



# Finance Sub Committee

**North Tyneside Council**

Wednesday, 8 July 2020

**Tuesday, 14 July 2020 commencing at 6.00 pm.**

The meeting will be held virtually and live streamed - please use the link below. -

| <b>Agenda Item</b>  | <b>Page</b>   |
|---|---------------|
| <b>1. Apologies for Absence</b><br>To receive any apologies for absence.  |               |
| <b>2. Appointment of Substitute Members</b><br>To receive a report on the appointment of Substitute Members.  |               |
| <b>3. Declarations of Interest and Notification of any Dispensations Granted</b><br><br>You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest.<br><br>You are also invited to disclose any dispensation in relation to any registerable interests that have been granted to you in respect of any matters appearing on the agenda.<br><br>You are also requested to complete the Declarations of Interests card available at the meeting and return it to the Democratic Services Officer before leaving the meeting. |               |
| <b>4. Minutes</b><br>To confirm the minutes of the meeting held on 11 February 2020.  | <b>5 - 6</b>  |
| <b>5. Welfare Reform - Financial update</b><br>To receive an update on the three schemes that provide financial support to residents, that were implemented or revised in April 2013 onwards because of on-going welfare reform, as well as an update on  | <b>7 - 14</b> |

Members of the public are entitled to attend this meeting and receive information about it. North Tyneside Council wants to make it easier for you to get hold of the information you need. We are able to provide our documents in alternative formats including Braille, audiotape, large print and alternative languages.

| <b>Agenda Item</b>   | <b>Page</b>      |
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| Universal Credit.  |                  |
| <b>6. 2019/20 Provisional Finance Outturn Report</b>   | <b>15 - 102</b>  |
| To report the provisional outturn for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2019/20.   |                  |
| <b>7. Exclusion Resolution</b>   |                  |
| The Sub-Committee is requested to pass the following resolution:   |                  |
| That under Section 100A(4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 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. |                  |
| <b>8. Business and Technical Partnerships Risks</b>  | <b>103 - 116</b> |
| To consider the attached report which details the risks rated as red contained within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with ENGIE and Capita.   |                  |

**Circulation overleaf ...**

## **Members of the Finance Sub Committee**

Councillor Debbie Cox (Deputy Chair)  
Councillor Anthony McMullen (Chair)  
Councillor John Stirling  
Councillor Paul Richardson

Councillor Naomi Craven  
Councillor John O'Shea  
Councillor Judith Wallace

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## Finance Sub Committee

**Tuesday, 11 February 2020**

Present: Councillor A McMullen (Chair)  
Councillors D Cox, N Craven, J O'Shea, J Wallace  
and P Richardson

### **F22/20 Appointment of Substitute Members**

There were no substitute members appointed.

### **F23/20 Declarations of Interest and Notification of any Dispensations Granted**

There were no declarations of interest reported.

### **F24/20 Minutes**

**Resolved** that the minutes of the meeting held on 2 December 2019 be confirmed and signed by the Chair.

### **F25/20 2018/19 Financial Management Report to 30 November 2019**

The Sub-committee received the 2019/20 Provisional Financial Management Report to 30 November 2019 that had considered by Cabinet on 20 January 2020.

The fourth monitoring report indicated that the forecast for the year was a projection of a residual gap of £3.483m, which was an improvement of £1.3264m from the September 2019 position.

There were still aspects of the £10.533m savings programme to be met to deliver the General Fund budget approved by Council on the 21 February 2019. Meetings had taken place to consider what actions were required to manage the financial risks identified for 2019/20 and included the Authority's Efficiency Statement and as a result £2.582m was include in the overall £3.483m pressure.

The report covered also included details of additional grants received by the authority since the budget was set. It also provided the position of the 2019/20 school budgets, planning for 2020/21, schools funding and the forecast outturn for the Housing Revenue Account as at 30 November 2019.

**AGREED** that 2019/20 Financial Management Report to 30 November 2019 be noted

**F26/20 Exclusion Resolution**

**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.

**F27/20 Business and Technical Partnerships Risks**

The Sub-committee considered the report that set out the latest monitoring update on risks which were rated high within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with Engie and Capita.

It was informed that both the Business and Technical Partnership had one red risk each.

**Agreed** that the Business and Technical Partnership risks reported be noted.

**Meeting:** Finance Sub-Committee

**Date:** 14 July 2020

**Title:** Welfare Reform - Financial update on

- Discretionary Housing Payments Fund
- Local Council Tax Support Scheme
- Local Welfare Provision Scheme
- Universal Credit

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**Authors:** Andy Scott, Tracy Hunter

Tel: 0191 643 7150  
643 7228

**Service:** Finance Service

**Wards affected:** All

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## 1. Purpose of the Report

1.1 This report provides a further update on the three schemes that provide financial support to our residents, that were implemented or revised in April 2013 onwards because of on-going welfare reform, as well as an update on Universal Credit. The three schemes are:

- Discretionary Housing Payment Fund,
- Local Council Tax Support Scheme, and
- Local Welfare Provision Scheme.

1.2 An update is also included on the additional support that has been provided through the Hardship Fund which was introduced as part of the Government's package of support due to COVID-19. The Hardship payment is an additional payment made to working age claimants in receipt of Council Tax Support.

## 2. Recommendations

2.1 Finance Sub Committee are asked to note the content of this report.

## 3. Detail

### Discretionary Housing Payment Fund

3.01 The Discretionary Housing Payment (DHP) fund is administered by Local Authorities on behalf of the Department for Work and Pensions (DWP). It is aimed at being a temporary payment, which provides support, just at the right time, to people in financial difficulties who have a shortfall between their rent and Housing Benefit (or

Universal Credit including the housing element). It can also help towards moving costs to more affordable accommodation, including rent in advance and deposits. It provides a breathing space to allow a claimant the financial support they need to deal with, seek help, and put in place arrangements to improve their difficult financial circumstances. It is promoted well so partners are aware of this support and can identify quickly those that need it.

- 3.02 Citizens Advice play a vital role in the overall financial recovery of a claimant's circumstances as we will refer a claimant who gives us their consent, to Citizens Advice for their sound financial advice. Feedback suggests this is working well and regular reporting of overall outcomes shows the significant monetary value their advice has on debts written off, income gain and rescheduled payments.
- 3.03 Additional outreach sessions are funded, and these are reviewed annually to ensure they remain focused and delivered in the areas of greatest demand, so they have the maximum impact on need. Whilst these are currently suspended due to the pandemic, Citizens Advice have moved the resource to telephone advice which is proving very responsive and a good use of resources at this current time.
- 3.04 For 2020/21 we have received £558,563 DHP funding; this is an increase of £109,173 on the funding we received for 2019/20 and is very welcome at this time where claimants will need as much financial support as possible. Additional support through higher Local Housing Allowance (LHA) rates for privately rented claimants which increases Housing Benefit awards or Universal Credit Housing element should help lower the anticipated increased demand on the DHP scheme.

DHP financial details for the financial year 2020/2021

- 3.05 Table 1 below shows the current position of spend against the grant as at 30.06.20. It is monitored regularly to ensure that we stay on track as far as possible and we work well with the team to understand the demand. Where additional funding is required to 'top up' the fund to meet demand, as we did last year, this is arranged with the Head of Resources (S151 Officer).

Table 1 – DHP Spend to date

|                                  | Amount of grant |
|----------------------------------|-----------------|
| Original Fund - DWP funding only | £558,563        |
| Total spend and committed        | £177,548        |
| Funding unallocated              | £381,015        |

The following information provides further detail on claims made and outcomes:

- 3.06 Assessed Claims
- 314 claimants made a successful claim (87%)
  - 46 claimants made an unsuccessful claim (13%)
- 3.07 The reason for awards since April 2020
- 3 claimants have custody of children
  - 31 claimants are living in adapted property



- The remaining claimants received a DHP because they advised that they are seeking employment, need short term help whilst they look for alternative accommodation or for other reasons

3.08 Of those paid a Discretionary Housing Payment:

- 170 are council tenants (53%)
- 144 are privately rented tenants (46%)

3.09 Requested reviews

- Since April 2020 there have been 27 reviews carried out with 7 changed in favour of the customer.

**Local Council Tax Support Scheme**

3.10 The Council Tax Support Scheme is a means tested support which helps those on low income pay their Council Tax. The maximum amount of support provided for working age claimants for the financial year 2020/2021 is 85% of the claimants Council Tax liability. Pensionable age claimants continue to receive up to 100% support.

3.11 The demand on the scheme is very different this year and instead of seeing a reduction in claims as we normally do, we have seen a 7% increase in working age caseload since the middle of March 2020. This is clearly down to the current difficult situation where more working age people have seen reductions in their income and job losses due to the COVID 19 pandemic. This has placed a greater pressure on the cost of the scheme and as at 30.06.20 17,701 claimants are in receipt of CTS, 9,963 working age and 7,738 pensionable age with a cost of awards since April at £15,406,416. We are anticipating further increases as it is very likely some employers will decide not to take back furloughed employees.

3.12 The historic small changes to CTS and also other changes around empty homes discounts have made in year collection of Council Tax overall challenging, however this year will be particularly hard with the current situation. Residents who have difficulty in paying, are supported through flexible payment arrangements and access to debt advice and budget management where required.

**Hardship fund**

3.13 As part of its response to COVID-19, the Government announced in the Budget on 11 March that it would provide local authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. North Tyneside received £2,024,000 for this Hardship Fund which was in recognition that COVID-19 was likely to cause fluctuations in household incomes and as a result some individuals would struggle to meet Council Tax Payments. The strong expectation by Government was that billing authorities will primarily use their grant allocation to reduce the Council Tax liability of individuals in their area, using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992 and award up to £150.00 to each working age Council Tax Support recipient. Any residual funding could be used to deliver increased financial assistance through other local support mechanisms, having considered local circumstances.

