility between repairs and capital works resources to improve services to customers.

The first set of benefits, in financial terms, to be realised from the new service were built into the HRA Business Plan from 2020, and the HRA Budget for 2020/21 which was approved in February 2020. Permanent revenue savings of £1.500m per annum were built into the Plan, which enabled additional resources to be released into the new build programme and also to create a tenant priorities element to the repairs budget with initial focus on improving empty homes standards and carrying out property MOTs. The COVID-19 pandemic has seen a period of reduced activity in these areas, as much of the work has either been halted, or delays incurred in starting some of the new elements of the service. The main targets for the service remain to ensure that the key priorities of delivering excellent, flexible and value for money services are achieved, as we move towards a "new normal" living with COVID-19 and beyond.

- 1.5.14 2020/21 saw the first rent increase for 4 years, following the end of the 4-year period where rents were reduced by 1% per annum as enacted by Government via the Welfare Reform and Work Act 2016. From April 2020 rent policy returned to being based on increases of Consumer Prices Index (CPI) + 1% per annum for at least the next 5 years in order to give housing authorities greater planning certainty. This saw a rent increase of 2.7% for 2020/21, with a long-term assumption of 3% per annum based on Government targets of 2% per annum rates for CPI.

This is one area of the HRA Business Plan that may be adversely affected by the uncertainty surrounding the economy following the start of the COVID-19 pandemic. The impact of inflation factors on rent increases, minimising any future uplift of rental income, combined with the ongoing impact of welfare reforms, and increased take up of Universal Credit by tenants which could lead to an increase in rent arrears.

- 1.5.15 Cabinet can continue to consider options for further HRA capital investment funded by increased borrowing in accordance with the principles of the Prudential Code. Consideration of such options available as part of the 2020/21 Budget process, determined that the existing approach to debt management and repayment should be maintained in relation to the HRA. The COVID-19 pandemic and potential risks to levels of available resources mean that this will remain an option that is available to

raise additional resource if required, and due consideration will be given to these options as part of the business plan refresh and Budget-setting process for 2021/22.

- 1.5.16 The impact of the changes as outlined above will to be considered as part of the updating of the 30-year HRA Business Plan, which aims to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. The work continues to re-assess the HRA Business Plan, particularly in light of the COVID-19 pandemic, and the options available to Cabinet will be reported as part of the HRA Budget proposals which Cabinet will receive in November. For the purposes of the current Financial Planning and Budget process, a four-year revenue plan will be updated and presented in line with the principles adopted for the General Fund.

Investment, Prudential Borrowing and Treasury Management

- 1.5.17 The Capital Investment Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Authority's Services and informs decisions on capital spending priorities within the Authority's Investment Plan. Investment priorities are considered in the context of the strategic objectives of the Our North Tyneside Plan and other key strategies and plans of the Authority. The Ambition for North Tyneside report, adopted by Cabinet on 26 November 2018, articulates the Elected Mayor and Cabinet's ambition for North Tyneside and explains in more detail their future ambitions for each part of the borough. Delivery of these plans sets the challenge of meeting competing priorities against limited financial resources. It is intended that a borrowing ceiling will be applied for the Authority in terms of both borrowing requirements and revenue costs.

The Authority's capital investment plans are set out in the Investment Plan, with the latest approved programme covering the period 2020-2025. The effective use of capital resources, including asset management, is fundamental to the Authority achieving its medium and long-term strategic objectives. Capital investment has a significant impact upon the local economy and helps to ensure that the Authority can continue to provide the best possible services and outcomes within North Tyneside.

- 1.5.18 Any capital investment decision will have implications for the Budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within the Authority's financial plans and to demonstrate that the capital investment is affordable. Revenue implications may include the costs associated with supporting additional borrowing as well as any changes to the running costs associated with the asset or wider benefits to the Authority, such as the delivery of ongoing revenue savings or additional income through the generation of Business Rates, Council Tax or energy revenues.
- 1.5.19 The 2021-2025 Financial Planning and Budget process will include a review of the current Investment Plan and the Capital Investment Strategy with a view to the development of a five-year Investment Plan for the period 2021/22 to 2025/26.
- 1.5.20 The Authority continues to explore external funding possibilities and other resources such as Community Infrastructure Levy (CIL) income, section 106 contributions and section 278 contributions when developing capital projects in order to minimise the borrowing requirement as far as possible. Within the MTFP, assumptions have been made around the level of external funding in the future but detailed work programmes are not committed to until the allocations have been confirmed. Projects and investment plans may therefore be re-prioritised depending on the availability of

external funding and alignment with the policy direction of the Elected Mayor and Cabinet.

- 1.5.21 The generation of capital receipts can help to provide resources to support additional capital investment or to reduce the borrowing requirement (and therefore the associated revenue costs). The availability of capital receipts has also reduced in recent years. Currently, no capital receipts have been included within the MTFP projections. If additional capital receipts are generated during the year, this provides the Authority with the flexibility to consider the introduction of additional projects to the Investment Plan or the ability to reduce its borrowing requirements.
- 1.5.22 The Treasury Management Strategy will be reviewed in light of the refreshed Investment Plan and the overall MTFP for both the General Fund and the HRA.

Update on developing the 2021-2025 General Fund Financial Plan and Budget

- 1.5.23 Whilst decisions around Budget-setting are approved on an annual basis, the Authority must demonstrate robust medium-term financial and resource planning. Best practice suggests between three and five years as a reasonable financial planning period.
- 1.5.24 Despite the level of uncertainty with regard to local government funding beyond 2020/21 and the unknown future impact of COVID-19, a four-year Financial Plan is in development. This reflects, as far as possible, known pressures and changes but is based on a range of assumptions in local government funding.
- 1.5.25 Local authorities are legally obliged to set a balanced Budget each year, and to ensure that they have sufficient reserves to cover any unexpected events. To legally balance the Budget, the Authority must make spending plans that match the estimated funding available over that time. The gap between available funds and planned net expenditure is referred to as the funding gap, or efficiency requirement. In essence, the funding gap is the best estimate of additional resources, be those reductions in expenditure or increases in income, needed to cover rising cost pressures and demand for services alongside a reduced amount of funding from the Government and, to a lesser extent, other external sources.

Financial Sustainability

- 1.5.26 As part of the update of the MTFS and the MTFP, full consideration has been given to the Authority's Reserves and Balances Policy and level of reserves to ensure adequate protection against unforeseen events. Within the existing statutory and regulatory framework, it is the responsibility of the Head of Resources (in her role as Chief Finance Officer) to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.
- 1.5.27 The Authority, acting on the advice of the Chief Finance Officer, must make its own judgments on the level of reserves and balances taking into account all the relevant local circumstances. These include operational and financial risks, and the arrangements in place to manage them, including adequate and effective systems of internal control. The duties of the Chief Finance Officer in relation to the level of reserves are covered by the legislative framework described in 1.4.1 above. Under the Local Government Act 2003, the Chief Finance Officer must report to Council on the adequacy of reserves (section 27) and reserve transactions must be taken account of within the required Budget monitoring arrangements (section 28).

1.5.28 Setting the level of reserves is just one of several related decisions in the formulation of the financial strategy and the Budget for a particular year. This is carried out as part of the Authority's Financial Planning and Budget process. Account is taken of the key financial assumptions underpinning the Budget, alongside consideration of the Authority's financial management arrangements. In addition to the cash flow requirements of the Authority, the following factors are considered:

- The treatment of inflation and interest rates;
- Estimates of the level and timing of capital receipts;
- The treatment of demand-led pressures;
- The treatment of planned efficiency savings / productivity gains;
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital investment developments;
- The availability of other funds to deal with major contingencies and the adequacy of provisions; and
- The general financial and economic climate in which the Authority operates.

1.5.29 Reserves are reviewed during the financial year and table 1 below shows the estimated use, following reviews of all General Fund reserves over the period to March 2025:

Table 1: General Fund Reserves Summary 2019/20 to 2024/25

| Reserves Summary | Closing Balance 31/03/20 £m | Net Contribution(to) / From Reserves | | | | | Total |
|-----------------------|-----------------------------------|--------------------------------------|---------------|---------------|---------------|---------------|-----------------|
| | | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | |
| General Fund Balances | (7.000) | 0.0000 | 0.000 | 0.000 | 0.000 | 0.000 | (7.000) |
| General Fund Reserves | (47.762) | 6.517 | 0.701 | 0.551 | 0.000 | 0.000 | (39.993) |
| General Fund Grants | (0.084) | (0.961) | 0.040 | 0.060 | 0.000 | 0.000 | (0.945) |
| Total Reserves | (54.846) | 5.556 | 0.741 | 0.611 | 0.000 | 0.000 | (47.938) |

1.5.30 In assessing the adequacy of reserves, consideration is given to the level of un-earmarked reserves available for the management of financial risk to the Authority. The General Fund reserves total of £47.762m includes £26.923m of earmarked reserves, and £20.839m of un-earmarked reserves. The un-earmarked reserves are made up of the following:-

- Strategic Reserve
- Support Change Fund Programme Reserve
- Redundancy and Remuneration Reserve

There is anticipated use of the Redundancy & Remuneration Reserve and the Support Change Fund Programme Reserve over the period of the MTFP leaving the Strategic Reserve as the only material reserve which is un-earmarked.

1.5.31 Table 2 below sets out the level of un-earmarked General Fund reserves held at the end of the 2019/20 financial year as a proportion of the 2020/21 Gross Expenditure Budget and General Fund Net Revenue Budget.

Table 2: Reserves comparison for 2019/20 against 2020/21 North Tyneside Gross Expenditure and Net General Fund Budget

| | 2019/20 Balance £m |
|---|-----------------------------------|
| Strategic Reserve | 15.489 |
| Support Change Fund Programme | 3.691 |
| Redundancy and Remuneration Reserve | 1.659 |
| Total Un-earmarked Reserves | 20.839 |
| | |
| Gross Expenditure Budget | 358.860 |
| Reserves as a % of Gross Expenditure Budget | 5.81% |
| | |
| General Fund Net Revenue Budget | 161.361 |
| Un-earmarked Reserves as a % of General Fund Net Revenue Budget | 12.91% |

- 1.5.32 There are many factors involved when considering appropriate levels of reserves which need to be assessed by individual local authorities. Included in the 2019/20 Annual Completion Report from the external auditor was a comparison across the LA7 region of levels of balances. This indicated that un-earmarked reserves within North Tyneside are lower than most in the region.
- 1.5.33 The Chief Finance Officer considers that, at this time, these reserve levels are adequate, but will continue to review this in light of the degree of uncertainty surrounding the future of local government funding and the potential impact of COVID-19. The Chief Finance Officer will consider the level of Strategic Reserve that should be sustained over the period of the four-year MTFP as part of the refresh of the Plan.

Equality and Diversity Considerations

- 1.5.34 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made. The Authority will continually monitor the effect of our Budget-setting process and decision-making by using equality impact assessments.
- 1.5.35 Full impact assessments will be included in all proposals for inclusion with the initial Budget proposals in November 2020 in order to be available to Cabinet when it further considers the MTFP and Budget proposals on 30 November 2020. An equality impact assessment is also carried out on the proposed Budget Engagement Strategy.

The Public Sector Equality Duty of the 2010 Equality Act requires that public sector organisations publish information annually relating to people with protected characteristics who are its employees or are affected by its policies and practices. In addition, at least once every four years, organisations should include consideration of the equality objectives the organisation thinks it should achieve to meet the general equality duty.

The Authority has not published the Annual Equality and Diversity Review as the Equality and Human Rights Commission has relaxed monitoring due to COVID-19. A

report outlining the review will be presented to Cabinet once it has been completed in accordance with the Authority's Equality and Diversity governance arrangements.

2020/21 Financial Planning and Budget process - Timetable of Key Decision Milestones

- 1.5.36 Key aspects of the 2021/22 Financial Planning and Budget process timetable are set out at Appendix B to this report, highlighting key decision milestones in the process.
- 1.5.37 The Elected Mayor and Cabinet are responsible for formulating the Authority's Budget. The Cabinet Member for Finance and Resources, in close consultation with the Elected Mayor, has been nominated as the lead Cabinet Member for the overarching 2021-2025 Financial Planning and Budget process. The Head of Resources will be the project sponsor.

The Budget Engagement Strategy

- 1.5.38 North Tyneside Council is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process.
- 1.5.39 The aim of the Budget Engagement Strategy is to reach different sectors of the population through an approach that encompasses engagement with residents as a whole and customers/users of services as well as particular groups of people, including those with protected characteristics. The approach also ensures reach with particular interest groups such as carers, older people, children and young people, council housing tenants. The Budget Engagement Strategy also ensures targeted activity with specific external and internal stakeholder groups. Full details of the Budget Engagement Strategy are set out at Appendix C to this report.

1.6 Decision options:

- 1.6.1 The Authority's Constitution and Budget and Policy Framework Procedure Rules set out the stages to be completed in relation to agreeing the Budget of the Authority. There are no other options available in relation to this. The Budget Engagement Strategy forms part of the 2021-2025 Financial Planning and Budget process.
- 1.6.2 Cabinet is referred to the legal requirements as stated in paragraph 2.2 of this report.

1.7 Reasons for recommended option:

- 1.7.1 The reasons for the recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

1.8 Appendices:

Appendix A: 2021-2025 Medium-Term Financial Strategy

Appendix B: Financial Planning and Budget process: Timetable of Key Milestones

Appendix C: 2021/22 Budget Engagement Strategy

1.9 Contact officers:

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1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (a) Authority's Constitution and Budget and Policy Framework Procedure Rules

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/December%202019.pdf>

N.B. The Budget and Policy Framework can be found at part 4.7 of the Constitution.

- (b) 2020-2024 Our North Tyneside Plan

<https://democracy.northtyneside.gov.uk/documents/s2188/Appendix%20A%202020-%20-%202024%20Our%20North%20Tyneside%20Plan.pdf>

- (c) Treasury Management Strategy

<https://democracy.northtyneside.gov.uk/documents/s2195/Appendix%20E%20-%20Treasury%20Management%20Strategy%20Statement%20and%20Annual%20Investment%20Strategy%202020-21%20Credit%20Cr.pdf> (Annex 1, Section 8, page 61)

- (d) COVID-19 – A Framework for Recovery in North Tyneside

<https://democracy.northtyneside.gov.uk/documents/g425/Public%20reports%20pack%2029th-Jun-2020%2018.00%20Cabinet.pdf?T=10>

- (e) 2019/20 Provisional Finance Outturn Report

<https://democracy.northtyneside.gov.uk/documents/g425/Public%20reports%20pack%2029th-Jun-2020%2018.00%20Cabinet.pdf?T=10>

- (f) 2019/20 Draft Statement of Accounts

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/2019-20%20Statement%20of%20Accounts%20-%20Draft%20Subject%20to%20Audit.1.pdf>

- (g) North Tyneside Highway Asset Management Plan Annual Information Report 2019

<https://democracy.northtyneside.gov.uk/documents/g379/Public%20reports%20pack%2014th-Oct-2019%2018.00%20Cabinet.pdf?T=10>

- (h) An Ambition for North Tyneside Update

<https://democracy.northtyneside.gov.uk/documents/s1477/8%20An%20Ambition%20for%20North%20Tyneside%20Update.pdf>

- (i) Ten Year Plan for Waste
<https://democracy.northtyneside.gov.uk/documents/s1482/2%2010%20Year%20plan%20for%20Waste.pdf>
- (j) Climate Emergency Update
<https://democracy.northtyneside.gov.uk/documents/s1484/Climate%20Emergency%20Update.pdf>
- (k) North Tyneside Homelessness Prevention and Rough Sleeping Strategy 2019-2021
<https://democracy.northtyneside.gov.uk/documents/s1188/Homelessness%20Prevention%20Strategy%202019%20-2021.pdf>
- (l) A Digital Strategy for North Tyneside
<https://democracy.northtyneside.gov.uk/documents/s2638/A%20Digital%20Strategy%20for%20North%20Tyneside.pdf>
- (m) North Tyneside Trading Company - Strategic Business Plan 2020-2023
<https://democracy.northtyneside.gov.uk/documents/s3893/North%20Tyneside%20Trading%20Company%20-%20Strategic%20Business%20Plan%202020-23.pdf>
- (n) North Tyneside Transport Strategy Annual Report
<https://democracy.northtyneside.gov.uk/documents/s805/North%20Tyneside%20Transport%20Strategy%20Annual%20Report.pdf>
- (o) Workforce Development Plan

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions included in the Authority's 2021-2025 Medium-Term Financial Plan (MTFP), incorporating the 2021/22 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, school's funding and the Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting budgets. The Authority will need to examine closely the links with key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource-planning period.
- 2.1.2 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year MTFP for 2021-2025 in accordance with the Authority's Reserves and Balances Policy most recently agreed by Council on 20 February 2020.
- 2.1.3 The only direct financial implications arising from this report will be any residual costs arising from support for engagement activity. These costs will be met from existing budgets.
- 2.1.4 The Budget Engagement Strategy for 2021/22 will, in part, help to inform decisions about what will be included in the four-year MTFP for 2021-2025.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 requires the Authority to set a balanced budget in the context of the resources available, including Government grants, Business Rates and Council Tax income.
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to budget setting. The Act requires that, when an authority is deciding its annual Budget and Council Tax level, members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The Council has agreed that the Council Plan is part of the policy framework (as a "local choice" plan) and as such it must be agreed in accordance with the rules of procedure relating to the Budget and Policy Framework (Part 4.7 of the Authority's Constitution).
- 2.2.4 The 2021-2025 Financial Planning and Budget process has been prepared to comply with the timescales required within the Budget and Policy Framework Procedure Rules contained within the Authority's Constitution. Decision-making in relation to the Housing Revenue Account is the responsibility of Cabinet, in accordance with section 9D of the Local Government Act 2000 (as amended).

2.3 Consultation/community engagement

2.3.1 Internal consultation

Consultation has been carried out with the Elected Mayor, Deputy Mayor, and the Cabinet Member for Finance and Resources, the Cabinet Member for Community Safety and Engagement, the Chief Executive and the Senior Leadership Team. At the appropriate stage in the process, and the Budget proposals will be scrutinised as set down in the Authority's Constitution and Budget and Policy Framework Procedure Rules.

2.3.2 External consultation / engagement

The Budget Engagement Strategy for 2021/22 as outlined in this report sets out the process by which residents and other stakeholders will be involved in the consultation on the 2021/22 Budget as part of the 2021-2025 Financial Planning and Budget process.

2.4 Human rights

All actions and spending contained within the Budget are fully compliant with national and international human rights law. This will be detailed as part of the Financial Plan and Budget at the appropriate stage in the process. For example, Article 10 of the European Convention on Human Rights guarantees freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas'. Article 8 of the Convention guarantees the right to respect for private and family life.

2.5 Equalities and diversity

In undertaking the process for the Budget the Authority's aim will at all times be to secure compliance with its responsibilities under the Equality Act 2010 and in particular the Public Sector Equality Duty under that Act.

To achieve this the Authority will be taking a phased approach:

- An Equality Impact Assessment will be carried out on the proposals for the Budget Engagement Strategy. The aim will be to remove or minimise any disadvantage for people wishing to take part in the engagement activity. The Authority will make direct contact with groups representing persons with protected characteristics under the Equality Act 2010 to encourage participation and provide engagement in a manner that will meet their needs. Appendix B outlines the approach the Authority is taking.
- The outcome of any decisions made following engagement activity will be subject to further Equality Impact Assessment.

2.6 Risk management

Individual projects within the Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate Service or Corporate / Strategic Risk Register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

- 2.7.1 Individual proposals within this report do not themselves have direct implications for crime and disorder. However, ultimately decisions may be made and considered as part of the overall Financial Planning and Budget process, as set down in this report. These will be detailed as part of reporting the Budget at the appropriate stage in the process.
- 2.7.2 Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder. This is fulfilled through the Safer North Tyneside partnership within the framework of the North Tyneside Strategic Partnership.

2.8 Environment and sustainability

The proposals within this report do not themselves have direct implications in relation to the environment and sustainability. However, ultimately decisions may be made and considered as part of the overall Financial Planning and Budget process of the Authority, as set down in this report. These will be detailed as part of the Budget at the appropriate stage in the process.

PART 3 - SIGN OFF

- Chief Executive ☐
- Head(s) of Service ☐
- Mayor/Cabinet Member(s) ☐
- Chief Finance Officer ☐
- Monitoring Officer ☐
- Head of Corporate Strategy and Customer Service ☐

2021-2025 Medium-Term Financial Strategy

Date: 3 August 2020 **Version:** Version 1 **Author:** Janice Gillespie



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1. Executive Summary

- 1.1 This is an initial review of the Authority's Medium-Term Financial Strategy (MTFS). The MTFS sets the financial context for the Authority's resource allocation process and budget-setting. It is based on a financial forecast over a rolling four-year timeframe from 2021/22 to 2024/25 which will help ensure resources are aligned to the outcomes in the Our North Tyneside Plan.
- 1.2 The Authority's current Medium-Term Financial Strategy (MTFS) was agreed prior to the significant escalation in the severity of the COVID-19 pandemic. The impact of this outbreak in North Tyneside is having far-reaching consequences, and inevitably will require changes to the MTFS and underlying budget assumptions which will need to be taken into account as part of 2021/22 budget planning activity.
- 1.3 The Authority is still evaluating how the likely 2021/22 gap will be funded. Without an increased level of Government assistance, there are likely to be significant savings to be found to deliver a balanced Budget in 2021/22 and over the medium-term to 2024/25. Initial estimates are that the budget gap for the period of the MTFS is likely to be in the region of between £41m and £65m.
- 1.4 Despite the level of uncertainty, reviewing the MTFS remains essential to ensuring the Authority's medium-term financial sustainability. The Authority will have to make very difficult choices in the years ahead about which services to prioritise. To avoid cuts to services, the Authority continues to explore alternative options of service delivery to ensure that services remain fit for purpose in the context of smaller budgets. This may mean revisiting the expectations of residents in order to protect services for the most vulnerable. The opportunity to work with partners and neighbouring authorities remains in order to maintain and improve outcomes against a backdrop of reducing public spending.
- 1.5 Looking beyond the immediate impacts of coronavirus, the overall level of uncertainty means that the financial environment for local government remains extremely challenging for the foreseeable future. Local authorities continue to face a growing gap between funding and service pressures, driven in part by demographic changes, unfunded burdens such as the National Living Wage, and the needs of vulnerable social care users becoming increasingly complex. Children's services, in both social care and education, particularly for children with special educational needs and disabilities, are also under very significant stress. This pressure is anticipated to increase in the medium-term as a result of additional needs driven by effects of COVID-19 and the associated lockdown. Other services have been subject to significant restrictions which have also seen increasing pressure placed on discretionary and preventative services.
- 1.6 Over the coming months and whilst the budget activity for 2021/22 is progressing the refresh of the Medium-Term Financial Strategy will determine the likely levels of resource available over the medium-term; determine the level of spending and priority commitments arising from the COVID-19 recovery plan and the Authority's ambitions over the medium-term. Given that there is likely to be a funding gap the refresh will also identify additional options to deliver budget reductions that can be evaluated alongside spending priorities.

2. Introduction

- 2.1 The Medium-Term Financial Strategy (MTFS) is a key part of the Authority's Budget and Policy Framework which aims to ensure that all financial resources are directed towards delivery of Authority priorities. The MTFS is a four-year plan which sets out the Authority's commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it.

The MTFS is what links the Authority's vision and priorities with forecasted resources and budgets and shows how the Authority's finances will be structured and managed to ensure that this fits with, and supports, the priorities of the Authority and its partners.

The strategy considers:

- International and national economic influences on the Authority;
- The influence of Central Government policy and strategy;
- Local factors which influence policy within the Authority; and
- Delivering key policies and priorities.

The strategy brings together the key issues affecting the:

- Revenue Budget;
- Investment Plan;
- Treasury Management Strategy; and
- Capital and Investment Strategy.

- 2.2 The MTFS establishes the likely level of revenue resources available to the Authority over the medium-term and also estimates the financial consequences of the demand for Authority services. It improves financial planning and strategic financial management through providing the financial context within which the Authority's budget will be set.

The review of the MTFS also allows for consideration of the Authority's reserves policy and level of reserves to ensure there is adequate protection against unforeseen events.

The Principles of the MTFS

- 2.3 The Authority has previously agreed a set of principles as part of the process to develop the Budget. The majority of those principles remain relevant for budget-setting for 2021/22 and for the Medium-Term Financial Plan (MTFP). However, it is important that there is a clear understanding of the work that will need to be undertaken in the lead up to Cabinet presenting its initial Budget proposals in November 2020. It has therefore been necessary to revise the approach to preparing the Budget for 2021/22 and the MTFP.

Where appropriate, the principles set out below provide more detail of the how the work will be undertaken. This will give a clear focus on financial planning priorities over the coming months in order to produce a balanced Budget in 2021/22 and achieve financial balance over the medium-term.

2.4 The underlying aim is to ensure that the Authority can continue to deliver the Council Plan, focus on delivering the phased approach to recovery, as set out in the Framework for Recovery report described in section 5, and do this within the available resources:

- 1) The overall financial strategy will be to ensure that the Authority's resources are directed to achieving the Council Plan and associated outcomes. The Authority's strategy will be reviewed on at least an annual basis;
- 2) Overall, Authority spending should be contained within original Budget estimates. If, following monthly budget monitoring, Service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates;
- 3) In preparation for setting the 2021/22 Budget all services will be required to take part in Budget Challenge sessions;
- 4) In order to inform further revisions of the 2021/22 Medium-Term Financial Strategy there will be a fundamental review of the assumptions relating to:
 - a. council tax and business rates planning;
 - b. forecast delivery of planned 2020/21 savings programmes and viability of previously planned 2021/22 savings;
 - c. cost and income pressures, including new pressures resulting from COVID-19;
 - d. any further Government funding announcements for 2020/21 and future years; and
 - e. seek to identify proposals to begin to address future years, reflecting need for longer term planning.
- 5) Options to address any shortfall in savings to close the 2021/22 Budget gap will include:
 - a. Government providing additional funding;
 - b. Corporate / centrally identified savings opportunities; and
 - c. Service departments identifying further savings.
- 6) The Authority will maintain its General Fund Balance at a minimum level of £7.000m at the end of each year, subject to a risk assessment as part of the annual budget-setting process;
- 7) The Authority will aim to balance its revenue Budget over the period of the Medium-Term Financial Plan without reliance on the use of the General Fund Balance. The MTFP will cover the period 2021/22 to 2024/25;

- 8) The Authority will plan for any changes to specific grants/interim funding/financial settlement/legislation;
- 9) The Authority will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually;
- 10) Opportunities for working in collaboration and partnership and for different ways of working will be identified and developed where this will support the delivery of the Authority's outcomes and improve service efficiency and delivery. This will include the use of wellbeing powers, development of trading opportunities and different business models, and the sourcing and securing of external funding;
- 11) The Authority will consider the use of prudential borrowing to support capital investment to deliver the Council Plan and will ensure that the full costs of borrowing are taken into account when investment decisions are taken;
- 12) The Authority will aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities, supported by a planned approach to strategic investment managed through the Authority's Investment Plan;
- 13) The Authority will continue to review its strategic assets to maximise the potential to release value for strategic re-investment and to ensure that asset requirements are aligned to the delivery of services across the Borough;
- 14) The Authority recognises the impact of increases in Council Tax levels and fees and charges on our residents, many of whom are struggling on relatively low income and low wealth and will therefore balance the need for increases against the delivery of the Our North Tyneside Plan and demand for services. This will include the consistent application of an agreed fees and charges policy;
- 15) The Authority will continue to consider business risk in all decision-making process and, alongside this, will ensure that resources are aligned to reduce any material financial risk to the Authority; and
- 16) The Authority will continue to review its Treasury Management Strategy and the efficient management of debt on an annual basis, with an ongoing focus on delivering safe stewardship.