- 3.14 This hardship payment has made a significant difference to our working age Council Tax Support claimants in that around 58% now have no Council Tax liability for 2020/21 to pay and many only have very small amounts to pay.
- 3.15 The COVID-19 Recovery Work Stream on Welfare & Benefit Support including Hardship Fund is being led by Andy Scott and is a mixed group of officers and external stakeholders who are currently working on the eligibility criteria for the remaining Hardship Fund. Once the criteria is finalised, awareness of this will be shared with members, external stakeholders and service areas as appropriate.

### **Local Welfare Provision**

Statistics for the period 1st April 2020 to 26<sup>th</sup> June 2020

- 3.16 There have been 677 applications for Local Welfare Support in comparison to the same period last year when there was 439.
- 3.17 All 677 applications were offered a full screening. Further advice and information including signposting to our partner organisations was offered where this was appropriate.
- 3.18 There were 246 crisis applications eligible for further practical support. This included applicants receiving food, utility support, baby items or baby food, essential household items, travel costs or clothing.
- 3.19 Spend for the period in respect of immediate practical support amounted to £3,437. This is in addition to the annual grant to the Food Bank of £26,500 which was paid in this quarter.
- 3.20 There is still funding with North East First Credit Union which allows the Authority to refer people with poor credit history who would be seen as higher risk customers, the opportunity to access reasonably priced loans. This was a one off funding; customers are charged interest which goes back into the fund to be used by other customers. During this quarter referrals have gone directly to the credit union after an assessment by the welfare staff team, four people have taken up loans for household goods. The credit union are now able to take applications online which has made the process simpler and much quicker for customers who are in crisis.
- 3.21 Of the applicants who were not provided funded by the authority immediate practical support, a summary of some of the assistance is as follows:
- Referrals to Whitley Bay Food Bank
  - Liaison to resolve benefit issues with Department for Work and Pensions
  - Referrals to a supported housing provider
  - Referrals to Citizens Advice
  - Liaison with HMRC for Child Tax Credits
  - Working with other community support groups
  - Liaison with their bank utility provider or employer
  - Referral to other Children's Service support

- Support from the Salvation Army with vouchers (to be used in their shops mainly for clothing) – this has not been available during this quarter
- Referral to community resources for clothing or furniture items

### 3.22 Covid 19 update

In the weeks before lockdown was announced the calls to the Welfare Provision Team began to increase considerably. People were reacting to press reports of panic buying in shops and they were finding it difficult to source some essential items or they were worried that when their benefit was paid that they would be unable to find and/or afford the items they needed. These callers were not in crisis on the day of the call but were reacting to the situation. The team spent time reassuring these callers and signposted them to other options such as shopping services where appropriate. This did on occasion take a long time but was worthwhile to reduce the panic and the impact on some callers' mental health caused by the situation.

While the Voda service, the COVID Hubs and the national food parcel system was set up the welfare team received a lot of requests for help. These calls were redirected to the right service and if they were in crisis that day and another service could not deal with them that day the welfare team supported them. The welfare team have worked closely with these new services to ensure no one fell through the gaps.

Most applicants were in one of three categories

1. Those who are eligible as they meet the criteria for support. The criteria is dependent children in the family or vulnerable adults with significant health needs that are at consultant led needs level.
2. Those who were not eligible, usually single people without significant health needs and COVID 19 had not impacted on their situation. The food bank will provide in this situation up to four food parcels in a six month period.
3. Those who the team used discretion to support as they had been impacted by the COVID 19 (but may not have been eligible previously) – this was typically people where their employment had been effected and were supported with food and utility vouchers over a short period while benefit claims were made.

Demand for the service began to reduce by the end of May and is now back to normal levels.

### **Universal Credit**

3.23 Universal Credit (UC) replaces 5 state benefits unless the customer meets certain criteria and would still qualify for a legacy benefit. The five legacy benefits it replaces are:

- Housing Benefit (HB)
- Income Support (IS)
- Job Seekers Allowance Income Based (JSA)(IB)

- Employment and Support Allowance Income Related (ESA)(IR)
- Tax Credits (Child Tax Credits and Working Tax Credits) (CTC), (WTC)

- 3.24 As you will have seen in the media the number of people making claims for UC at a national level has increased dramatically. Figures locally show that in North Tyneside UC claims in April rose by 39.7%. To give you an idea of the scale, recent data shows nationally from 1 March to 19 May 2020, DWP had received 2.9 million individual declarations to Universal Credit. Whilst there is still an increase in volumes compared to normal business, these are now beginning to fall.
- 3.25 Despite high volumes of new claims at the beginning of the emergency, locally they have been fully up to date with new claims and payments for some weeks now. Staff from across DWP and other govt depts were redeployed to do payment related work and as our area became up to date, they were able to assist with new claims nationally.
- 3.26 Claimants are now getting customer service calls to check they understand their UC claim, check payments are correct, and if there is anything they need support with-including personal/wellbeing issues. Work coaches have been signposting to any sources of help, this includes job seeking help – however this remains voluntary so only if the claimant wants help/advice on work or training does that discussion take place.
- 3.27 DWP are now refocusing on labour market support for claimants who need help returning to work, and how they support staff to do this, in what is now a different and changing labour market. Their Employer Engagement staff are currently delivering labour market upskilling sessions digitally for staff. However, they are predicting another ‘spike’ of new claims as lockdown lifts and furloughs end, and businesses potentially close or reduce their workforce.
- 3.28 The number of claimants receiving Housing Benefit has reduced as more people move to UC. As at the end of June 2020 there are now only 5,960 working age claimants in receipt of Housing Benefit.
- 3.29 The impact of UC continues to be felt by our housing department and they now have 4,000 tenants on UC as at 24th June 2020. 2,952 (73.80%) of these are in arrears although it is worth noting that 68.8% of those on UC were already in arrears when they moved onto UC. The average arrears for those on UC is £609.35 (this has reduced since last quarter despite the impact of COVID-9) compared to an average arrears of £504.55 for all tenants and £250.47 for those not on UC. Other housing providers are also advising of significant arrears with tenants in receipt of UC.
- 3.30 COVID-19 has had a large impact on housing tenants with 1,075 of current tenants reporting that they have been adversely impacted. This has contributed to the significant increase in the number of tenants claiming UC, with an additional 693 UC cases being recorded since 16th March 2020; 394 of these new UC claimants have told us that they have been impacted by COVID-19. In total 682 tenants on UC have informed us that they have been impacted by COVID-19.
- 3.31 COVID-19 has also had a significant impact on the arrears level of those who are claiming UC (despite the amount UC claimants receive increasing as a result of the

pandemic). Since 16th March 2020 arrears of those in receipt of UC have increased by £392,652; a proportion of this increase (£185,267) is due to arrears accrued by new UC claimants before they transitioned to UC being added to the total.

3.32 The UC working group was meeting bi-monthly but has been suspended during the COVID-19 crisis and now members provide updates which are shared via email.

3.33 The Help to Claim support is still in place and continues to be delivered by Citizens Advice, this important support has been vital at this current time where many customers are moving onto UC.

#### **4. Background Information**

The following background documents have been used in the compilation of this report and are available from

- [Housing Benefit circular S1/2020 – Details of the Government contribution towards DHP for local authorities for the financial year 2020/21](#)
- [Discretionary Housing Payment Policy 2020/21](#)
- [COVID-19 Hardship Fund 2020/21 – Local Authority Guidance](#)

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**Item 6**

**Finance Sub-committee 14 July 2020**

**Cabinet Report 29 June 2020**

**2019/20 Provisional Finance Outturn Report**

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# North Tyneside Council

## Report to Cabinet

### Date: 29 June 2020

#### Title: 2019/20 Provisional Finance Outturn Report

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|   |  |
|---|--|
| <b>Portfolios:</b> Elected Mayor<br>Finance and Resources | <b>Cabinet Member:</b> Norma Redfearn<br>Councillor<br>Ray Glindon |
|---|--|

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**Report from Service Area:**

**Finance**

**Responsible Officer:**

**Janice Gillespie, Head of Resources**

**Tel: 643 5701**

**Wards affected:**

**All**

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## PART 1

### **1.1 Executive Summary:**

1.1.1 This report, and the supporting Annex 1 and its Appendices, set out the provisional outturn for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2019/20.

1.1.2 The purpose of this report is therefore to:

- (a) Advise Cabinet of the provisional 2019/20 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 5, 6 and 7) together with a financial overview of the year and an outlook into 2020/21 with reference to considerations around the potential impact of Covid-19 on medium term financial planning (Annex 1, Section 1);
- (b) Advise Cabinet of decisions made under the Reserves and Balances Policy (Annex 1, Paragraph 1.7, and Appendix A);
- (c) Inform Cabinet of the Authority's Investment Plan spend during 2019/20, and the financing put in place (Annex 1, Section 8);
- (d) Seek Cabinet approval for approval of reprogramming of £6.262m within the Investment Plan (Annex 1, Section 8, Paragraph 8.8 and Appendix C);

- (e) Advise Cabinet of the Authority's Treasury Management performance (Annex 1, Section 9);
- (f) Advise Cabinet of the performance of both Capital and Treasury Management Prudential Indicators (Annex 1 Section 9 and Appendix D); and,
- (g) Approve the receipt of £46.103m of new revenue grants.

## **1.2 Recommendations:**

### **1.2.1 It is recommended that Cabinet:**

- (a) Notes the provisional 2019/20 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 5, 6 and 7) together with a financial overview of the year (Annex 1, Section 1);
- (b) Notes the decisions made under the Reserves and Balances Policy (Annex 1, Paragraphs 1.7, and Appendix A);
- (c) Notes the Authority's Investment Plan spend during 2019/20, and the financing put in place (Annex 1, Section 8);
- (d) Approves reprogramming of £6.262m within the Investment Plan (Annex 1, Section 8, Paragraph 8.8 and Appendix C);
- (e) Notes the Authority's Treasury Management performance (Annex 1, Section 9);
- (f) Notes the performance against the Capital and Treasury prudential indicators (Annex 1 Section 9 and Appendix D); and,
- (g) Approve the receipt of £46.103m of new revenue grants.

## **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 21 February 2020.

## **1.4 Council plan and policy framework.**

The Budget is part of the Authority's Budget and Policy Framework.

## **1.5 Information - Executive Summary**

1.5.1 Annex 1 to this report sets out the provisional outturn for 2019/20 for the General Fund, the Housing Revenue Account, Schools Finances and the Investment Plan. It also provides a summary position on the achievement of the Treasury Management Strategy during the year together with the associated Prudential Indicators.

1.5.2 **General Fund Revenue Budget:** The Budget for 2019/20 was approved by full Council at its meeting of 21 February 2019. The net General Fund Budget was set at £155.730m including efficiency savings of £10.533m. The monitoring report up to 31 January 2020 projected a pressure of £2.932m; the final position is an

underspend of £0.050m. In addition to this, the Authority received a one-off £0.637m dividend receipt from the Airport, as well as a one-off £0.400m dividend receipt following the closure of the Keir NT Joint Venture. In other years where a surplus has been generated this would be held in reserve for future investment in the Borough but in light of the significant and unexpected impact of the Covid-19 pandemic, it is proposed that these balances are transferred into General Fund Balances (£0.195m) and the Strategic Reserve (£0.842m) to support the increased financial impact and risk to the Authority expected during 2020/21 and future years. The remaining balance of (£0.050m) is also proposed to be taken to the Strategic Reserve. With these final transfers included, the General Fund Revenue Budget will show spend on budget for 2019/20.

- 1.5.3 **Reserves, Balances and Provisions:** As part of the 2019/20 financial statements, amounts have been set aside as provision and reserves for known liabilities, risks and uncertainties that remain in future years.
- 1.5.4 **Housing Revenue Account:** The Housing Revenue Account has year-end balances of £7.803m, which is a £2.831m improvement against the in-year Budget.
- 1.5.6 **Schools Finance:** School balances have decreased from £1.599m to £0.165m, these balances include a significant amount of committed funds and the permitted carry forward of grants for the remainder of the academic year.
- 1.5.7 **Investment Plan:** The final capital expenditure position for the year was £59.080m, with a recommendation noted above for Cabinet to approve reprogramming of £6.262m into 2020/21.
- 1.5.8 **Treasury Management:** The Authority has acted in line with the agreed strategy that the security of the Authority's resources is of greater importance than investment returns. The level of investments at 31 March 2020 was £52.100m (£35.100m with HM Treasury and £17.000m with other local authorities). The level of borrowing (excluding PFI) was £466.913m (up from the 2018/19 level of £450.146m) which is well within the Capital Financing Requirement agreed as part of Budget-setting, primarily due to continued level of 'internal borrowing'.
- 1.5.9 **New Revenue Grants:**

| Service                            | Grant Provider                      | Grant  | Purpose  | 2019/20 value<br>£m |
|------------------------------------|-------------------------------------|--|--|---------------------|
| Commissioning and Asset Management | Education and Skills Funding Agency | Year 7 Catch Up Premium Allocations for Maintained Schools and PRU's | For the educational benefit of pupils who did not achieve level 4 Key Stage 2 in reading and/or mathematics. | 0.150               |

| <b>Service</b>                     | <b>Grant Provider</b>                                 | <b>Grant</b>                                       | <b>Purpose</b>  | <b>2019/20 value<br/>£m</b> |
|------------------------------------|---|--|---|-----------------------------|
| Commissioning and Asset Management | Education and Skills Funding Agency                   | Free School Meals Supplementary Grant              | Due to the roll-out of Universal Credit, the ESFA have introduced an income-based threshold for free school meal eligibility. As a result of this change to the benefit system and free school meal eligibility, the number of pupils eligible for free school meals will increase. This grant will provide schools with extra funding to help them meet the higher costs of providing extra meals before the lagged funding system catches up. | 0.351                       |
| Commissioning and Asset Management | European Regional Development Fund                    | Killingworth Sustainable Retrofit Project          | Killingworth Sustainable Retrofit Project   | 0.027                       |
| Public Health                      | Department of Health                                  | Public Health England Innovation Fund - Bottled Up | Identifying and Supporting Children and Families to reduce Alcohol Harm.  | 0.263                       |
| 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  | 6.822                       |
| Central Items                      | Ministry of Housing, Communities and Local Government | Business Support Grant                             | To support small businesses effected by the Covid-19 pandemic   | 38.490                      |
| <b>Total</b>                       |   |  |   | <b>46.103</b>               |

- 1.5.10 **Strategic Issues:** Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic. The Authority received a £6.822m share of the Government's Local Support Grant in March 2020 to support local authorities with the additional costs and income lost due to Covid-19. As 'Lockdown' measures were only announced on 23 March 2020, the impact in 2019/20 was £0.733m and the remaining balance of £6.089m was moved to a ringfenced reserve, ready to be utilised in 2020/21 when the greater impact is expected.
- 1.5.11 A further tranche of the Local Support Grant of £5.709m was received in May 2020 bringing the total received by the Authority 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 ongoing between Finance and the wider service areas to quantify the impact of costs and income forgone against the 2020/21 Budget. Monthly returns are being submitted to the Ministry for Housing, Communities and Local Government containing the latest estimates of the financial impact of Covid-19 on the Authority. The May 2020 return projected the financial impact to be £24.930m (both General Fund and HRA), far in excess of the current funding that has been made available to the Authority from the Government. The impact of Covid-19 on the medium-term financial plan is currently being considered and a refreshed plan will be presented in a future report to Cabinet.
- 1.5.12 In addition to the Local Support Grant, the Authority also received a £38.494m grant from the Government aimed at supporting small businesses during the pandemic. Using records held in the Northgate system, initial estimates were that 3,014 small businesses 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, with payments still being made on a daily basis.

## 1.6 Decision options:

### Option 1

Cabinet can agree the recommendations as set out in Section 1.2 of this report.

### Option 2

Cabinet can disagree with all or some of the individual recommendations set out in section 1.2 of the report.

Option 1 is the recommended option.

## 1.7 Reasons for recommended option:

It is recommended that Cabinet agree the proposals set out in section 1.2 of this report as it forms part of the 2019/20 Statement of Accounts. Reprogramming of the Investment Plan will ensure successful delivery of projects included within the Investment Plan.

## 1.8 Appendices:

|            |  |
|------------|--|
| Annex 1    | 2019/20 Provisional Finance Outturn Report |
| Appendix A | Reserves & Balances                        |
| Appendix B | Investment Plan Financing Summary          |

|            |  |
|------------|--|
| Appendix C | Investment Plan Summary of Variations                  |
| Appendix D | Prudential & Treasury Indicators                       |
| Appendix E | Financial Interventions by the Government for Covid-19 |

## 1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel 643 5701

Claire Emmerson – School and Corporate Finance matters – Tel 643 8109

David Dunford – General Fund and Corporate Finance matters – Tel 643 7027

Darrell Campbell – Housing Revenue Account matters – Tel 643 7052

Cathy Davison – Investment Plan and Corporate Finance matters – Tel 643 5727

Amar Hassan – Treasury Management matters – Tel 643 5747

## 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 2019/20.  
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201920.pdf>
- (b) Approved Investment Plan 2019-2023.  
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/7%20Appendix%20D%28i%29%202019-23%20Investment%20Plan%20Summary.pdf>
- (c) Reserves and Balances Policy – Appendix G  
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/12%20Appendix%20G%20Reserves%20and%20Balances%20Policy%20201920.pdf>
- (d) Investment Programme Board – End of year report 2019/20 (available at offices of author)

## 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 and Annex 1.

### 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**

### **Internal consultation**

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Senior Leadership Team and senior Finance officers. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 14 July 2020.

### **Community engagement**

The 2019/20 Budget was agreed after widespread consultation in line with the Authority's approved Budget Engagement Strategy. Appendix F of the 2019/20 Financial Planning and Budget Process report to full Council on 7 February 2019 provides details of the consultation.

## **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 and Customer Service  X



# 2019/20 Provisional Finance Outturn Report

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## **Section 1 – EXECUTIVE SUMMARY**

### **1.1. Summary**

- 1.1.1. The Authority's audited Statement of Accounts (the Accounts) for 2019/20 will be presented to the Audit Committee for approval in November 2020. This will be later than in other financial years as a result of the Covid-19 pandemic. National changes were made to deadlines covered in legislation relating to the publication and external auditing of the Accounts. These changes resulted in the deadline for the Chief Finance Officer to "certify" the draft accounts changing to 31 August 2020 and therefore the approval of the accounts by Audit Committee will not take place until November 2020. Audit Committee have been briefed on these changes. The figures contained in this report are provisional until the completion of the Accounts. .
- 1.1.2. The Accounts are a statutory document which set out the Authority's financial position and performance for the year in a series of formal accounts prepared according to a specific statutory and regulatory framework. Successive changes to local government accounting practice have made the Accounts a very technical document. As in previous years, this report sets out the Authority's financial performance in an outturn report. This reflects the Authority's structure and is set out on a similar basis to the financial management reports presented to Cabinet throughout the year.
- 1.1.3. The financial year has seen the Authority continue to manage its finances despite on-going funding reductions and continuing cost pressures in respect of social care services. Despite these challenges the proactive management of the General Fund Budget throughout the year has led to a year-end surplus of £0.050m. It is proposed to deal with this surplus by a transfer to the Strategic Reserve. In addition to this the Authority received two one-off dividend payments (£0.637m for the Airport and £0.400m following the closure of the Kier NT Joint Venture) in-year. In other years where a surplus has been generated this would be held in reserve for future investment in the Borough but in light of the significant and unexpected impact of the Covid-19 pandemic, it is proposed that these are transferred to reserves (£0.195m to General Fund balances and £0.842m to the Strategic Reserve) to support the increased financial impact and risk to the Authority expected during 2020/21 and future years. After the final transfers, the General Fund Revenue Account shows spend on Budget for 2019/20, with a closing balance on the Strategic Reserve of £15.489m and General Fund balances of £7.000m. Retaining these levels of balances is important for managing the financial resilience of the Authority through 2020/21 and beyond.
- 1.1.4. School balances have reduced from £1.599m at the start of the financial year to £0.165m at 31 March 2020. Whilst some schools have seen their individual balances increase, the value of individual school deficits overall has increased which contributes to the £1.434m reduction in balances. Overall the position improved by £6.095m from initial projected overall deficit balances of £4.661m. Further details are contained in Section 6 of this Annex.