3. Financial Context

Financial Strategy

- 3.1 The Medium-Term Financial Strategy (MTFS) is designed to ensure that the Authority's resources are prioritised to meet the needs of residents; the Authority is able to operate as a going concern; and is able to set a balanced budget each year. The MTFS ensures that:
- The Authority maintains a prudent approach in regard to its finances over the 4 years of the MTFS; and
 - The savings programme focuses on the achievement of ongoing savings but recognises the value of one-off savings to support both the implementation of savings and one-off investment.

In compiling the MTFS the Authority has considered a number of factors which influence the resources and expenditure that it has available to it. These have been reviewed and take into consideration international, national, regional and local issues. These have been examined to ensure that the MTFS reflects the most up to date financial position for the Authority.

Factors Influencing the Medium-Term Financial Strategy

- 3.2 Local authority funding is subject to both national and international influences, which can have a significant impact on the level of services to be provided and our Authority's ability to provide them. This section will briefly outline some of the key economic issues affecting the Authority's forecasts over the next few years.

Spring Budget 2020 and local government funding

- 3.3 The new Chancellor of the Exchequer, Rishi Sunak, announced the Spring Budget 2020 on 11 March 2020, the first Budget since the December 2019 General Election. Although it has since been substantially overshadowed by the ongoing response to COVID-19, the Budget included various announcements with implications for local authority funding. These included:
- The Government planned to undertake a Comprehensive Spending Review (CSR) which was due to complete in July 2020. The Budget identified that departmental revenue spend (Resource DEL) was forecast to increase in real terms by 2.8% per annum on average over the CSR, but the Treasury also indicated that this would be lower for some areas as it included existing commitments. The precise impact for local government was therefore unknown but increases in funding at the headline rate were clearly unlikely. As part of the response to COVID-19, the Chancellor announced on 24 March that the Comprehensive Spending Review would be delayed from July to enable the government to remain focused on responding to the public health and economic emergency.

- On 21 July 2020 the Chancellor announced the launch of the CSR which will be published in the Autumn 2020, no date has been given for when the review will be concluded. The review will set UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 to 2024/25, and devolved administrations' block grants for the same period.
- Due to unprecedented uncertainty, the Chancellor did not fix a set spending envelope, but confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period and that the Government will deliver on the commitments made at the Spring Budget.
- Given the impact COVID-19 has had on the economy, the Chancellor was clear there will need to be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments have been asked to identify opportunities to reprioritise and deliver savings. Departments will also be required to fulfil a series of conditions in their returns, including providing evidence they are delivering the government's priorities and focussing on delivery.
- The Government continues to explore the long-term reform of adult social care, with plans to establish a cross-party consensus on the issue, and structured talks on options for reform originally planned for May 2020. While there are no details currently about what proposals might ultimately look like, the Secretary of State for Health and Social Care has written to MPs and Peers identifying the need to address the injustices within the system and find a balance between people continuing to contribute to their care without having to face catastrophic costs. The letter also confirmed the intention that nobody is forced to sell their home to pay for care.
- The outcome of this process clearly has the potential for a significant impact on local government. In announcing the action plan for adult social care in response to COVID-19, the Government has confirmed that it remains committed to a long-term action plan for social care" and acknowledges that putting social care on a sustainable footing, where everyone is treated with dignity and respect, is one of the biggest challenges that we face as a society. The government will then bring forward a plan for social care for the longer term."
- The Budget included some very significant short-term extensions to current business rates reliefs for 2020/21, which have since been further expanded and will see a substantial proportion of business properties exempted from paying rates in 2020/21. Alongside a planned fundamental review of Business Rates, these measures further call into question the viability of Business Rates as a buoyant long-term funding source for local government.
- The Chancellor confirmed a new remit for the Low Pay Commission for the National Living Wage (NLW) to reach 2/3 of median earnings by 2024. Initial estimates are that this will result in limited pressures for the Authority in the short term, but this will be highly dependent on a number of factors including the

actual level at which the NLW is set each year, the local government pay award level, and the impact for third party care providers. Estimates will continue to be refined to feed into the 2021/22 budget-setting process.

- The Government intended to publish an English Devolution White Paper in the summer, although it would appear likely that this may now be delayed.

3.4 In most cases the detailed impact of these announcements will not become clear until later in the year for the reasons set out. It is also worth noting that with the response to COVID-19 dominating Government business, it has been confirmed that key reforms to local government funding including the Fair Funding Review (FFR) and increased local retention of Business Rates will not go ahead in 2021/22. It had previously been expected that exemplifications of the Fair Funding Review would be available in the spring. As mentioned above, the Chancellor had also stated that the Treasury would be undertaking a “fundamental” review of Business Rates.

The terms of reference confirm that although not the main focus, the review will have regard to the role of Business Rates in the funding of local government and local services, and the impact of any changes on business rates retention and the delivery of existing reforms to the business rates system. Significantly however, the review was not intended to cover the overall level of funding for local government and it would appear likely that this will be delayed, like the FFR. The Budget also made no reference to the implementation of increased local retention of business rates for local government as a whole.

3.5 As in previous years, the Authority will not receive detailed information about funding allocations for 2021/22 and beyond until autumn 2020 following the outcome of the CSR. Whilst a multi-year settlement is welcomed and will give local authorities some degree of certainty, until the details are released Budget planning for 2021/22 remains extremely challenging. The Authority will have an opportunity to make representations to HM Treasury to inform policy development for the CSR. The guidance received for the submission is that it should be based on the priorities of the CSR as set out in the Chancellors statement. The deadline for representations to be submitted is 24 September 2020.

The representations deadline gives an indication that the CSR will not be released until at least October 2020. Given that the Cabinet will be considering its initial budget proposals in November 2020 budget planning activity will still have to be undertaken with a significant degree of uncertainty in relation to funding levels for 2021/22. Some clarity might have been provided by any interim Fair Funding Review announcements, but this now appears unlikely.

3.6 Looking beyond the immediate impacts of coronavirus, the overall level of uncertainty means that the financial environment for local government remains extremely challenging for the foreseeable future. Local authorities continue to face a growing gap between funding and service pressures, driven in part by demographic changes, unfunded burdens such as the National Living Wage, and the needs of vulnerable social care users becoming increasingly complex. Children’s services, in both social care and education are also under very

significant stress. This pressure is anticipated to increase in the medium-term as a result of additional needs driven by effects of COVID-19 and the associated lockdown. Other services such as transport, planning, environment, and trading standards have been subject to significant restrictions which have also seen increasing pressure placed on discretionary and preventative services.

Latest CPI Figures

- 3.7 The latest CPI figures were published on 15 July by the Office for National Statistics. CPI inflation was 0.6% for the 12 months to June, an increase on the 0.5% in the 12 months to May. The September CPI figure is usually used to set the business rates multiplier for the coming year, and (for the 2020/21 financial year) was the inflation figure applied to authorities Settlement Funding Assessment levels.

4. Local Policy Context

- 4.1 From a local policy context, in addition to the Medium-Term Financial Strategy, the Authority also has the following:
- 4.2 The Our North Tyneside Plan 2020-2024 sets out the overall vision and policy context within which the Financial Plan and Budget are set.

This vision and policy context reflects the priorities of the Elected Mayor and Cabinet for the next four years and the work of the North Tyneside Strategic Partnership, which includes all of the organisations and sectors who work together with the Authority to deliver an improved future for the Borough and its residents.

By listening to our residents, businesses and visitors, the Plan continues to provide a clear framework for the Authority to plan its use of resources. It provides the context for all financial decisions and the operational delivery of services both at Borough level but also increasingly as we work alongside other local authorities across the region, statutory partners and with business through the North East Local Enterprise Partnership.

The vision and policy context continue to reflect the priorities of the Elected Mayor and Cabinet. The plan has been updated to reflect two key policy developments; the Council's declaration of a Climate Emergency and the creation of the North of Tyne Combined Authority. The Our North Tyneside plan is focused on ensuring that the Authority works better for residents.

The plan has three key themes – Our People, Our Places and Our Economy. These themes are based on the Mayor's priorities for her second term. For example, the Plan describes how the organisation will support people to access high quality education, deliver regeneration projects across the Borough and ensure that North Tyneside is business friendly.

Our People will:

- Be listened to so that their experience helps the council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.
- Benefit from the council's housing stock being decent and well managed, as well as maximising the potential use of housing such as through extra care schemes.
- Recognise the climate emergency by further reducing the Borough's overall carbon footprint. This will include reducing the council's carbon footprint, along with encouraging and enabling everyone to reduce their carbon footprint.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated as part of our 15 year 'Ambition for North Tyneside' plan. This will include the continued development of Killingworth Lake, creation of a Master Plan for North Shields, the delivery of plans for Segedunum and the Swans site in Wallsend, as well as further work to build on the success of the regeneration at the coast.
- Be a thriving place of choice for visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Benefit from the delivery of our ambitious vision, which we created with partners in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres

Local Plan

- 4.3 The Local Plan is the second key strategic element that drives the direction of resources in the Borough and was adopted by the Authority on 20 July 2017. The Plan, the first spatial strategy for 15 years, sets a vision for the Borough for the next 15 years. It sets out in detail how the Borough can be a thriving, prosperous and attractive place to live and work. It details how the Borough will require around 9,800 homes (in addition to about 4,700 that already have planning permission) and

employment land for at least 12,700 new jobs. The Office of National Statistics projected an increase of 15,800 people between 2014 and 2032. The population of North Tyneside in 2032 is expected to be 218,500.

- 4.4 The Our North Tyneside Plan has at its core, two fundamental policy aims. First, whilst there has been success across the plan there is still a need to reduce the inequalities that persist in North Tyneside. Within our Borough we continue to have some of the least deprived neighbourhoods in the country but also some of the most deprived in terms of financial independence, skills, qualifications, health and well-being. This will mean working in a very different way to ensure that resources can be more effectively targeted at the people who need them most to ensure that all residents have a successful, healthy and safe future, no matter where they live in the Borough.

The second is to continue to invest in the Borough's future and to create a prosperous economy that will generate income and provide the jobs and training opportunities that will be essential to successfully tackling these inequalities. The key areas of investment being:

- coastal regeneration
- Swans/the North Bank of the Tyne
- town centres
- new and improved schools
- road and other transport improvements in line with the agreed Transport Strategy
- housing (particularly affordable homes) in line with agreed Housing Strategy
- support for businesses
- marketing the Borough to secure more inward investment and generate more visitors as a tourist destination

Ambition for North Tyneside

- 4.5 At its meeting on the 26 November 2018, Cabinet considered and adopted the Ambition for North Tyneside. The report, which articulates the Elected Mayor and Cabinet's ambition for North Tyneside, explains in more detail the Elected Mayor and Cabinet's future ambitions for each part of the Borough. The Ambition for North Tyneside plan aligns with the Local Plan and aims to match the ambition for the Borough with the plans set out for the Borough. Cabinet received an update on the delivery of these plans in November 2019 and a further update will be received by Cabinet in September 2020. These reports are included as background papers to the MTFS.