- 1.1.5. The Housing Revenue Account balances have increased from £7.303m to £7.803m, an in-year increase of £0.500m. This change is as a result of an in-year improvement against Budget of £2.831m (this represents 4.1% of the gross Budget). Further details are given in Section 7 of this Annex.
- 1.1.6. The initial approved Investment Plan for 2019/20 was £62.758m. Variations and reprogramming of £2.424m were approved by Cabinet during 2019/20 to give a revised Investment Plan of £65.182m. Capital expenditure for the year was £59.080m (90.64% of the revised plan), a variation of £6.102m. This outturn includes further reprogramming of £6.262m as shown in Section 8.

## **1.2. Strategic Management of the Authority's Budget**

- 1.2.1. Whilst statutorily the Authority's Budget and Statement of Accounts must be prepared annually, the pressures and opportunities that the Authority faces often extend across several accounting years. Decisions taken in one year may be felt in subsequent periods. One of the benefits of the Authority's regular Budget monitoring process is that issues can be identified early in the year and action taken to address them. The outcomes of these actions can then inform both Budget-setting and preparation of the Financial Statements. Budget-setting, Budget management and the Financial Statements can therefore be seen as related parts of a continuous process of financial management by the Authority. This part of the report sets out some of the key strategic issues managed by the Authority during 2019/20.

## **1.3. General Fund**

- 1.3.1. The Budget for 2019/20 was approved by full Council at its meeting of 21 February 2019. The net General Fund Budget was set at £155.730m including efficiency savings of £10.533m (£6.875m new to 2019/20 and £3.658m of prior year savings requiring a permanent solution in 2019/20).
- 1.3.2. The Monitoring report up to 31 January 2020 projected a pressure of £2.932m and the final position is an underspend of £0.050m.

## **1.4. Budget Savings Programme**

- 1.4.1. The Efficiency Programme for 2019/20 included savings of £6.875m and £3.658m of savings targets carried forward from 2018/19, for the delivery of projects/actions included as part of the previous Creating A Brighter Future Programme. The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration were required to be implemented during 2019/20 leading to £6.233m or 90.66% of the £6.875m savings targets being achieved. The remaining balance of £0.642m combined with the £3.658m of prior year balances were handled through a range of alternative management activities, the success of which is demonstrated in the outturn. The majority of the prior year balances related to ambitious cross-cutting savings proposals that were identified as being challenging to achieve. The high-risk nature of these savings was identified early in the financial year and as such growth funding was allocated for 2020/21 in the 2020-2024 Medium-Term Financial Plan. The Efficiency

Programme is monitored as part of the overall financial position of the Authority, and regular updates of progress is shared with the Mayor and Cabinet members and also reported to Cabinet as part of the bi-monthly Financial Management reports. Further details of the Efficiency Programme outcomes are detailed in section 3.

## **1.5. Treasury Management**

1.5.1. There has been an increase in the level of actual external borrowing (excluding PFI) from £451.146m at 31 March 2019 to £466.913m at 31 March 2020. The level of internal funding remains high at £57.655m at 31 March 2020 (£84.047m at 31 March 2019), subsequently this avoids interest charges. During 2019/20 the sustained approach to maximising the use of internal borrowing, using short-term borrowing at lower rates and the impact of reprogramming within the Investment Plan resulted in interest savings of £3.641m in-year (General Fund and HRA).

## **1.6. Reserves and Outlook**

- 1.6.1. 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.
- 1.6.2. There have been a range of financial interventions introduced by the Government, these are set out in Appendix E. 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 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.
- 1.6.3. A further 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. Monthly returns are being submitted to the Ministry for Housing, Communities and Local Government containing the latest estimates of financial impact of Covid-19 on the Authority's finances. The May 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, impact on collection of council tax. In addition, despite a range of government support being put in place we anticipate there being a significant impact on the businesses in the borough which will impact on Business rates raised and collected both during 2020/21 and beyond.

- 1.6.4. In addition to the Local Support Grant, 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. 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.
- 1.6.5. Further impacts of the Covid-19 pandemic include the delay in the 2020 Spending Review, which was scheduled to be completed by July this year. This has been delayed to enable the Government to remain focused on responding to the ongoing coronavirus outbreak. Current indications suggest a one year settlement may be issued again, with a full spending review delayed with no timetable yet as to when indicative funding for local government for 2021/22 is likely to be announced.
- 1.6.6. Additionally 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. This lead to further significant risk remain to the Authority's ability to update the four year financial plan.
- 1.6.7. The general fund outturn position includes £1.037m of dividend that in "normal" circumstances Cabinet could have considered to use to fund further investment in the borough, however in light of the financial risks the authority faces it is being recommended to Cabinet to use this funding to increase the General Fund Balance to £7.000m and the Strategic Reserve to £15.489m.
- 1.6.8. 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 terms implications of how the borough and indeed the country will recovery from the impacts of Covid-19 is of concern when considering the financial sustainability of the authority remains a significant concern, particularly when taken in the context of funding reductions the authority has managed since 2007/18. Appendix A sets out in detail the movement on Reserves and Balances and 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.

- 1.6.9. 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 advised by finance bodies with the level being considered in light of risks the authority faces not just in the current year but looking ahead.
- 1.6.10. The net movement in HRA reserves and balances is an increase of £1.567m. The HRA reserves have increased by £1.067m to £22.870m in 2019/20. The use of up to £1.500m of HRA PFI Reserve was approved by Cabinet under the Use of Reserves policy to finance the payment of a settlement agreement with S4NT & Galliford Try relating to the construction phase of the North Tyneside Living PFI project. Within the HRA reserve total, over £11.000m relates to PFI reserves. Included in the overall movement is an increase in Housing Revenue Account balances of £0.500m as set out in Section 7 of this Annex.
- 1.6.11. School Balances show a reduction of £1.434m as set out in section 6 of this Annex, but as stated previously this is a significant improvement of £6.095m against the planned deficit balance position of £4.661m. As at 31 March 2020, the DSG account is showing a net deficit balance of £3.262m. This compares to a surplus balance of £0.746m in 2018/19. Whilst the Authority does have some plans to recover this deficit position, there remains uncertainty as to how this is to be resolved, adding further risk for the Authority in the short to medium term.
- 1.6.12. Table 1 below represents the reserves and balances position of the Authority as at 31 March 2020. It shows a comparison of the position expected for the reserves and balances to be carried forward into 2020/21 (as at budget setting) and the actual position carried forward into 2020/21. Included in the carried forward figure for General Fund ringfenced reserves is £6.089m relating to the Covid-19 Local Authority Support Grant.

1.6.13. **Table 1: Reserves and Balances position as at 31 March 2020**

| <b>Reserves and Balances</b>             | <b>2019/20<br/>B/Fwd<br/>£m</b> | <b>2020/21<br/>Projected<br/>£m</b> | <b>2020/21<br/>C/Fwd<br/>£m</b> |
|--|---------------------------------|-------------------------------------|---------------------------------|
| <b>Reserves</b>                          |                                 |                                     |                                 |
| General Fund ringfenced                  | 25.318                          | 24.113                              | 28.581                          |
| General Fund un-ringfenced               | 19.492                          | 18.369                              | 19.181                          |
| General Fund grants                      | 3.795                           | 1.243                               | 0.084                           |
| HRA                                      | 19.852                          | 17.279                              | 19.102                          |
| <b>Reserves Sub Total</b>                | <b>68.457</b>                   | <b>61.004</b>                       | <b>66.948</b>                   |
| <b>Balances</b>                          |                                 |                                     |                                 |
| General Fund                             | 6.805                           | 6.805                               | 7.000                           |
| Schools                                  | 1.599                           | (0.201)                             | 0.165                           |
| HRA                                      | 7.304                           | 7.593                               | 7.804                           |
| <b>Balances Sub Total</b>                | <b>15.708</b>                   | <b>14.197</b>                       | <b>14.969</b>                   |
| <b>Grand Total Reserves and Balances</b> | <b>84.165</b>                   | <b>75.201</b>                       | <b>81.917</b>                   |

1.6.14 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.



## **SECTION 2 - GENERAL FUND INCOME AND EXPENDITURE SUMMARY**

### **2 General Fund Revenue Provisional Outturn**

- 2.1 This section of the report details the provisional outturn at 31 March 2020. The Authority's approved net revenue Budget of £155.730m is provisionally expected to underspend by £0.050m. This is an improvement of £2.982m on the previous position reported to Cabinet based on forecasts at January 2020 which showed a pressure of £2.932m. The Budget includes £6.875m of 2019/20 savings as agreed at full Council on 21 February 2019. Table 2 in paragraph 2.5 below sets out the variation summary across the General Fund. In addition to this position is a £0.637m one-off dividend receipt from the Airport and a £0.400m one-off dividend receipt following the closure of the Keir NT Joint Venture. It is proposed that these balances are transferred into the General Fund balances (£0.195m) and the Strategic Reserve (£0.842m). The General Fund surplus of (£0.050m) is also proposed to be taken to the Strategic Reserve. With these final transfers included, the General Fund will show spend on Budget for 2019/20.

#### **Accounting Adjustments**

- 2.2 As part of the statutory reporting regulations there is a requirement to ensure that there is a clear audit trail between the figures reported to Cabinet and those published in the Statement of Accounts. The outturn therefore includes a series of year-end accounting adjustments which, whilst having no impact on the final overall position against the Budget, provide a link from the outturn reported to Cabinet to the published accounts. These adjustments include:
- Adjusting both budget and actual positions for support services. This has no impact on variances;
  - Adjusting the service positions for actual (rather than budgeted) capital expenditure items; and,
  - Adjusting the service positions for the impact of Private Finance Initiatives (PFI) which has reduced the reported costs of the services by £5.533m and has had the opposite impact on the corporate budget lines.
- 2.3 As in previous years, these accounting adjustments were not included in the previously reported forecasts presented to Cabinet.
- 2.4 Table 2 below shows the variance between the outturn to be published in the Statement of Accounts and the Budget and also shows the adjustments required to allow comparison of the provisional outturn for Cabinet to the last reported position:

2.5 Table 2: 2019/20 General Fund Revenue Provisional Outturn as at 31 March 2020

|  | Budget         | Final Accounts Outturn | Variance       | Accounting Adjustments | Adjusted Variance for Cabinet | January Forecast Variance for Cabinet | Movement from Last Cabinet Report |
|--|----------------|------------------------|----------------|------------------------|-------------------------------|---------------------------------------|-----------------------------------|
| Services                                 | £m             | £m                     | £m             | £m                     | £m                            | £m                                    | £m                                |
| Health, Education, Care and Safeguarding | 67.463         | 73.291                 | 5.828          | (0.069)                | 5.759                         | 7.149                                 | (1.390)                           |
| Commissioning and Asset Management       | 21.445         | 5.503                  | (15.942)       | 16.120                 | 0.178                         | 0.300                                 | (0.122)                           |
| Environment, Housing and Leisure         | 42.140         | 38.114                 | (4.026)        | 3.389                  | (0.637)                       | (0.302)                               | (0.335)                           |
| Regeneration and Economic Development    | 1.259          | 1.687                  | 0.428          | (0.153)                | 0.275                         | 0.035                                 | 0.240                             |
| Corporate Strategy                       | 0.419          | 0.416                  | (0.003)        | 0.000                  | (0.003)                       | (0.068)                               | 0.065                             |
| Chief Executive's Office                 | (0.100)        | (0.190)                | (0.090)        | 0.000                  | (0.090)                       | (0.048)                               | (0.042)                           |
| Resources                                | 1.538          | 2.002                  | 0.464          | (0.012)                | 0.452                         | (0.097)                               | 0.549                             |
| Law and Governance                       | 0.019          | 0.223                  | 0.204          | 0.000                  | 0.204                         | 0.171                                 | 0.033                             |
| Central Items                            | 1.534          | 14.621                 | 13.087         | (19.275)               | (6.188)                       | (4.208)                               | (1.980)                           |
| Support Services                         | 20.013         | 20.013                 | 0.000          | 0.000                  | 0.000                         | 0.000                                 | 0.000                             |
| <b>Total Authority before dividends</b>  | <b>155.730</b> | <b>155.680</b>         | <b>(0.050)</b> | <b>0.000</b>           | <b>(0.050)</b>                | <b>2.932</b>                          | <b>(2.982)</b>                    |
| Newcastle Airport Dividend               | 0.000          | (0.637)                | (0.637)        | 0.000                  | (0.637)                       | 0.000                                 | (0.637)                           |
| Kier NT Dividend                         | 0.000          | (0.400)                | (0.400)        | 0.000                  | (0.400)                       | 0.000                                 | (0.400)                           |
| <b>Total Authority</b>                   | <b>155.730</b> | <b>154.643</b>         | <b>(1.087)</b> | <b>0.000</b>           | <b>(1.087)</b>                | <b>2.932</b>                          | <b>(4.019)</b>                    |

## **Main Movements From Previous Reported Forecast Variance (January Report)**

- 2.6 Comparing the adjusted outturn variance to the previously reported January forecast outturn shows an overall improvement of £2.982m before dividends. The main reasons for these movements are itemised below with more detailed explanations of both the outturns and the changes compared to the January report being contained in Section 5 of this report.

### Health Education Care and Safeguarding

- 2.7 There has been an overall improvement of £1.390m since the January report resulting mainly from an adjustment to direct payment costs reflecting a payment in advance for services supporting these clients.

### Commissioning and Asset Management

- 2.8 There has been an improvement of £0.122m within Commissioning and Asset Management since the January report. There has been an increase in overspend within Facilities and Fair Access of £0.261m relating to price inflation in Catering and Cleaning and pressures within Home to School Transport resulting from higher numbers and increased complexity of the needs of children attending special schools. This has been offset by an improved position in Property due to PFI credits and a contribution from commercial arrangements with the Authority's Technical Partner.

### Environment Housing and Leisure

- 2.9 Environment Housing and Leisure saw an improvement of £0.335m since the January report largely due to an improved position in relation to waste disposal costs.

### 2.10 Regeneration and Economic Development

There has been an increased overspend of £0.240m compared to the January report, mainly due to an underachievement of a target to recharge staff costs to capital schemes. This has resulted from a transfer of project management work to Commissioning and Asset Management allowing Regeneration and Economic Development to focus on sourcing external funding for capital investments within the Borough.

### 2.11 Resources

There has been an increased overspend of £0.549m, mainly due to not drawing down reserves to cover IT costs that had been previously planned within the January position. The overall improvement in the outturn position made this drawdown unnecessary.

### Central Items

- 2.12 Central Items has improved by £1.980m since the January report. There has been £0.395m of additional Government funding received, whilst the position has benefited from £1.158m of year-end accounting adjustments in capital, PFI and salary sacrifice. The position on the Regional Adoption Agency has allowed a £0.175m support service recharge be made to Central Items and there is a surplus position on the Education Services Support Grant which is held centrally. Further details can be found within paragraph 5.9.

## Other Services

- 2.13 Other services have been grouped together as individually the movements in outturn variances are not material. The largest items within the overall worsening of £0.056m related to reduced income and increased marketing costs in Corporate Strategy and additional barrister fees and coroner costs within Law and Governance following a period of staff turnover.

### **SECTION 3 - DELIVERY OF BUDGET SAVINGS PROPOSALS**

3.1 The combined budget savings of £6.875m in 2019/20 approved by full Council in February 2019 bring the total savings the Authority has had to find in the nine years following the 2010 Comprehensive Spending Review (CSR) to £126.951m.

3.2 **Table 3: Year on Year savings since 2010 CSR**

| <b>Year</b>          | <b>£m</b>      |
|----------------------|----------------|
| 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          |
| <b>Total Savings</b> | <b>126.951</b> |

3.3 In addition to the £6.875m of savings proposals required in 2019/20, £3.658m of prior year savings required a permanent solution after these savings were successfully achieved by in-year management actions during 2018/19. The total amount of savings that needed to be achieved in 2019/20 was therefore £10.533m.

3.4 The full savings programme total of £10.533m has been achieved in-year with a total of £6.233m (90.66%) of the new projects achieved requiring £4.300m of the remaining savings targets to be achieved by other management actions evidenced by the balanced position within the General Fund for 2019/20. These figures include the mitigating items of £1.100m of management actions which were identified early in the year as achievable via Central Items in 2019/20 and the £0.300m additional health income reported previously which mitigated a savings target within HECS. Continued good management of the Authority's Treasury Management function has allowed the remaining balance to be met in-year. The high-risk nature of the cross-cutting savings was identified early in the financial year and as such growth funding was allocated for 2020/21 in the 2020-2024 Medium-Term Financial Plan, removing the impact of these savings in future years.

### 3.5 Table 4: Efficiency Savings by Service at March 2020

| Service                                | 2019/20 Target<br>£m | Projected Delivery<br>£m | Management Actions<br>£m |
|--|----------------------|--------------------------|--------------------------|
| Regeneration and Economic Development  | 0.103                | 0.103                    | 0.000                    |
| Central Items                          | 6.058                | 2.376                    | 3.682                    |
| Commissioning & Asset Management       | 0.176                | 0.176                    | 0.000                    |
| Corporate Strategy                     | 0.042                | 0.042                    | 0.000                    |
| Environment, Housing & Leisure         | 0.886                | 0.886                    | 0.000                    |
| Health, Education, Care & Safeguarding | 3.268                | 2.650                    | 0.618                    |
| <b>Total</b>                           | <b>10.533</b>        | <b>6.233</b>             | <b>4.300</b>             |

- 3.6 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 were held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main variations in relation to the savings achieved by management actions are as follows:

#### Central Items

- 3.7 The £3.682m of savings targets within Central Items included a total of £2.582m forecast as still needing achievement in the January report. These savings related to cross-cutting targets from the following Efficiency Statement categories; A Focus on the Social Care Customer Experience (£0.903m), How We Are Organised (£0.687m) and Delivering Our Fees & Charges Policy (£0.992m). The improvement in the Central Items outturn position has allowed the delivery of these targets in 2019/20.
- 3.8 These ambitious cross-cutting savings proposals were identified as being challenging to achieve. The high-risk nature of these savings was identified early in the financial year and as such growth funding was allocated for 2020/21 in the 2020-2024 Medium-Term Financial Plan.