5. Key Challenges facing the Authority

- 5.1 On 29 June 2020 Cabinet received a report which outlined a framework for recovery in North Tyneside. The report set out how work will be taken forward within the Authority and across the Borough to move from the COVID-19 crisis response phase to the recovery phase.
- 5.2 The Authority's planning assumptions for the recovery phase are as set out below. These are in line with the Government's COVID-19 Recovery Strategy:
- the Authority must adapt to live with the virus in the community for the foreseeable future;
 - any further easements to lockdown and the restart of businesses and services set by Government will be very gradual and on a phased basis;
 - the "test, track and trace" arrangements will slow the spread of the virus and the Authority will work with partners on local outbreak control measures;
 - shielding for the most medically critically vulnerable will remain for some time and the Authority will need to retain its support arrangements for those people;
 - the Authority will see a changing nature of demand for some services such as Adult Social Care;
 - social distancing and good respiratory hygiene will be key to manage the spread of infection and all work places, schools and other education facilities, retail settings and public spaces will need to be COVID-Secure;
 - PPE will still be required where appropriate and the Authority will follow and promote Government guidance on its use such as the use of face coverings on public transport and in some other settings;
 - there will be a significant financial impact for the Authority; and
 - the economic impact across the Borough as a whole will be substantial – nationally the forecast is for 14% GDP down this year and 15% GDP up next.
- 5.3 The Authority's approach to recovery for North Tyneside is a long term one, starting with three distinct phases linked to the Government's COVID-19 Recovery Strategy as well as the regional economic recovery framework. The three phases are
- Immediate "restart" phase (June – September 2020);
 - Medium "transition" phase (October 2020 to March 2021 linked to Government's "Smarter Controls" phase); and
 - Long term "rebuild and grow" phase (April 2021 – July 2021 linked to Government's "Reliable Treatment" phase).
- 5.4 A comprehensive plan of how the Authority will deliver the phased approach has been produced and a set of activities have been developed across a number of workstream areas which are aligned to the Our North Tyneside Plan priorities. As plans are developed it is important to understand the longer-term financial impact of the third phase of recovery "rebuild and grow". The Authority has a clear responsibility to drive economic recovery and support this phase for the residents and businesses across the Borough. The challenge will be how economic recovery can be sustained with limited financial resources. Work will continue with the North

of Tyne Combined Authority and the wider region to ensure the opportunities for investment within North Tyneside are maintained.

Impact on Resources

- 5.5 The basic model of resource forecasting used for the 2020/21 MTFS remains valid. However, due to the level of uncertainty the Authority is now facing means, at least initially, there are a range of potential resource scenarios which will have to be used when considering the resources available for 2021/22 and the medium-term. The scenarios will have to be continually revised as the economic position, the pace of recovery from COVID-19 and the Government's national response becomes clearer.
- 5.6 It is highly likely that key income sources including Council Tax (through both the Collection Fund and tax base growth) and Business Rates will be under significant pressure in 2021/22 and over the medium-term, requiring a revision to planning assumptions. Work is underway to establish the likely impacts, but at this stage it remains too early to forecast with any confidence.

Likely impacts on Business Rates include:

- Total Business Rates collectable will potentially reduce where increased numbers of businesses close (particularly as temporary financial support measures are withdrawn);
- An increase in the number of properties claiming empty property relief where businesses either cease trading or seek to take advantage of changed working patterns to reduce property costs; and
- Appeals against rateable values may increase where rental values have been impacted.

Likely impacts on Council Tax include:

- The tax base may not increase as forecast due to suppressed growth in new properties;
- Council Tax support is likely to increase linked to increased levels of unemployment and Universal Credit claims; and
- Decreases in the Council Tax collection rate due to households experiencing a reduction in income.

Social Care Services

- 5.7 COVID-19 has, and will continue to have, a significant financial impact on social care services for both children and adults, in addition to the ongoing demand pressures in both of these areas.
- 5.8 Demographic changes, including an ageing population and the resulting increased and multiple risk factors for our residents, continues to place a strain on adult social care services. This is most apparent in terms of the increased demand for commissioned care services and the associated costs. On top of this, the impact of COVID-19 on adult social care finances has been profound. In addition to the government's Infection and Prevention Control Grant for care providers, the

Authority has provided further payments to compensate for additional costs incurred. It is anticipated that demand for care and support will increase, over and above projected demographic demand increases, as a range of informal support arrangements that have been in place for adults during the pandemic reduce or cease. Additional measures that will need to be taken to ensure quality care is delivered whilst controlling the spread of COVID-19 infection will further increase the financial pressures in this area.

- 5.9 Whilst many local authorities have seen contacts and referrals relating to children's safeguarding reduce during the pandemic, this has not been the case for North Tyneside. In addition, delays in the court system have impacted on the number of children with a Child Protection Plan and ceasing to be in our care, with both direct and indirect financial implications. Looking ahead, the economic impact of COVID-19 on families is expected to contribute to increased referrals to children's services and increased costs incurred as a result of more children potentially being required to come into local authority care. All local authorities are anticipating a significant increase in demand for children's social care, particularly as schools return fully from September and there are an increased range of professionals more generally in contact with children and young people.
- 5.10 The impact of COVID-19 across all services is currently under review. Any longer-term implications will need to be considered in the build up to budget-setting for 2021/22. The Medium-Term Financial Strategy will be updated to reflect the review and as part of the approach to budget-setting this will form part of the Budget challenge sessions.

6. The Authority's Current Financial Position and Outlook

- 6.1 The Budget for 2019/20 was approved by full Council at its meeting of 21 February 2019. The net General Fund revenue budget was set at £155.730m including Efficiency Programme savings of £10.533m. The final outturn reported to Cabinet on 29 June 2020 stated an overall surplus of £0.050m.
- 6.2 The Budget for 2020/21 was approved by full Council at its meeting on the 20 February 2020. The net General Fund revenue budget was set at £161.361m. This included £3.244m of savings to be achieved (£0.805m relating to 2020/21). The Budget includes a number of risk areas which, if not closely monitored and controlled throughout the year, could add further pressure to the funding gap in future years. These include the delivery of agreed savings and achievement of income targets which will need to be closely monitored throughout the year.
- 6.3 The end of the financial year 2019/20 saw the beginning of the COVID-19 pandemic, the impact of which has been unexpected and significant. Cabinet and all Members have been kept up to date of the response the Authority has implemented as lockdown was put in place and what that meant for essential services being maintained for the most vulnerable residents of the Borough. There have been a range of services suspended such as the leisure and culture and the financial impact on the Authority arising from additional costs and lost income is anticipated to be significant during 2020/21 and beyond.
- 6.4 There have been a range of financial interventions introduced by the Government, and like all local authorities, North Tyneside Council has felt the impact of the on-going COVID-19 pandemic. The Authority received its share of the first tranche of the Government's Local Support Grant of £6.822m in March 2020 to support local authorities with the additional costs and income lost due to COVID-19. As lockdown measures were only introduced on 23 March 2020, the financial impact of this in 2019/20 was £0.733m and the remaining balance of £6.089m was moved to a ringfenced reserve on the balance sheet, ready for utilisation in 2020/21 when the greater financial impact is expected.
- 6.5 The second tranche of the Local Support Grant of £5.709m was received in May 2020 bringing the total received by North Tyneside Council to £12.531m. After the carry forward from 2019/20, the Authority currently has £11.798m of Local Support Grant funding in reserve. As the majority of the financial impact will be felt in 2020/21, work is on-going between Finance and the wider service areas to review and update on a regular basis the financial impact of additional costs and income forgone currently anticipated during 2020/21.
- 6.6 On 2 July, the Secretary of State for Local Government announced a funding package for councils to help address the range of COVID-19 pressures they face. This package included:
 - A further £500m of unringfenced funding to respond to spending pressures, adding to the £3.2billion of unringfenced funding previously provided – the government has now announced the allocation of this additional funding;

- A new scheme to reimburse councils for lost income from sales, fees, and charges; and
- Changes so that local authorities spread their tax deficits over three years rather than the usual one. The Government will provide further details of this as part of the Spending Review.

On 16 July, the Ministry for Housing, Communities and Local Government (MHCLG) published allocations of the third tranche of COVID-19 funding. The Authority will receive a further £1.777m which brings the total Local Support Grant funding that the Authority has received to £14.308m

In addition, £6m of the funding has been top sliced for the Department for Education to use to provide targeted support to councils with large numbers of unaccompanied asylum-seeking children, though no information appears to be available on how this will be distributed. The allocations announced therefore total £494m.

- 6.7 Monthly returns are being submitted to the Ministry for Housing, Communities and Local Government (MHCLG) containing the latest estimates of the financial impact of COVID-19 on the Authority's finances. The June 2020 return projected the financial impact to be in the region of £24.930m (both General Fund and HRA), far in excess of the current funding made available from the Government. There are longer term impacts anticipated through an increased number of residents being eligible for Local Council Tax Support, which will impact on collection of Council Tax. In addition, despite a range of government support being put in place the Authority anticipate there will be a significant impact on the businesses in the Borough which will impact on Business Rates raised and collected both during 2020/21 and beyond.
- 6.8 COVID-19 will have a longer-term impact on the 2021/22 budget. It is anticipated that the potential in reduction on income from Council Tax and Business Rates as well as a potential on-going increase in demand in adults and children's social care and the ongoing impact of any savings planned for 2020/21 which are not delivered will be key issues. Scenarios are being modelled which will be used to shape the early assumptions used for the Medium-Term Financial Plan (MTFP).
- 6.9 In addition to the Local Support Grant received during 2020/21, the Authority also received a £38.494m grant from the Government aimed at supporting businesses in the retail, hospitality and leisure sector, small businesses in receipt of small business rate relief and other organisations such as community associations and sporting clubs during the pandemic. Initial estimates were that 3,014 business premises would be eligible to apply for this grant at a cost of £34.270m. The number of eligible businesses increased to 3,082 by June 2020. At that time, the Authority had made payments to 2,696 (87.5%) of the eligible businesses, totalling £31.070m, payments have continued to be made during July. Currently no assumption has been made that these reliefs and grants will be made available to support business during 2021/22.
- 6.10 Further impacts of the COVID-19 pandemic include the delay in the 2020 Comprehensive Spending Review (CSR), which was scheduled to be completed by

July this year. In an announcement made by the Chancellor on 21 July 2020 the CSR is now expected to be delivered in the Autumn of 2020. The CSR will be a multi-year spending review covering the period 2021/22 to 2023/24.

- 6.11 The Government has confirmed that the Fair Funding and Business Rates Retention (BRR) schemes review, scheduled for implementation in April 2021, will now not go ahead until April 2022 at the earliest. The statement also said that the Government will continue to work with authorities on the best approach to the next financial year, including how to treat accumulated business rates growth and the approach to the 2021/22 local government finance settlement. Until this approach is confirmed significant risks remain on the Authority's ability to update the four-year MTFP due to the ongoing uncertainty about future funding arrangements.
- 6.12 It has been highlighted previously by the Chief Finance Officer that the Authority has a relatively low level of reserves. The level of uncertainty with regard to the levels of funding for Local Government Finance beyond 2020/21 alongside the uncertain long term implications of how the Borough and indeed the country will recover from the impact of COVID-19 is of concern when considering the financial sustainability of the Authority, particularly when taken in the context of funding reductions the Authority has managed since 2010/11. Despite some increases, the general level of reserves available to support the Authority's budget remains relatively low when considering the current estimated gap arising from the financial impact of COVID-19.
- 6.13 The Strategic Reserve represents 4.32% of the General Fund 2020/21 gross budget and 9.60% of the 2020/21 net budget, with the General Fund balances added, these represent 6.27% of the 2020/21 gross budget and 13.94% of the 2020/21 net General Fund budget. There is no prescribed level of reserves advise by finance bodies with the level being considered in light of risks the authority faces not just in the current year but looking ahead.
- 6.14 In these unrepresented times the importance of robust financial management across the Authority remains paramount. A range of tighter spending controls have been put in place to ensure no non-essential spend is incurred during 2020/21 and to ensure any COVID-19 related expenditure is appropriately considered and approved in advance of being incurred.
- 6.15 Medium-term financial planning remains extremely difficult due to the impact of COVID-19, the financial impacts of which are impossible to predict accurately. In addition to the impact of COVID-19 there is great uncertainty in relation to the level of funding beyond 2020 due to the changes in the Local Government finance system resulting in greater risks in relation to the localisation of business rates and the local Council Tax scheme. The unknown impacts alongside the level of risk to finances mean that these forecasts will need to be closely monitored and refreshed more frequently than usual as consequences become clear. Staying the same is not an option. The Authority is required to change to deliver its priority outcomes within the limited funding available.

7. Capital and Prudential Borrowing (Investment Strategy)

- 7.1 Capital investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets, or loans to third parties for a capital purpose.

Investment of this nature plays an important role in ensuring the Authority meets its health and safety responsibilities, it also plays an important role in improving economic opportunities across all parts of the Borough. Whilst some investment directly contributes to economic development, all has an indirect impact by providing stimulus to the economy, creating employment opportunities, supporting skills and development or contributing to confidence.

- 7.2 The Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme builds on previous success, with a strong focus on delivery of the Our North Tyneside Plan outcomes and linking to the Our Ambition for North Tyneside report to 25 November 2019 Cabinet. The Strategy also provides a framework to enable projects to be developed with the aim of helping to deliver revenue savings to assist the Authority in managing the financial pressure it faces.

All proposals for capital investment follow a structured gateway process, and are challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. All proposals are considered in terms of their strategic alignment with the Our North Tyneside Plan, Our Ambition for North Tyneside and the revised Efficiency Programme.

The Investment Programme Board (IPB) meets on a monthly basis and, as part of its monthly meetings, receives an update on all ongoing projects included in the approved Investment Plan (currently 2020-2025).

Summary of the Investment Plan 2020-2025

| Spend | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | Total £000s |
|--------------|------------------|------------------|------------------|------------------|------------------|----------------|
| General Fund | 40,445 | 24,932 | 15,046 | 15,532 | 14,284 | 110,239 |
| Housing | 26,862 | 25,841 | 26,257 | 27,235 | 27,886 | 134,081 |
| Total | 67,307 | 50,773 | 41,303 | 42,767 | 42,170 | 244,320 |

The estimated revenue implications of these schemes have been included in the revenue Budget.