#### Health, Education, Care and Safeguarding

- 3.9 HECS has delivered £2.650m (81%) of its original savings targets during the year with the remainder achieved through additional management actions. Targets yet to be permanently achieved are primarily made up of two schemes. An amount of £0.100m relating to the implementation of assistive technology under the Efficiency Statement category of A Focus on the Social Care Customer Experience. This project trialed new approaches in 2019/20 and there is cautious optimism that the full target will be permanently delivered in 2020/21 although the full impact of Covid-19 on this delivery is still being fully assessed. There is a further amount of £0.168m relating to expenditure reductions within Early Help and Vulnerable Families and HECS is working hard to identify permanent measures to achieve this target. A target relating to 2018/19, for care fee costs, has been met in-year by additional CCG income with arrangements progressing to permanently deliver this saving from 2020/21 although the impact of Covid-19 on the care market will make this more challenging.

## **SECTION 4 – NEW REVENUE GRANTS**

- 4.1 The following new revenue grants have been received or notified during February and March 2020.

**Table 5: Grants Received or Notified in February and March 2020**

| <b>Service</b>                     | <b>Grant Provider</b>               | <b>Grant</b>   | <b>Purpose</b>  | <b>2019/20 value<br/>£m</b> |
|------------------------------------|-------------------------------------|--|---|-----------------------------|
| Commissioning and Asset Management | Education and Skills Funding Agency | Year 7 Catch Up Premium Allocations for Maintained Schools and PRU's | For the educational benefit of pupils who did not achieve level 4 Key Stage 2 in reading and/or mathematics.  | 0.150                       |
| Commissioning and Asset Management | Education and Skills Funding Agency | Free School Meals Supplementary Grant                                | Due to the roll-out of Universal Credit, the ESFA have introduced an income-based threshold for free school meal eligibility. As a result of this change to the benefit system and free school meal eligibility, the number of pupils eligible for free school meals will increase. This grant will provide schools with extra funding to help them meet the higher costs of providing extra meals before the lagged funding system catches up. | 0.351                       |
| Commissioning and Asset Management | European Regional Development Fund  | Killingworth Sustainable Retrofit Project                            | Killingworth Sustainable Retrofit Project   | 0.027                       |

| <b>Service</b> | <b>Grant Provider</b>                                 | <b>Grant</b>                                       | <b>Purpose</b>   | <b>2019/20 value £m</b> |
|----------------|---|--|--|-------------------------|
| Public Health  | Department of Health                                  | Public Health England Innovation Fund - Bottled Up | Identifying and Supporting Children and Families to reduce Alcohol Harm.   | 0.263                   |
| 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 | 6.822                   |
| Central Items  | Ministry of Housing, Communities and Local Government | Business Support Grant                             | To support small businesses effected by the Covid-19 pandemic              | 38.490                  |
| <b>Total</b>   |   |  |  | <b>46.103</b>           |



## **SECTION 5 – SERVICE COMMENTARIES**

5.1 Meetings have been held throughout the year between Finance officers and budget managers to review the forecast positions for 2019/20, with forecasts being prepared on a prudent basis. Meetings have taken place to review the quarter one, two and three positions with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members to discuss the in-year finance and performance position. Heads of Service and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

### **5.2 Health, Education, Care & Safeguarding (HECS)**

5.2.1 HECS has ended the year with an overspend of £5.759m against its £67.463m net controllable expenditure Budget. This represents an improvement of £1.390m since the January forecast variance of £7.149m. Please note that the Child Protection, Independent Assessment and Review Service has transferred to HECS from Commissioning and Asset Management since the January report (pressure of £0.025m at January) and the January comparative figure has been adjusted to reflect this change. This forecast position excludes the application of contingency budgets set aside in Central Items for overspends in Adult Services of £1.800m and within Children's Services of £2.616m.

5.2.2 The HECS service has been heavily impacted by the Covid-19 crisis 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. The following Covid-19 related costs have been identified within HECS in the last month of 2019/20 and have been transferred to Central Items and are offset by a drawdown from the Covid-19 Local Support Grant received in March 2020.

#### **5.2.3 Table 6: Impact of Covid-19 on HECS**

| <b>Service Area</b>    | <b>Value<br/>£m</b> | <b>Description</b>                                     |
|------------------------|---------------------|--|
| Wellbeing & Assessment | 0.068               | Lost client contributions and additional care packages |
| Employment & Skills    | 0.004               | Lost course fee income                                 |
| School Improvement     | 0.038               | Lost income from the Langdale Centre and High Borrans  |
| <b>Total</b>           | <b>0.110</b>        |  |

5.2.4 The improvement is mainly within Adult Services where an accounting adjustment of £1.257m has been made to reflect expenditure on direct payments to clients where the services supporting those clients had not been received by 31 March. Further details are shown in paragraphs 5.2.8 to 5.2.38.

### 5.2.5 Table 7: Outturn Variation for HECS at March 2020

|  | <b>Budget<br/>£m</b> | <b>Outturn<br/>March<br/>£m</b> | <b>Variance<br/>March<br/>£m</b> | <b>Variance<br/>Jan<br/>£m</b> |
|--|----------------------|---------------------------------|----------------------------------|--------------------------------|
| Corporate Parenting & Placements                   | 16.316               | 21.615                          | 5.299                            | 5.110                          |
| Child Protection, Independent Assurance and Review | 0.673                | 0.679                           | 0.006                            | 0.025                          |
| Early Help & Vulnerable Families                   | 1.317                | 1.228                           | (0.089)                          | (0.032)                        |
| Employment & Skills                                | 0.546                | 0.478                           | (0.068)                          | (0.028)                        |
| Integrated Disability & Additional Needs Service   | 2.376                | 2.780                           | 0.404                            | 0.453                          |
| School Improvement                                 | 0.086                | (0.080)                         | (0.166)                          | (0.081)                        |
| Regional Adoption Agency                           | 0.000                | 0.000                           | 0.000                            | 0.000                          |
| <b>Children's Services Sub-total</b>               | <b>21.314</b>        | <b>26.700</b>                   | <b>5.386</b>                     | <b>5.447</b>                   |
| Wellbeing, Governance & Transformation             | 2.252                | 2.351                           | 0.099                            | 0.045                          |
| Disability & Mental Health                         | 29.835               | 29.350                          | (0.485)                          | (0.265)                        |
| Wellbeing & Assessment                             | 11.024               | 12.212                          | 1.188                            | 2.161                          |
| Integrated Services                                | 2.639                | 2.234                           | (0.405)                          | (0.286)                        |
| Business Assurance                                 | 0.294                | 0.270                           | (0.024)                          | 0.047                          |
| <b>Adult Services Sub-total</b>                    | <b>46.044</b>        | <b>46.417</b>                   | <b>0.373</b>                     | <b>1.702</b>                   |
| Public Health                                      | 0.105                | 0.105                           | 0.000                            | 0.000                          |
| <b>Total HECS</b>                                  | <b>67.463</b>        | <b>73.222</b>                   | <b>5.759</b>                     | <b>7.149</b>                   |

#### Main budget pressures across HECS

5.2.6 Throughout the year, in addition to its normal complex budget management, HECS has been required to deal with a combination of pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage and negotiations continue around ensuring funding contributions from the NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints. The financial impact of the Covid-19 crisis has been felt in the last month of the year, however this has been accounted for within Central Items and has been offset by a drawdown from the Covid-19 Local Support Grant. 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 NTCCG.

5.2.7 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 have now dropped to 299. (see 5.2.27 below) however, the numbers of care nights provided in 2019/20 overall has been almost 3000 higher than in 2018/19. 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**

5.2.8 In Adult Services, there is an overspend of £0.373m, which has reduced by £1.329m from the reported position in January.

5.2.9 The reduced position relates mainly to a review of balances on individual accounts of clients who receive a direct payment to arrange their own care. A sum of £1.257m has been identified which has been paid out to these clients but which has not yet been spent on care services at 31 March. An adjustment has been made to reflect this expenditure as a payment in advance.

5.2.10 There are on-going pressures in third party payments for care provision which is £4.195m above budget levels. There is also a smaller overspend relating to premises costs (£0.171m). These are partially offset by client contributions and contributions from the NHS (£3.482m). There are underspends against staffing budgets and supplies and services of £0.327m and £0.075m respectively. The demand pressures were foreseen by Cabinet and backed by £1.800m of centrally-held contingencies.

5.2.11 In common with most local authorities, the Authority has seen demand for adult social care continue to rise as the success story of longer lifespans means there are many more people with care and support needs arising from a mixture of physical health and mental health conditions including dementia and frailty in old age. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

5.2.12 In order to manage this demand as effectively as possible and ensure that the most intensive services are targeted at those in the greatest need, HECS has been going through transformation to develop an asset-based approach that focuses on enhancing an individual's strengths and informal support networks to maximise their independence. This has had the impact of containing the overall size of the population in receipt of services with a cost to the Authority, but the average cost of those services has increased due to the increased average complexity of the needs of those clients.

5.2.13 Pressures within external payments for care provision total £4.195m above budget. Table 8 below shows external payments for care pressures analysed into service types. The reduction in costs in Other Community Based Care results mainly from the reduced direct payment costs described in paragraph 5.2.9.

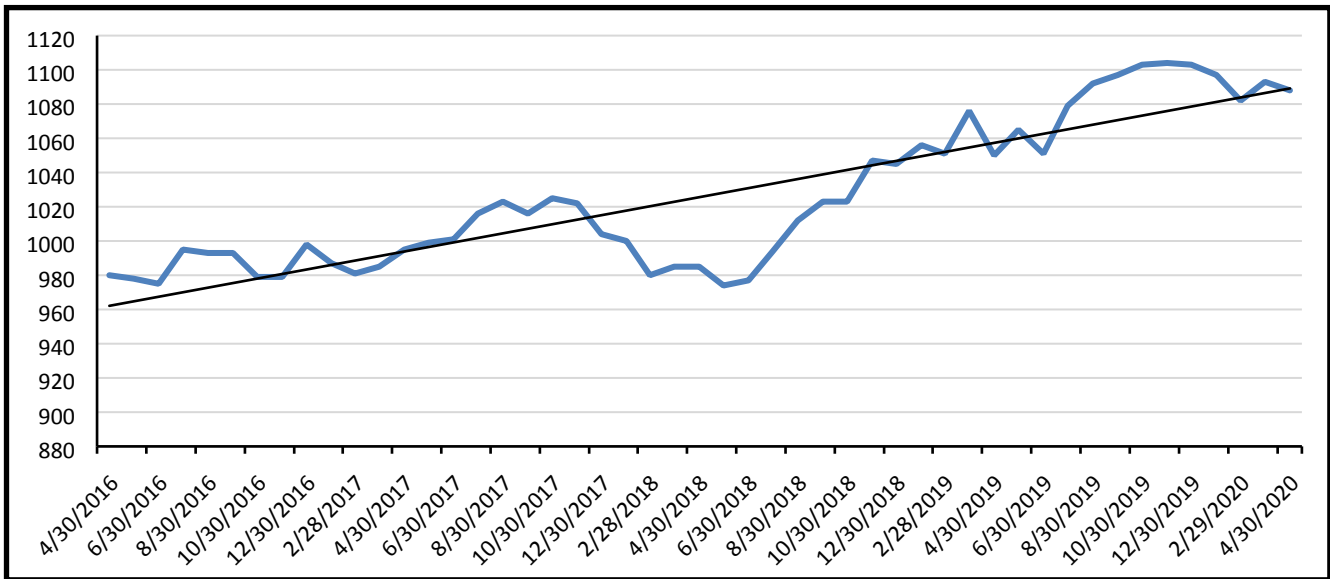
**Table 8: Analysis of Adult Services Care Provision Pressure by Service Type**

| Type of Service              | March<br>£m  | January<br>£m |
|------------------------------|--------------|---------------|
| Residential and Nursing Care | 3.934        | 3.770         |
| Homecare and Extra Care      | 1.151        | 1.051         |
| Other Community-Based Care   | (0.890)      | 0.262         |
| <b>Total</b>                 | <b>4.195</b> | <b>5.083</b>  |

Residential and Nursing Care

- 5.2.14 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 have been strengthened and numbers of placements had fallen in the first part of 2019/20 (1,027 at July 2019). However, challenges remain, 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.
- 5.2.15 Alternative provisions of services are being identified for short-term placements to prevent admission to long-term residential care such as reablement services, community-based intermediate care or extra care provisions. HECS is continuing a focused review of all short-term placements with support from colleagues from sheltered accommodation and with a view to maximising the appropriate use of assistive technology to identify exit plans for those people needing to move on from short-term residential placements.
- 5.2.16 The numbers of placements overall for residential and nursing care, however, has continued in an overall upward trend since July 2019 with a total number of clients placed in care homes of 1,093 at the end of March. The increased numbers of clients placed in residential and nursing care has led to further increase in the overspend for this type of service to £3.934m (£3.770m in January). HECS is continuing to review all placements made through an internal panel and is examining individual cases and the flow of clients through the whole system to understand the causes of this increased level of demand. The movement in numbers placed in residential and nursing care is shown in Chart 1 below.

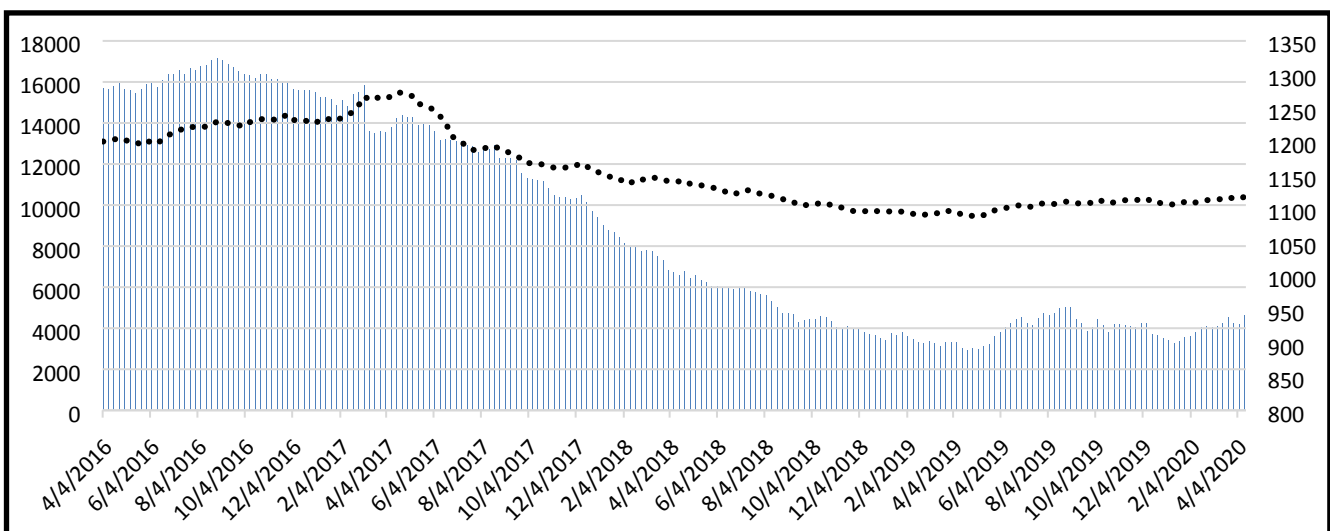
**Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016**



Homecare and Extra Care

5.2.17 As reported during 2018/19, the Authority, in line with the national trend, has seen an increase in the number of homecare hours provided despite a fall in the total number of clients receiving this type of service. It is noted, however, that the number of clients has risen by 3% during 2019/20 however the number of hours delivered has risen by 8.3%. The movement in client numbers (left axis) and hours delivered (right axis) is shown in Chart 2 below:

**5.2.18 Chart 2: Trend in Annual Cost per Client of Homecare/Extra Care Services**



5.2.19 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.

#### Client Related Income

5.2.20 There has been a net reduction in NTCCG contributions of £0.471m 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. Management within HECS are working hard to ensure that clients with significant health needs are appropriately supported by contributions from NHS funding. Contributions from clients and from the NHS ended the year significantly above budget with a surplus of £3.482m, partially offsetting the overspends within payments for externally provided care.

#### Premises

5.2.21 There is an overspend of £0.127m 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**

5.2.22 In Children's Services the £5.386m overspend relates mainly to demand pressures of £5.299m in Corporate Parenting and Placements and £0.404m in Integrated Disability and Additional Needs. These overspends 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. The outturn position has improved overall since the last report in January of £5.447m. Note that the Child Protection, Independent Assessment and Review Service has transferred to HECS from Commissioning and Asset Management since the January report (pressure of £0.025m at January) and the January comparative figure has been adjusted to show this change.

5.2.23 Services for children in care did not suffer any additional expenditure relating to Covid-19 issues in the last weeks of 2019/20, however, a total of £0.042m in lost income has been identified within School Improvement and Employment and Skills and these amounts have been transferred to Central Items and have been met by a drawdown from the Covid-19 Local Support Grant.

#### Corporate Parenting and Placements

5.2.24 The overspends within Corporate Parenting and Placements can be broken down as follows:

**Table 9: Analysis of Overspends in Corporate Parenting and Placements**

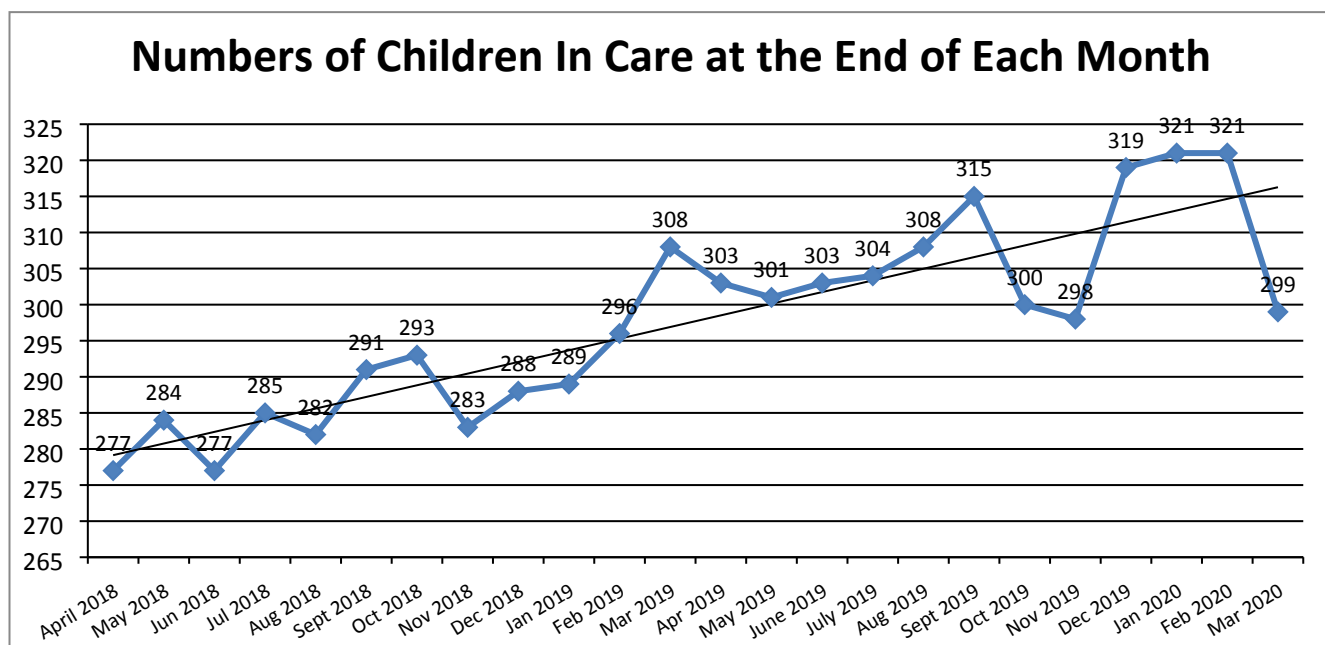
| Type of Service                   | Budget 2019/20 £m | Variance March £m | Variance January £m |
|-----------------------------------|-------------------|-------------------|---------------------|
| Care provision – children in care | 9.167             | 4.362             | 4.089               |
| Care provision – other children   | 3.200             | 0.634             | 0.416               |
| Management & Legal Fees           | (0.221)           | (0.104)           | 0.165               |
| Social Work                       | 4.126             | 0.402             | 0.436               |
| Safeguarding Operations           | 0.044             | 0.005             | 0.004               |
| <b>Total</b>                      | <b>16.316</b>     | <b>5.299</b>      | <b>5.110</b>        |