Summary of Financing 2020-2025

| Spend | 2020/21 £000s | 2021/22 £000s | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | Total £000s |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| General Fund | | | | | | |
| Council contributions: | | | | | | |
| Unsupported borrowing | 26,431 | 15,248 | 6,862 | 7,848 | 7,100 | 63,489 |
| Capital receipts | 423 | 423 | 254 | 0 | 0 | 1,100 |
| Revenue contribution | 577 | 577 | 746 | 500 | 0 | 2,400 |
| Use of reserves | 679 | 0 | 0 | 0 | 0 | 679 |
| | 28,110 | 16,248 | 7,862 | 8,348 | 7,100 | 67,668 |
| Grants and contributions | 12,335 | 8,684 | 7,184 | 7,184 | 7,184 | 42,571 |
| Total General Fund Resources | 40,445 | 24,932 | 15,046 | 15,532 | 14,284 | 110,239 |
| Housing – HRA | | | | | | |
| Capital receipts | 3,821 | 3,329 | 2,970 | 3,922 | 3,068 | 17,110 |
| Revenue contribution | 10,215 | 9,237 | 9,548 | 9,093 | 10,100 | 48,193 |
| Major Repairs Reserve | 12,826 | 13,275 | 13,739 | 14,220 | 14,718 | 68,778 |
| Total HRA Resources | 26,862 | 25,841 | 26,257 | 27,235 | 27,886 | 134,081 |
| | | | | | | |
| TOTAL RESOURCES | 67,307 | 50,773 | 41,303 | 42,767 | 42,170 | 244,320 |

Flexible use of capital receipts

- 7.3 Guidelines issued by the Secretary of State allow for the flexible use of capital receipts subject to certain criteria being met. These guidelines cover the period up to 31 March 2022. This flexibility allows local authorities to use capital receipts to fund revenue expenditure incurred to generate ongoing savings. In order to use this flexibility, authorities are required to disclose those projects they intend to fund using capital receipts. This can be done as part of the budget-setting process.

Capital Allocations 2021/22

- 7.4 A number of capital allocations (grants) are announced by the Government as part of the Local Government Finance Settlement. These include Education Funding (Capital Maintenance and Devolved Formula Capital) (Department for Education), the Local Transport Plan (Department for the Environment) and Disabled Facilities Grants (through the Better Care Fund). Figures for 2021/22 have not yet been announced and therefore indicative figures, based on previous allocations, will be included in the draft Investment Plan. As soon as actual allocations are announced these figures will be updated and included in subsequent reports.

Annual Minimum Revenue Provision (MRP)

- 7.5 The Capital Finance Regulations require the full Council to agree an annual policy for the Minimum Revenue Provision (MRP).

The MRP is the amount that is set aside to provide for the prepayment of debt (principal repayment). The regulations require the Authority determines an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits.

2020/21 policy is set out in full below:

- (a) Existing assets pre-1 April 2007: MRP will be charged at 2% per annum;
- (b) Supported borrowing: MRP will be charged at 2%;
- (c) Unsupported borrowing: for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This may include assets financed through PFI schemes and finance leases;
- (d) Lease transactions treated as “on balance sheet”: an element of the annual charge to the Authority for the lease will be treated as repayment of capital (i.e. repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability; and
- (e) Loans made for capital purposes for which borrowing is taken out: MRP will be based on the actual principal repayment schedule relating to the loan provided.

Prudential Indicators

- 7.6 The Local Government Act 2003 requires authorities to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in this Code. The indicators for 2020-2025 have been prepared using this new guidance.
- 7.7 The Capital Investment Strategy and Investment Plan will be updated as part of the budget-setting process. The impact of COVID-19 and the long-term view of how the Authority can support the Boroughs economic recovery through investment will be a focus for the update.

8. Reserves

- 8.1 Local authorities must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Head of Resources is required, as part of the budget-setting process each year, to provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.
- 8.2 The Authority keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. This is considered best practice and demonstrates sound financial planning. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Authority time to ride any short-term situations before returning to normal. Therefore, reserves are mainly used to:
- Manage the impact of cuts over a longer period of time
 - Invest in schemes that allow services to be delivered cheaper
 - Take “one-off hits” for the Authority as a whole without the need to further reduce budgets
 - Provide capacity to absorb any non-achievement of planned budget reductions in each year
 - To temporarily roll over unused portions of grants that can legally be used at a later date
 - To insure against major unexpected events (such as flooding)
 - To guard against general risk (i.e. saving up for unexpected events)
 - To guard against emergent specific risks, such as business rate appeals, Authority tax support funding cuts and welfare reform. These risks are predicted to continue to increase.

Reserves Policy

- 8.3 The Authority’s policy on reserves is outlined within the MTFS principles as follows:

The Authority will maintain its general balances at a minimum of £7.000m. The Strategic Reserve will be maintained at a level of £10.000m over the period of the MTFP to cover any major unforeseen expenditure. The Authority will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.

The Authority will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed annually.

The Authority’s Strategic Reserve is available to support budget-setting over the period of the MTFS and usage should be linked to the achievement of financial sustainability over the medium-term.

Review of Reserves

8.4 A review of all reserves is undertaken twice a year and covers:

- The purpose for which the reserve is held,
- An assessment of the appropriate level of the reserve to meet potential future;
- liabilities, in line with the Authority's reserves policy and aligned to the risk management framework;
- Procedures for the reserve's management and control, and
- A process and timescale for future reviews to ensure continuing relevance and adequacy.

8.5 The 2019/20 Revenue Outturn position was reported to Cabinet on 29 June 2020, showing the balance of usable reserves of £47.762m. (including ring fenced reserves and un-ringfenced), Grant Reserves of £0.084m and HRA Reserves of £19.102m. Of the above balances only £19.181m is un-ringfenced as shown in the table below.

| Reserves & Balances | Projected Closing Balances | | | | |
|--|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019/20 £000's | 2020/21 £000's | 2021/22 £000's | 2022/23 £000's | 2023/24 £000's |
| Reserves | | | | | |
| General Fund Ringfenced | 28.581 | 22.876 | 22.175 | 21.624 | 21.624 |
| General Fund Unringfenced | 19.181 | 18.369 | 18.369 | 18.369 | 18.369 |
| General Fund Grants | 0.084 | 1.045 | 1.005 | 0.945 | 0.945 |
| HRA | 19.102 | 18.049 | 18.148 | 18.701 | 18.701 |
| Reserves Sub Total | 66.948 | 60.339 | 59.697 | 59.639 | 59.639 |
| Balances | | | | | |
| General Fund | 7.000 | 7.000 | 7.000 | 7.000 | 7.000 |
| Schools | 0.165 | -2.201 | -4.201 | -6.201 | -6.201 |
| HRA | 7.804 | 5.004 | 3.577 | 2.533 | 2.533 |
| Balances Sub Total | 14.969 | 9.803 | 6.376 | 3.332 | 3.332 |
| Grand Total Reserves & Balances | 81.917 | 70.142 | 66.073 | 62.971 | 62.971 |

8.6 Whilst an initial review of the reserves position has taken place it will be necessary to undertake a thorough assessment of reserves throughout the budget-setting process. An explanation of each reserve and balances as at 31 March 2020 can be found in the Authority's draft Statement of Accounts for 2019/20.

In these unrepresented times the importance of robust financial management across the authority remains paramount. A range of tighter spending controls have been put in place to ensure no-nonessential spend is incurred during 2020/21 and to ensure any COVID-19 related expenditure is appropriately considered and approved in advance of being incurred.

The Chief Finance Officer considers that, at this time, these reserve levels are adequate, but will continue to review this in light of the degree of uncertainty

surrounding the future of local government funding and the potential impact of COVID-19. The Chief Finance Officer will consider the level of Strategic Reserve that should be sustained over the period of the four-year MTFP as part of the refresh of the plan.

Financial Assurance

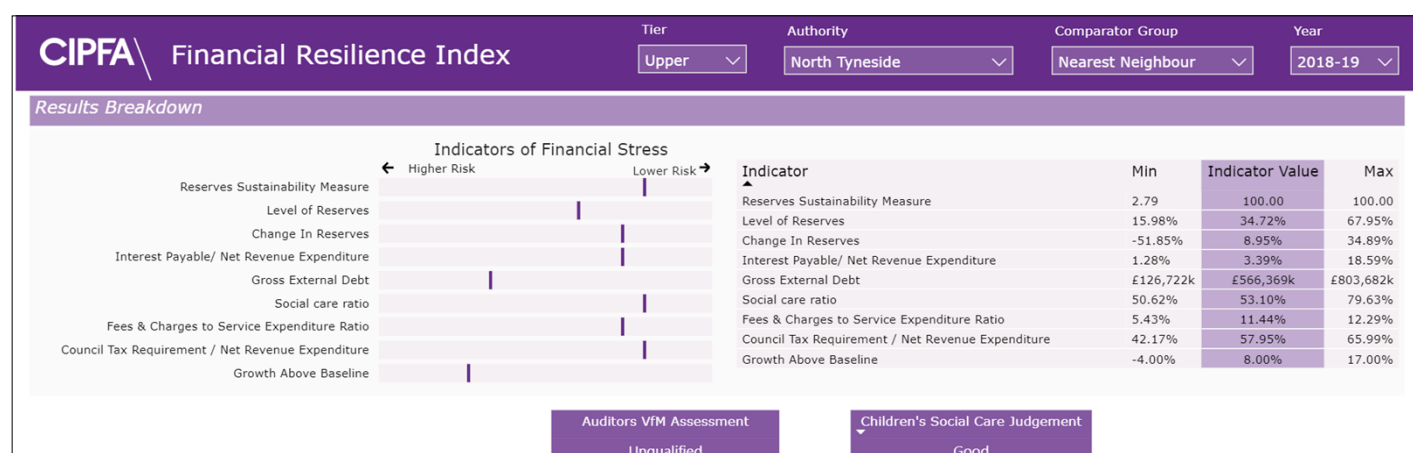
- 8.7 Each year as part of the annual accounts process the Authority must demonstrate that it is a going concern. This means it must show that it is financially sound in this time of austerity and changing local authority structures. The Authority has an Internal Audit function who continually assess and review the financial management and control framework to ensure that it remains fit for purpose. On top of this the Authority is scrutinised by its external auditors, Ernst & Young, who will review and comment on whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

Financial resilience

- 8.8 CIPFA Financial Resilience Index

The Chartered Institute for Public Finance Accountants (CIPFA) has recently published a paper: 'Building financial resilience: managing financial stress in local authorities' intended to help Chief Financial Officers and their authorities build financial resilience into all aspects of their planning and operations. It identifies the warning signs of financial stress and explains the pillars on which financial resilience depends.

CIPFA has outlined the warning signs of financial stress exhibited by local authorities. The table below shows how the Authority is performing against these warning signs.



CIPFA has identified four key pillars of financial resilience:

- Getting routine financial management right
- Benchmarking

- Clear plans for delivering savings
- Managing reserves Indicators used in the Index include 'reserves depletion time', 'level of reserves', 'change of reserves', 'council budget flexibility', and 'council tax to net revenue expenditure'.

These measures have indicated that the majority of local authorities are in a stable financial position and are not showing signs of financial failure in spite of managing severe budget cuts. The Index above shows the Authority to be relatively low risk across the majority of the indicators of financial risk. The CIPFA Resilience Index Indicators & Interpretation is included on pages 34 and 35 of this document.

The Authority identifies how it achieves financial resilience via the annual VFM assessment. This forms part of the annual external audit of the Authority's accounts.

CIPFA Financial Management Code

- 8.9 CIPFA has developed a Financial Management Code (FM Code), which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets the standards of financial management for local authorities. It applies a principles-based approach and relates to other statutory and good practice guidance. It builds on other codes and frameworks. The principles translate into financial management standards which are obligatory but not prescriptive regarding how they are achieved.

Local authorities need to ensure that their governance and financial management meets the requirements of the code. CIPFA considers that the implementation date of April 2020 should indicate the commencement of a 'shadow year' and that by the end of 2020/21, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with the FM Code will be 2021/22.

An initial consideration of the FM Code indicates that the Authority seems well placed, however a formal process to review the requirements of the FM Code is due to commence in October 2020.

9. Risk Assessment

Overall Financial Risk Assessment

- 9.1 Financial risks are driven by changes to Government policy and the national financial climate, issues arising throughout the year and reported as part of the financial management reporting process and those risks highlighted as part of the Authority's risk management procedures and monitored through the Authority's risk registers. As part of the monitoring process the Authority's Corporate Risk Register is monitored twice yearly by Cabinet.

Key Financial Risks

- 9.2 The key financial risks for the Authority (including the HRA), which have been considered as part of the Financial Planning and Budget process, are set out in the table below along with mitigating actions.

| Potential Risk | Initial Response |
|--|---|
| COVID-19 | |
| Financial Impact on Authority: There is a risk that due to the implementation of government guidelines due to the outbreak of COVID-19 that the Authority may face significant financial pressures through the loss of income from income generating services, public venues and events. | Controls will include: Assessment of income targets that will be affected; Government assurances to cover the cost of Business Rate holiday; Government Funding to cover cost of COVID-19 on the Authority; Grants received for Business Grants; Grant received for Business Rate Relief; Grant received for Hardship Fund; £14.3m COVID-19 Grant; A named finance officer to be aware of and collate impacts; monthly return to Central Government; Liaison with local and national finance peer groups for comparator discussions. |
| Long Term Financial Impact: There is a risk that there may be long term impact on the ongoing income from council tax and business rates | Revenue monitoring to understand affected services and areas; Update financial planning assumptions; A planned use of reserves; A named finance officer to be aware of and collate impacts. |
| Capture of Costs: There is a risk that we may not capture the costs associated with the response resulting in the full cost not being recovered from central government | Asked all services to set up separate cost centres specific COVID-19 costs; Head of Resources part of RCG to ensure finance actions are identified and completed; Weekly ANEC Treasurers call; Sharing information capture on issues and capture from ANEC participating Authorities. Network of organisations |

| | |
|---|--|
| | collating and sharing data e.g. LGA, SIGOMA |
| There is a risk of being unable to set a balanced budget for 2021/22 and over the period of the MTFP. | Managed during the budget setting for 2021/22 and robust budget challenge. |
| There is a risk that the levels of savings and income the Authority has included in the Budget proposals are not fully deliverable. | A robust challenge process has taken place to ensure proposals can be delivered. All savings and income will be monitored throughout the year to identify any areas which are not delivering savings as planned so corrective action can be taken. |
| There is a risk that if the Efficiency Programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand for services within reducing resources. This could have the financial impact of the Authority not delivering on its Budget. | An overall Budget Proposal Document and Terms of Reference are in place for all existing and new Efficiency Programme projects. This spans all service redesign projects Monthly Updates to the Senior Leadership Team are provided as part of the in-year financial management process. The Customer Service Steering Group will be sighted on the outcomes from any Service reviews undertaken during 2021/22. |
| There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2023/24 may be wrong, resulting in changes to the current targeted savings by 2023/24, for the General fund and for the HRA, which will be considered by Cabinet in January 2021. | Through a robust approach to financial management the authority is in a position to respond to determine actions necessary if the assumptions that have been made prove to be incorrect. The Authority work closely with national, regional and sub-regional financial networks to help ensure that the Authority is informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made. |
| There is a risk that not all growth pressures have been identified in the 2021/22 proposed Budget. | Detailed proposals have been put forward by each Head of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor. |
| There is a risk that demand - led pressures exceed Budget provision. | Demand-led pressures continue in areas such as adults' and children's social care and the impact of the |

| | |
|---|--|
| | Living Wage on our care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these initial Budget proposals. |
| There is a risk that specific factors arising during 2020/21 will not been fully taken into account when preparing the 2020/21 Budget. | The 2020/21 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to the Senior Leadership Team. This process ensures factors arising during the year are taken into account. |
| There is a risk that the in-year pressures being reported through the 2020/21 financial management process impact on the deliverability of the 2021/22 budget. | As at 31 May 2020, a pressure of £12.968m of which £12.060m related to COVID-19 was reported against the 2020/21 Budget. All Services continue to develop and deliver actions to mitigate these financial pressures and expect the outturn forecast to improve through the year. In addition, non-essential spend continues to be minimised and a detailed review of demand-led projections aims to reduce over-commitments. Progress will be monitored through bi-monthly reporting to Cabinet and monthly reporting to the Senior Leadership Team. |
| There is a risk that the contingency provision included in the Financial Plan for 2020/21 is insufficient. | The review of the base Budget and the reflection of the 2020/21 pressures into 2021/22 will be considered. |
| There is a risk that there are insufficient levels of reserves and balances. | A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring and planning processes. |
| There is a risk that the Authority will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the HRA. Government policy on welfare reform is resulting in a number of direct challenges to rent collection; the spare room subsidy and the benefit cap have already had an impact. | The budget-setting process incorporates a review of the HRA Business Plan to reflect the changes. The cost and quantity of work within the 30-year Investment Plan is revised annually to help mitigate the impact of changes. In addition, the Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. The HRA budget |

| | |
|--|---|
| | <p>includes proposal to increase support to tenants in managing their ability to sustain their tenancies.</p> <p>The Authority has representation on the MHCLG and CIPFA HRA working groups. This enables specific issues to be raised and allows the Authority to comment and influence change on HRA regulation</p> |
| <p>There is a risk that there may be a significant financial impact on school resources if the number of schools requesting deficit continues to rise at its current rate.</p> <p>This risk is currently driven by the number of surplus places at secondary schools.</p> | <p>The school deficit has been identified as a priority for the Authority, headteachers and governing bodies. A programme of work has been identified, working with schools to improve the schools deficit position. This will highlight the work that is required and through working with the schools a number of initiatives will be identified and progressed.</p> |
| <p>There is a risk that North Tyneside may be placed at a disadvantage following the decision to leave the European Union in both financial and economic growth terms. The full extent of the impact will not be clear until the Authority know the precise trade terms which will apply once the UK formally leaves the EU. This has a potentially significant financial impact due to loss of revenue grant and a potential loss of opportunities, e.g. capital grant and other revenue sources.</p> | <p>The potential impact from leaving the EU has been included in the Authority's Medium-Term Financial Strategy. This is helping to ensure that potential areas of impact following the EU exit are highlighted and included (where relevant) in Budget planning. The Authority is a member of various regional groups which will help it keep up to speed on progress and have the opportunity to exert any influence that the Authority can. It is inevitable that there will be some impact from the decision to leave the EU, the challenge is to manage the impact where possible.</p> |

10 Conclusion

- 10.1 The review of the Medium-Term Financial Strategy (MTFS) has again been undertaken against a background of significant uncertainty due to the implications of the COVID-19 pandemic. It is impossible to predict with any accuracy the financial impact of the pandemic which will not only be felt in the current financial year but also over the medium-term. This will undoubtedly have implications for how the Authority delivers its services in the future and its approach to financial planning. The Authority continues to assess the financial impact and as such a further revision of the MTFS will be presented to Cabinet in November 2020.
- 10.2 The initial review of the MTFS identifies a potential financial gap of between £41m and £65m for the next four years from 2021/22 to 2024/25. The MTFS supports the requirement to continue a rolling programme of internal indicative budget-setting and efficiency plans to bridge the financial gap. This funding gap comes on top of budget savings of £127.756m that have already been taken from budgets by this Authority since 2011/12.
- 10.3 Although the financial context continues to be increasingly challenging and uncertain the Authority has a track record of identifying and delivering significant savings and achieving budget outturn under agreed budget, supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained. The approach will need to be built upon the delivery of significant changes in service delivery arising from effective decision making at an appropriate pace.
- 10.4 The Authority will continue to keep the MTFS estimates under more frequent review given the high degree of uncertainty surrounding not only the implications of COVID-19 but also the potential impact on government policy and government funding decisions in relation to local government arising from future finance reforms.

The following background papers/information have been used in the compilation of this report, where there is no link included those reports are available at the office of the author:

Background papers:

Local Plan
Workforce Development Plan

Background information:

- (a) Authority's Constitution and Budget and Policy Framework Procedure Rules

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/December%202019.pdf>

N.B. The Budget and Policy Framework can be found at part 4.7 of the Constitution.

- (b) 2020-2024 Our North Tyneside Plan

<https://democracy.northtyneside.gov.uk/documents/s2188/Appendix%20A%202020-%20-%202024%20Our%20North%20Tyneside%20Plan.pdf>

- (c) Treasury Management Strategy

<https://democracy.northtyneside.gov.uk/documents/s2195/Appendix%20E%20-%20Treasury%20Management%20Strategy%20Statement%20and%20Annual%20Investment%20Strategy%202020-21%20Credit%20Cr.pdf> (Annex 1, Section 8, page 61)

- (d) COVID-19 – A Framework for Recovery in North Tyneside

<https://democracy.northtyneside.gov.uk/documents/g425/Public%20reports%20pack%2029th-Jun-2020%2018.00%20Cabinet.pdf?T=10>

- (e) 2019/20 Provisional Finance Outturn Report

<https://democracy.northtyneside.gov.uk/documents/g425/Public%20reports%20pack%2029th-Jun-2020%2018.00%20Cabinet.pdf?T=10>

- (f) 2019/20 Draft Statement of Accounts

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/2019-20%20Statement%20of%20Accounts%20-%20Draft%20Subject%20to%20Audit.1.pdf>

- (g) North Tyneside Highway Asset Management Plan Annual Information Report 2019

<https://democracy.northtyneside.gov.uk/documents/g379/Public%20reports%20pack%2014th-Oct-2019%2018.00%20Cabinet.pdf?T=10>

- (h) An Ambition for North Tyneside Update

<https://democracy.northtyneside.gov.uk/documents/s1477/8%20An%20Ambition%20for%20North%20Tyneside%20Update.pdf>

- (i) Ten Year Plan for Waste
<https://democracy.northtyneside.gov.uk/documents/s1482/2%2010%20Year%20plan%20for%20Waste.pdf>
- (j) Climate Emergency Update
<https://democracy.northtyneside.gov.uk/documents/s1484/Climate%20Emergency%20Update.pdf>
- (k) North Tyneside Homelessness Prevention and Rough Sleeping Strategy 2019-2021
<https://democracy.northtyneside.gov.uk/documents/s1188/Homelessness%20Prevention%20Strategy%202019%20-2021.pdf>
- (l) A Digital Strategy for North Tyneside
<https://democracy.northtyneside.gov.uk/documents/s2638/A%20Digital%20Strategy%20for%20North%20Tyneside.pdf>
- (m) North Tyneside Trading Company - Strategic Business Plan 2020-2023
<https://democracy.northtyneside.gov.uk/documents/s3893/North%20Tyneside%20Trading%20Company%20-%20Strategic%20Business%20Plan%202020-23.pdf>
- (n) North Tyneside Transport Strategy Annual Report
<https://democracy.northtyneside.gov.uk/documents/s805/North%20Tyneside%20Transport%20Strategy%20Annual%20Report.pdf>

CIPFA Resilience Index Indicators & Interpretation

| Indicator | Description | Relationship to risk and interpretation |
|---------------------------------------|---|--|
| Reserves Burn Rate | This indicator is the ratio between the current level of reserves and the average change in reserves in each of the past three years. A negative value (which implies reserves have increased) or one greater than 100 is recoded to 100. | The indicator provides a measure of how long (in years) it will take for a council to completely denude its reserves, if they continue to use reserves at the same rate as in the previous three years. A low value suggests that there is a risk that the authority will run out of reserves. A high value says, that on current trends, they are unlikely to deplete their reserves. |
| Level of Reserves | This is the ratio of the current level of reserves (total useable excluding public health & schools) to the council's net revenue expenditure. We have set the figure at 100% for a small number of district councils to remove the impact of extreme outliers. | A low level of reserves may indicate that a council has low capacity to cope with financial shocks. It will also face a risk should expenditure exceed income. |
| Change in Reserves | This indicator shows the average percentage change in reserves (total useable excluding public health and schools) over the past three years | A council that is using up its reserves may be at risk if they do not move to a more balanced budget. |
| Unallocated Reserves | This indicator is calculated as the ratio of unallocated reserves to net revenue expenditure | This indicator provides some further information on the reserves indicator. A low level of unallocated reserves may be a sign that a council will struggle with financial shocks. |
| Earmarked Reserves | This indicator is calculated as the ratio of earmarked reserves (excluding public health and schools) to net revenue expenditure | This indicator provides some further information on the reserves indicator. A low level of earmarked reserves could mean that a council will struggle with financial shocks or that they have not planned effectively for their use of reserves. |
| Change in Unallocated Reserves | This indicator is the average percentage change in unallocated reserves over the past three years | This indicator provides some further information on the reserves indicator. A council that is using up its reserves may be at risk if they do not move to a more balanced budget. |
| | | |

Appendix A

| Indicator | Description | Relationship to risk and interpretation |
|---|--|---|
| Change in Earmarked Reserves | This indicator is the average percentage change in unallocated reserves over the past three years | This indicator provides some further information on the reserves indicator. A council that is using up its reserves may be at risk if they do not move to a balanced budget. |
| Social Care & Interest payments ratio | This indicator is the ratio of total spending on adults' social care, children's social care and debt interest to net revenue expenditure. | This indicator provides a measure of the degree of flexibility within a council's budget. Spending on these items is less likely to be reduced compared to other categories. A high ratio suggests that the council has little flexibility to make further savings, potentially leading to risk |
| Children's Social Care Ratio | This indicator is the ratio of spending on children's social care to net revenue expenditure | This indicator provides a breakdown of the total ratio to allow councils to understand their relative position for this component |
| Adult Social Care Ratio | This indicator is the ratio of spending on adult social care to net revenue expenditure | This indicator provides a breakdown of the total ratio to allow councils to understand their relative position for this component |
| Grants to Expenditure Ratio | This indicator shows the proportion of net revenue expenditure funded by central government grants. | Grants are a diminishing source of funding. However, a relatively high level of grants may suggest that a council may experience financial difficulties in the future as grants continue to be a declining source of income. |
| Council Tax Requirement / Net Expenditure | This indicator shows the ratio of council tax as a proportion of net expenditure | As locally raised council tax becomes more important, a lower ratio may be associated with difficulties in raising the income necessary to support spending. |
| Retained Income from business Rates/ Net Expenditure | This indicator shows the ratio of retained income from business rates as a proportion of net expenditure | As locally raised business rates become more important, a lower ratio may be associated with difficulties in raising the income necessary to support spending. |
| Children's Social Care Judgement | This indicator shows the latest OFSTED judgement on the quality of children's social care | A rating of inadequate or requires improvement may be associated with future higher spending on children's social care adding to council funding pressures |
| Auditors VfM Assessment | This indicator shows whether auditors have produce a non-standard conclusion on a council's accounts | A non-standard judgement may indicate some concern over the financial management and decisions within a council. |

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2021-2025 Financial Planning and Budget Process

Timetable of Key Milestones for 2021/22

| Date / Meeting | Detail |
|---|---|
| 3 August 2020 Cabinet | Cabinet approves the 2021-2025 Financial Planning and Budget process, incorporating the associated Engagement Strategy. |
| 30 November 2020 Cabinet | Cabinet considers its 2021-2025 initial Budget proposals in relation to General Fund, Schools, Housing Revenue Account & Investment Plan for 2021-2025. |
| 1 December 2020 | Notice of Objection process for the 2021/22 Budget commences. |
| 1 December 2020 | Budget and Council Plan engagement process begins. Ends in January 2021. |
| December 2020 Scrutiny Process | Scrutiny of the 2021-2025 Financial Planning and Budget process. |
| Mid December 2020 | Estimated timing of the 2021/22 Provisional Local Government Finance Settlement. |
| 18 January 2021 Overview, Scrutiny and Policy Development Committee | Overview, Scrutiny and Policy Development Committee considers the results of its review of the 2021-2025 Financial Planning and Budget and Council Plan process. |
| 25 January 2021 Cabinet | 2021/22 Council Tax Base agreed by Cabinet |
| 1 February 2021 Cabinet | Cabinet approves the final proposals in relation to the 2021/22 Housing Revenue Account budget and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2020/21). In addition, Cabinet will agree the Annual Housing Rent policy for 2021/22. |
| 1 February 2021 Cabinet | Cabinet considers its Budget proposals for 2021-2025 in relation to General Fund Revenue, Schools & Investment Plan for 2021-2025, taking into account feedback received as part of Budget Engagement and any recommendations from Overview and Scrutiny and Policy Development Committee. |

Appendix B

| Date / Meeting | Detail |
|---|--|
| 2 February 2021 Overview, Scrutiny and Policy Development Committee | Overview, Scrutiny and Policy Development Committee/Budget Study Group as appropriate considers Cabinet's final Budget proposals. |
| 8 February 2021 Cabinet | Cabinet meeting to consider any recommendations of the Overview and Scrutiny Budget Study Group following its review of the Cabinets 2021/22 Budget and Council Tax proposals. |
| 16 February 2021 | 4pm deadline for responses to the Authority's Notice of Objection |
| 18 February 2021 Council | Cabinet submits to the Council its estimates of amounts for the 2020-2024 Financial Plan and 2020/21 Budget & Council Tax levels. |
| 22 February 2021 (if required) Cabinet | <p>Cabinet Meeting to consider any objections to Cabinet's Budget and Council Plan proposals.</p> <p>The Cabinet meeting on 22 February 2021 is now a scheduled meeting with other items of business and will proceed even where no objections are approved.</p> |
| 4 March 2021 (if required) Council | Council meeting to agree the Budget for 2021/22, the Council Tax level for 2021/22 and the Investment Plan for 2021-2025 |

2021/22 Budget Engagement Strategy

North Tyneside Council is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process.

The Authority's overall approach to engagement ensures that the public have opportunities to have their say throughout the year, through a series of different methods, including engaging with the Elected Mayor, Cabinet and ward members through activities such as the Mayor Listens Events and Community Conversation activities. We also offer a broad range of both on-line and face to face engagement or consultation exercises on different key issues as well as our Resident Surveys.

In all its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the 2010 Equality Act, can participate. In line with this an Equality Impact Assessment has been undertaken on the 2021/22 Budget Engagement Strategy and this is available on request.

In line with the proposed 2021-2025 Financial Planning and Budget Process timetable as set out in Appendix B, engagement on Cabinet's initial budget proposals will take place from November 2020 to January 2021. The engagement approach is set out below.

Target Audiences

The aim of the budget engagement strategy is to reach different sectors of the population through an approach that encompasses engagement with residents as a whole and customers/users of services as well as particular groups of people, including those with protected characteristics. The approach also ensures reach with particular interest groups such as carers, older people, children and young people, council housing tenants.

The engagement strategy also ensures targeted activity with the following specific external and internal stakeholder groups:

External stakeholder groups

- North Tyneside Strategic Partnership
- Businesses
- Schools and education sector
- Voluntary and community sector (including faith groups)

Internal stakeholder groups:

- Elected Members
- Staff
- Strategic Partners (Engie and Capita)
- Trade Unions

Approach

Our approach aims for maximum reach by offering a range of different opportunities for people to have their say. In line with the Authority's corporate engagement strategy the approach will be consistent with the following principles

- Inclusive - making sure that everyone can engage in the process
- Clear - being clear on the aims of the engagement activity at the outset and the extent to which residents and others can be involved
- Integrated - ensuring that engagement activities are joined up with the relevant decision-making processes
- Tailored - aiming to better understand our audience and using different methods appropriately to enable and encourage people to be involved
- Feedback - giving feedback through agreed channels when engagement activity is completed
- Timely - aiming to give enough notice to make opportunities available to all and taking into account those times when it is more appropriate to engage depending on the target audience.

Budget engagement activity for the 2021/22 budget will comprise

- providing clear information about the Financial Planning and Budget process in the Autumn edition of the Our North Tyneside magazine. This will include information about this engagement strategy and how people can have their say throughout the process including how to join the Residents Panel to do so;
- in November 2020, publishing information about Cabinet's initial budget proposals. This will be published online via the Council's website and at front line locations including the Community Conversation corners in the four Customer First centres, where these are available. Feedback will be able to be provided by residents and others via a questionnaire either on-line or at these front-line locations. This will be supported by communications activity via the media and social media to ensure that people know they can get involved in this way;
- there will also be opportunities for face to face engagement with lead officers and Cabinet members during November/December 2020. This year, considering COVID 19 and in line with the relevant government advice, these sessions will be adapted to take in the social distancing measures. Work has already begun with members of the residents panel to look at how we can

conduct engagement activity differently including through video calls. These will also be publicised via communications activity in the media and social media and at all key front-line outlets including libraries; Customer First Centres; community centres and leisure centres. These face to face sessions will comprise, where possible;

- drop-in events at community venues;
- three in-depth sessions with the Residents Panel (which any resident can join). These sessions will provide people with the opportunity to gain an understanding of the Council's budget and to be able to appraise in detail the initial budget proposals and then provide feedback; and
- engagement sessions for the following internal and external stakeholder groups
 - staff
 - businesses
 - schools
 - children and young people
 - community and voluntary sector
 - Trade Unions,
 - North Tyneside Strategic Partnership
 - older people
 - carers
 - groups representing people with protected characteristics under the Equality Act 2010.

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North Tyneside Council

Report to Cabinet

Date: 3 August 2020

Title: North Shields Town Centre and Fish Quay Masterplan

| | | | |
|-------------------|---------------------|------------------------|---------------------------------|
| Portfolio: | Regeneration | Cabinet Member: | Councillor Bruce Pickard |
|-------------------|---------------------|------------------------|---------------------------------|

Responsible Officer: John Sparkes, Head of Regeneration and Economic Development **Tel:** 0191 643 7000

Wards affected: All

PART 1

1.1 Executive Summary:

At its meeting on the 1st April 2019, Cabinet agreed a report which set out 'An Ambition for North Shields and the Fish Quay'. This built on the Authority's wider regeneration objectives that were agreed at its meeting on the 26th November 2018 where it agreed a regeneration strategy for the borough; An Ambition for North Tyneside which identified North Shields Town Centre and Fish Quay as a specific priority.

The policy objectives for North Shields were agreed by Cabinet in April 2019 and these included:

A smaller but more vibrant and connected, high quality town centre; create a smaller, more vibrant and connected town centre which combines living, working and retail with a place that becomes a destination in its own right;

A connected and vibrant Fish Quay; which supports a developing food and drink offer and a working quay but builds on the Fish Quay's increasing popularity as a destination exploring heritage, cycling, the connections to South Shields as well as the popular night time and weekend economy;

Better transport flows and connectivity; making sure traffic flows more effectively, that the Metro Station is connected to the rest of the town, that pedestrians and cyclists can move easily between the town centre and the Fish Quay with an opportunity for something eye-catching to make that possible; and

A better quality built environment; learning from recent projects, and setting high design and material standards for our work.

On 12th March 2019, the North of Tyne Combined Authority, recognising the contribution of North Shields and the Fish Quay to the North of Tyne economy, approved business case development funding for work to continue to develop a

masterplan for the area. This provided £0.200m of funding and has enabled the Authority to refine a draft masterplan and supporting documents which will provide a strong foundation from which to develop individual projects identified in the Masterplan.

Over the past 12 months, and working with the North Shields Project Group, which includes the Deputy Mayor and Chief Executive, a Draft Masterplan has been prepared which reflects the Authority's ambition for the town centre and delivers on the policy objectives which were agreed in April 2019.

The report provides background and a summary of the work done so far in developing a Draft Masterplan. Subject to the Masterplan being endorsed by Cabinet, it is proposed that it is used, over the coming months, as a basis for consultation and engagement with residents, businesses and other stakeholders with an interest in the regeneration of North Shields. Once a final Masterplan is agreed by Cabinet, it is proposed to adopt it as Supplementary Planning Guidance.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) note the progress made in delivering the North Shields Town Centre and Fish Quay Masterplan since April 2019;
- (2) agree the Draft North Shields Town Centre and Fish Quay Masterplan be used as a basis for consultation and engagement with residents, businesses and stakeholders over the Summer / Autumn 2020.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 1st July 2020.

1.4 Council Plan and Policy Framework

This report relates to the following priorities in the 2018-21 Our North Tyneside Plan: Our Places will be great places to live, offer a good choice of quality housing and be a thriving place of choice for visitors. Our Economy will continue to support investment in our business parks, units and town centres.

1.5 Information:

1.5.1 Background

As noted, at its meeting on the 1st April 2019, the Cabinet agreed a report which set out 'An Ambition for North Shields and the Fish Quay'. This built on the Council's wider regeneration objectives that were agreed at its meeting on the 26th November 2018 where it agreed a regeneration strategy for the borough; An Ambition for North Tyneside which identified North Shields Town Centre and Fish Quay as a specific priority.

Since receiving an award of funding for £0.200m from the North of Tyne Combined Authority in March 2019, officers have been working with the North Shields Project Group, comprising the Deputy Mayor, Chief Executive and Heads of Service to refine a Draft Masterplan which reflects the Authority's policy objectives and which contains a series of self-contained projects that can be further developed and delivered as and when funding allows.

As agreed by Cabinet, the overall aim for North Shields Town Centre and the Fish Quay is to create a smaller, more vibrant and connected town centre which combines living, working and retail and is a destination in its own right. In turn that will be connected to an increasingly vibrant Fish Quay. Both of which will be supported by better transport flows, stronger infrastructure and a higher quality built environment.

1.5.2 What we have achieved so far

- **Northumberland Square Phase 1:** Repurposing former office buildings and new housing at Northumberland Square to create 28 new homes (£5.6m) is a significant first step in redefining this part of the town centre. This flagship scheme has seen the refurbishment of the Grade II listed Georgian terrace properties as well as an element of new build homes. This scheme is of high quality in terms of design, materials and construction and will provide a benchmark for design quality within the Howard Street Conservation Area. We have also invested £0.161m in the public realm around Northumberland Square which has further improved its appearance. The scheme is scheduled for completion in Summer 2020.
- **Northumberland Square Phase 2:** the Authority has also recently acquired the adjacent vacant properties (11-12 Northumberland Square) from a private owner. They are currently in a very poor state of repair and, without their redevelopment, have the potential to impact upon the Authority-led scheme. Plans are currently being refined by the Authority to convert the building into luxury apartments.
- **Unicorn House:** Options are currently being prepared to bring forward a scheme for the Unicorn House site which was purchased in May 2020 at a cost of £0.795m. IDP Architect's have been commissioned to produce options for an innovative scheme which reflects the Authority's policy objectives around placemaking and design quality. Tenders have also been received for the demolition of the site (including asbestos removal) and clarifications are now being sought with the bidders.
- **The Wooden Dolly:** The statue has been removed from Northumberland Square and is currently being restored by Robert Thomson and Sons in Yorkshire who were the original sculptors. These works will be completed during the summer (having been delayed due to the Coronavirus) and the statue will be returned to the Square for a final 'shift' with a view to retiring it in due course to an indoor location in the longer terms. Options for a replacement to be located in Northumberland Square will be considered as part of the wider renovation works to the Square.
- **Heritage Action Zones (HAZ):** In 2019, the Authority was successful in getting through the first round of the Heritage Action Zone funding process and was invited to submit a full application. In March 2020, Historic England confirmed that the Authority's bid for £0.900m to this fund has been successful. Whilst this was initially embargoed, formal announcements of the successful award of funding have now been made in the press. The necessary delegated authority to accept the funding has now also been received.

The Authority's bid focuses on heritage and townscape improvements to Howard Street which is within a Conservation Areas and will build upon the ongoing Authority-led activities within Northumberland Square. The overall scheme has a value of circa £2m with the balance from the Authority as match funding together with private sector contribution.

- **North Shields Fish Quay (western Quay):** The Authority continues to work with the Port of Tyne and the Fish Quay Development Company to ensure that the longer-term economic objectives for the Fish Quay are achieved and that it remains a viable economic asset that contributes to our objectives around Place, People and the Economy.

Funding is also being sought by the Port of Tyne and the Fish Quay Development Company from the NoTCA for structural repairs to the Projection Jetty. The cost of this work is circa £3m and the application is for £1.5m with the balance being met by funding from the Marine Management Organisation. Funding applications are also being prepared by Nexus for the relocation of the Ferry Landing to Western Quay.

- **Tyne Brand Site:** In 2019 a new landowner / developer acquired the majority land holding in the Tyne Brand Site from the previous owner, Left Bank Developments. The ownership of the site is in splintered ownership with numerous small parcels of land being in private control with the Authority owning a small strip of land within the site. The new majority landowner has approached the Authority with a view to working collaboratively to refine a site assembly and delivery strategy for the site which would see it developed to a high standard in terms of design for residential purposes with some potential for ground floor commercial activities. Work is ongoing to enshrine our shared objectives for the delivery of the site within a Memorandum of Understanding.

1.5.3 The Masterplan and Supporting Information

The Masterplan has been commissioned following the award of £0.200m funding from the North of Tyne Combined Authority in March 2019. The Masterplan reflects the regeneration objectives set out by the Authority for North Shields Town Centre and Fish Quay and seeks to deliver on these objectives through a series of proposed interventions and activities.

The Masterplan sets out the policy context for the regeneration of North Shields and the Fish Quay based on Cabinet decisions and includes a set of priorities and objectives which include:

- To improve North Shields as a residential location of choice and an attractive family friendly destination;
- To create a smaller but more vibrant, high quality town centre;
- To create more flexible retail opportunities and to expand the evening and weekend economy;
- To improve public transport and the quality of walking and cycling connections across the town including better links to the Fish Quay; and
- To raise and improve the quality of the built environment and the quality of public space in North Shields with more of it suitable for hosting events and festivals.

Having set out the policy context and the Authority's vision for the town centre, the Masterplan then sets out a series of targeted interventions that can be delivered by the Authority. Importantly, these interventions are broadly self-contained and can therefore

be developed as detailed projects in their own right as and when funding becomes available. There are nine projects within the Masterplan and these are as follows:

Project 1 – Gateway Improvements: Improving the image and quality of public realm in key gateway sites into North Shields will enhance the experience for residents and businesses as well as those visiting the town. These and other gateway improvements will change perceptions engendering a sense of pride and create positive and lasting visitor experiences from the first impression.

Three significant gateways into the town centre have been identified, that need to be addressed, as they currently offer little sense of arrival both aesthetically and in terms of their layout and function. These include:

- East Tynemouth Road and the Magistrates' Courts
- South East Fish Quay / Brew House Bank
- West Howdon Road / Coach Lane/ Howard Street

Project 2 - Transport Hub and Interchange: The improvement of North Shield's public transport offer is a key foundation to the successful regeneration of the town centre. Located adjacent (south) of the existing Metro Station the proposals will provide customers with an improved quality of service giving access to a sustainable and high-quality public transport network, which is well used and connected to major centres.

The proposals will improve the image and quality of the public transport network and enhance the experience of visitors to the town with the bus facilities vastly improved leading to increased usage of bus and Metro. It will expand footfall around the recently refurbished Metro Station which is a key gateway into the town centre. It is also proposed to include a covered link to Bedford Street which will provide additional protection from the elements in inclement weather.

Subject to the provision of a satisfactory business case, the scheme has been successful in attracting external funding from the Transforming Cities Fund which is administered by Transport North East. Specifically, North Shields transport hub element has been awarded £19m funding with a match of £2.5m from the Authority. This funding also includes proposals for highway improvements in the town centre as well as the proposed link from the town centre to the Fish Quay. The schemes will need to be delivered by March 2023 and an initial drawdown of £0.100m has been approved by Investment Programme Board (on confirmation of the funding) to enable further design and development work to be undertaken and to refine and inform costs.

Project 3 – New Town Square: There is an aspiration to create a new town square at a key arrival point in the town adjacent to the Metro Station. A civic square would create the opportunity for events and markets and would be a flexible performance space with the potential of hosting a variety of town centre activities. This would also have the potential to improve connections with the Beacon Centre and give a clear line of sight to Bedford Street.

Project 4 – Bedford Street and Saville Street Public Realm Improvements: The proposals will improve the quality of the public realm, using a distinctive and high-quality design to soften the street scene and animate the public spaces. Creating an enhanced and well-designed public realm in the heart of the town centre will create an attractive shopping and leisure destination for visitors as well as creating a high-quality residential environment for those choosing to live in the town centre.

Defining spaces and celebrating key buildings and the built heritage of the town will be key in transforming the appearance of the centre and creating a new visitor offer which reflects a new chapter in the town's rich history. These two important streets and their adjoining spaces will be re-designed to form a well-connected pedestrian and cycling route across the town centre to Howard Street, with further public realm improvements envisaged to connect with the riverside embankment walkway (Project No.7) which links the town centre with the Fish Quay.

Project 5 – Northumberland Square: By continuing to invest in the restoration of Northumberland Square, the Authority will help revitalise the wider area using the stunning centrepiece of the Georgian square. This will support our existing investment in the properties surrounding Northumberland Square and will also create an attractive green space for residents of the new properties being developed here and on the Unicorn House site in due course. It will also complement other heritage led works associated with the Heritage Action Zone which will see improvements to properties and public realm within the Howard Street Conservation Area. By restoring the square in keeping with its surroundings, it will create a focal point which supports the further diversification of uses around it, including residential as well as commercial uses.

Project 6 – Howard Street Cultural Quarter: North Shields has a rich heritage of culture, arts and performance. As town centres become less reliant on retailing as a lynchpin of the economy, it is important to grow a cultural and creative leisure offer which drives footfall and activity but also creates economic activities for existing and new businesses. Building on the activities associated with the Heritage Action Zone, the Cultural Quarter will be focussed around the crossroads of Howard Street and Saville Street and will utilise key buildings such as the Saville Exchange, Business Centre (former Reading Rooms), the former Globe Gallery Building as well as other key buildings. This will create a focus and critical mass of culture related uses which will be a key driver in the local economy, creating new jobs and business opportunities. The existing Business Factory is ideally located to support this transition by guiding and steering new initiatives and businesses to take up premises within this intersection.

Project 7 – Riverside Embankment Walkway: Linking the town centre with the Fish Quay is a key strand of the masterplan and is a long-held aspiration of the Authority. Connecting these two economic areas through attractive routes will generate footfall and will broaden the visitor experience and will bring economic benefits to both areas. It is proposed to provide a high-quality pedestrian link from the southern end of Howard Street to the Fish Quay. This has the potential to be a 'step free' route so will be accessible to all. Whilst the level difference does provide some challenges, it also provides opportunities for panoramic views of the river and beyond. Moreover, the potential relocation of the Ferry landing to Western Quay (Project 9) will further enhance connectivity by linking in with the proposed walkway. The proposed embankment walkway will be part of a wider improvement to pedestrian movement along the Fish Quay and beyond.

Project 8 – New Housing Opportunities: As the town centre repositions itself in terms of its visitor offer, there is the opportunity to further develop a more diverse and balanced housing offer which sees North Shields being promoted as an exciting place to live with all the benefits of a town centre couple with access to the riverside and coast. Building on the Authority's ongoing investment at Northumberland Square and the private sector investment at Smiths Dock, the masterplan identifies key housing interventions that will deliver high-quality family housing at key locations within the Town Centre and Fish Quay. Collectively these will broaden the housing offer and attract more residents into the town which will further support the local economy. Two key housing sites have been identified and include:

8a Tyne Brand Site: This is a key gateway site into the Fish Quay and is currently derelict and detracts from the overall visitor experience and appeal of the area. The site requires a high-quality design solution given its prominent location and has the potential to create a unique residential offer within the heart of the Fish Quay. In addition to residential, the site could also incorporate some commercial ground floor uses which will animate the ground floor frontages and will create opportunities for businesses wishing to locate at the Fish Quay.

8b Unicorn House: A former 1960's office development located on Suez Street, as noted earlier in the report, the site was acquired by the Authority in May of this year. It is proposed that the existing building is demolished and that the site is joined with the existing adjacent public car park to create a larger site which can be developed for family housing. Work is currently underway to refine layout and house designs which reflect the Authority's place-making aspirations.

Project 9 – Relocation of North Shields Ferry Landing: The masterplan proposes the relocation of the Ferry landing to Western Quay which is in the heart of the Fish Quay. The proposed location will also link in with the Riverside Embankment Walkway which in turn links with Howard Street Conservation Area and the wider town centre. Having a link into the heart of the Fish Quay will improve accessibility and drive footfall. The proposals will include bus turning facilities to ensure there is public transport connectivity with the town centre and beyond. Nexus are currently refining their plans and will be seeking funding from the NoTCA to deliver this.

1.5.4 Approach to Engagement and Consultation

We are a listening Council and will seek the views of our residents, businesses and other interested parties on the draft masterplan to help shape our thinking prior to producing a final version of the plan which is proposed to be adopted as Supplementary Planning Guidance.

We are proposing to engage through a variety of methods. In addition to traditional face to face engagement through drop in sessions and direct discussions with affected parties (such as businesses and land owners) we are proposing to use innovative digital technology to enable consultees to make on line representations on the proposals and have commissioned specialist advice to assist on this.

Following the decision of Cabinet, the masterplan will be in the public domain. Working with the Council's Communications and Marketing Team we will refine a strategy for the formal launch of the masterplan and an associated communications strategy that will support our activities.

1.5.5 Next steps

Subject to the Cabinet agreeing the Draft North Shields Town Centre and Fish Quay Masterplan the proposed next steps include:

- Programme of engagement and consultation over the Summer / Autumn with residents, businesses and other interested parties to seek their views and suggestions on the draft masterplan.
- Following the engagement and consultation a final version of the masterplan will be produced which is proposed to be adopted as Supplementary Planning Guidance.

1.6 Decision options:

Agree the Draft North Shields Town Centre and Fish Quay Masterplan as a basis for consultation and engagement.

Do not agree the Draft North Shields Town Centre and Fish Quay Masterplan as a basis for consultation and engagement.

1.7 Reasons for recommended option:

The recommended option will enable the Council to progress the delivery of the North Shields and Fish Quay Masterplan.

1.8 Appendix:

There is no Appendix to the report although a presentation of the Masterplan will be made at the meeting of the Cabinet on the 3rd August 2020.

1.9 Contact officers:

John Sparkes, Head of Regeneration and Economic Development, tel. (0191) 643 6091

1.10 Background Information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Our North Tyneside Plan 2018-2021
- (2) Cabinet report 26th November 2018 'An Ambition for North Tyneside'
- (3) Cabinet report 1st April 2019 'An Ambition for North Shields'

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

There are no financial implications arising from the decision.

The capital and revenue implications relating to those projects contained within the masterplan will be further refined as schemes are progressed and will be considered

through the Council's Investment programme Board as and when funding becomes available.

In order to support the Council's borough wide regeneration objectives, a £10m capital investment sum to be defrayed over a five-year period was agreed as part of the Budget Proposals. This will support specific projects identified in the masterplan but, crucially, will be available as matched funding to take advantage of emerging public and private finance opportunities.

The Council has an ongoing financial commitment to the regeneration of North Shields and has already committed significant funding to the town centre. This has included:

- £5.9m Northumberland Square Housing
- £0.161m Northumberland Square public realm
- £0.795m Acquisition of Unicorn House

In terms of external funding opportunities, as noted in the report we have secured £0.900m from Historic England in respect of the Heritage Action Zone project which has an overall value of £2m with match funding coming from the Council and the private sector.

As noted earlier in the report and subject to Transport North East agreement of the business case by, the proposed Transport Interchange scheme has been successful in attracting external funding from the Transforming Cities Fund which is administered by Transport North East. Specifically, North Shields transport hub element has been awarded £19m funding with a match of £2.5m from the Council.

2.2 Legal

There are no direct legal implications arising from this report. As projects and plans come forward individual consideration of the legal implications of these plans and projects will be required.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The report is based on discussions with the Elected Mayor and Cabinet Members as well as detailed technical discussions across the Senior Leadership Team.

2.3.2 External Consultation/Engagement

As set out in the report and subject to Cabinet Approval, it is proposed to commence external engagement and consultation with residents, businesses and other interested parties on the content of the masterplan. This will include engaging with the Chamber of Trade and other key stakeholders as well as targeted engagement with this who may be directly affected by the proposals.

As proposals contained in the North Shields and Fish Quay Masterplan move towards delivery and where statutory processes are involved, for example Planning Applications, formal consultation will take place.

2.4 Human rights

There are no human rights implications arising from this report.

2.5 Equalities and diversity

Equality Impact Assessments will be carried out for each project where appropriate. This is a key part of project planning as it assesses the potential impact a project may have on people with protected characteristics.

2.6 Risk management

Specific projects will have their own risk management arrangements in line with the agreed corporate approach.

2.7 Crime and disorder

There are no crime and disorder issues directly arising from this report.

2.8 Environment and sustainability

The contents of the plan aim to support sustainable development and contribute to reducing carbon emissions and responding to our climate change emergency.

PART 3 - SIGN OFF

- | | |
|---|-------------------------------------|
| • Chief Executive | <input checked="" type="checkbox"/> |
| • Head(s) of Service | <input checked="" type="checkbox"/> |
| • Mayor/Cabinet Member(s) | <input checked="" type="checkbox"/> |
| • Chief Finance Officer | <input checked="" type="checkbox"/> |
| • Monitoring Officer | <input checked="" type="checkbox"/> |
| • Head of Corporate Strategy and Customer Service | <input checked="" type="checkbox"/> |