5.2.25 The increase of £0.189m since the last report mainly relates to one new placement in residential care for the last two months of the year (£0.064m) and one extended placement (£0.024m) in addition to one new placement (£0.046m) and three extended placements (£0.028m) in supported accommodation.

Care Provision – Children in Care

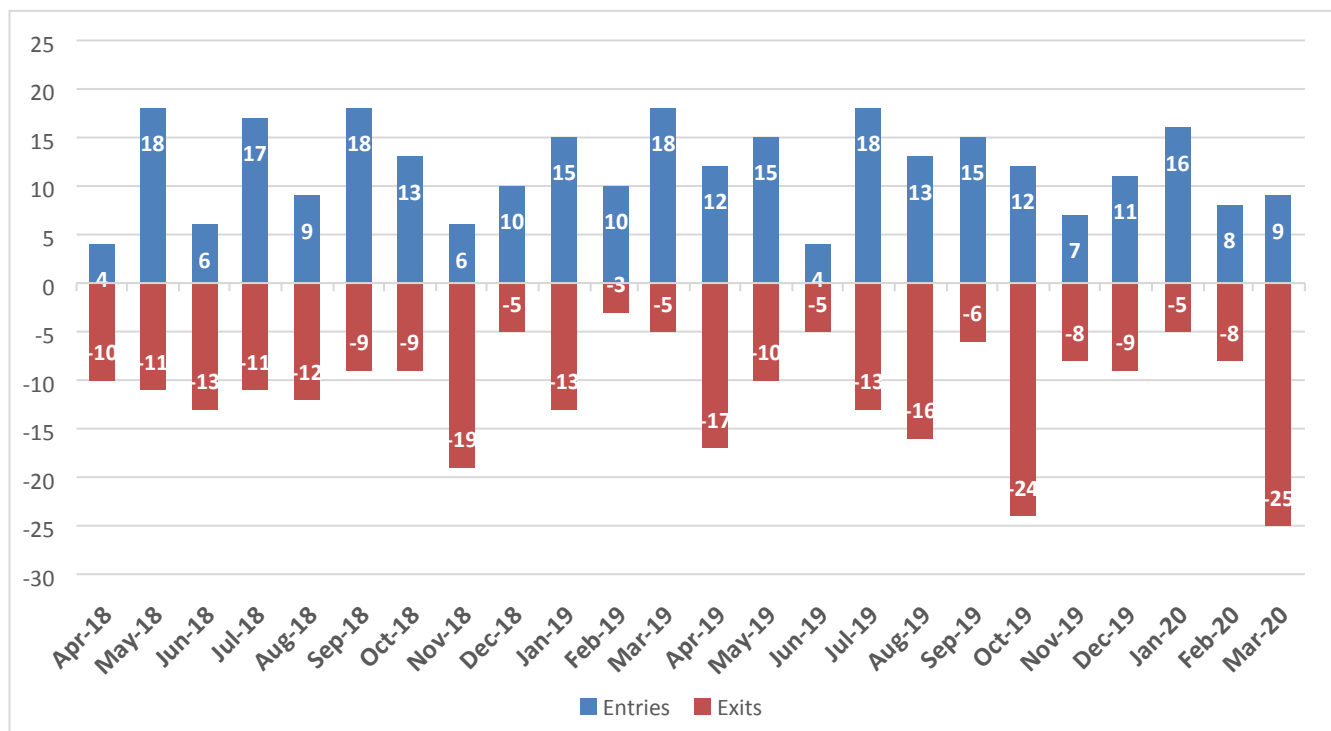
5.2.26 Over recent years, there has been an increase nationally in demand for children’s residential placements but with no corresponding increase in government-funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases being felt nationally. Numbers were, however, steady through 2018/19 before rising to 308 at the year end. Although the number of children in care fell slightly from this during the first few months of this financial year, they rose to 321 in January and remained at that level until falling to 299 at the end of March.

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



5.2.28 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 Coronavirus pandemic has introduced further issues. The Authority currently has 11 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 has proven to be much more volatile in 2019 as compared to 2018 but with a general pattern of less children leaving care, as shown in Chart 4 below.

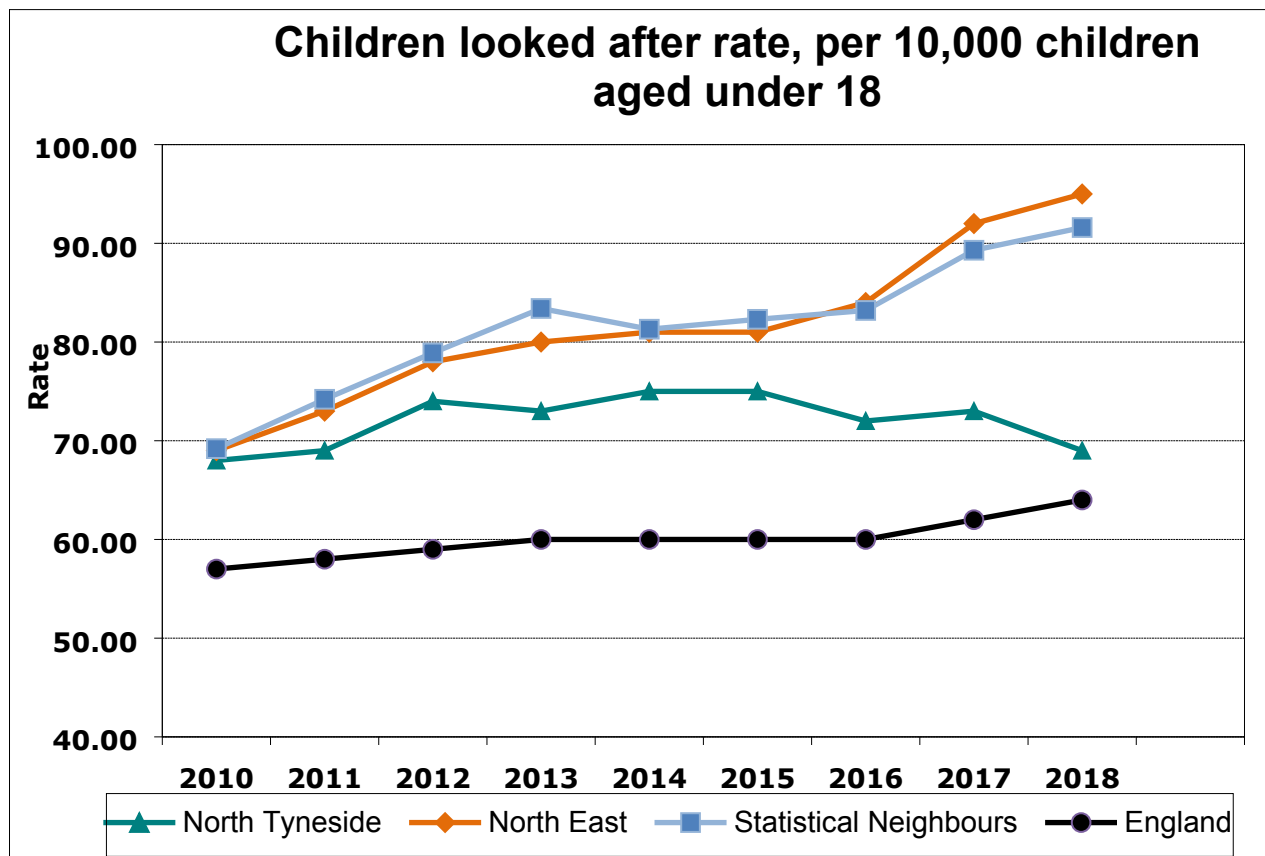
**Chart 4: Detailed Movement in the Numbers of Children in Care**



5.2.29 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.



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



5.2.31 Placement mix continues to change, moving towards the complex end of the spectrum and this is driving an increase in overall costs. Placements for adolescents (particularly males) with a combination of risks including aggressive behaviour, offending, substance use and sexualised behaviour are increasingly difficult to source. This has resulted in the use of more costly bespoke individual placements, where it is not suitable to place young people in group environments. This is demonstrated in Table 10 below where the main pressure results from residential placements which, in terms of total bed nights, represents only 8% of provision by bed nights but is very costly amounting to 65% of the overall placement cost. The average cost of a residential care placement at present is £0.264m; however, this is 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. In 2019/20 there have been 18 children in residential services with a weekly cost in excess of £0.005m. External supported accommodation can also be expensive and there has been 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.

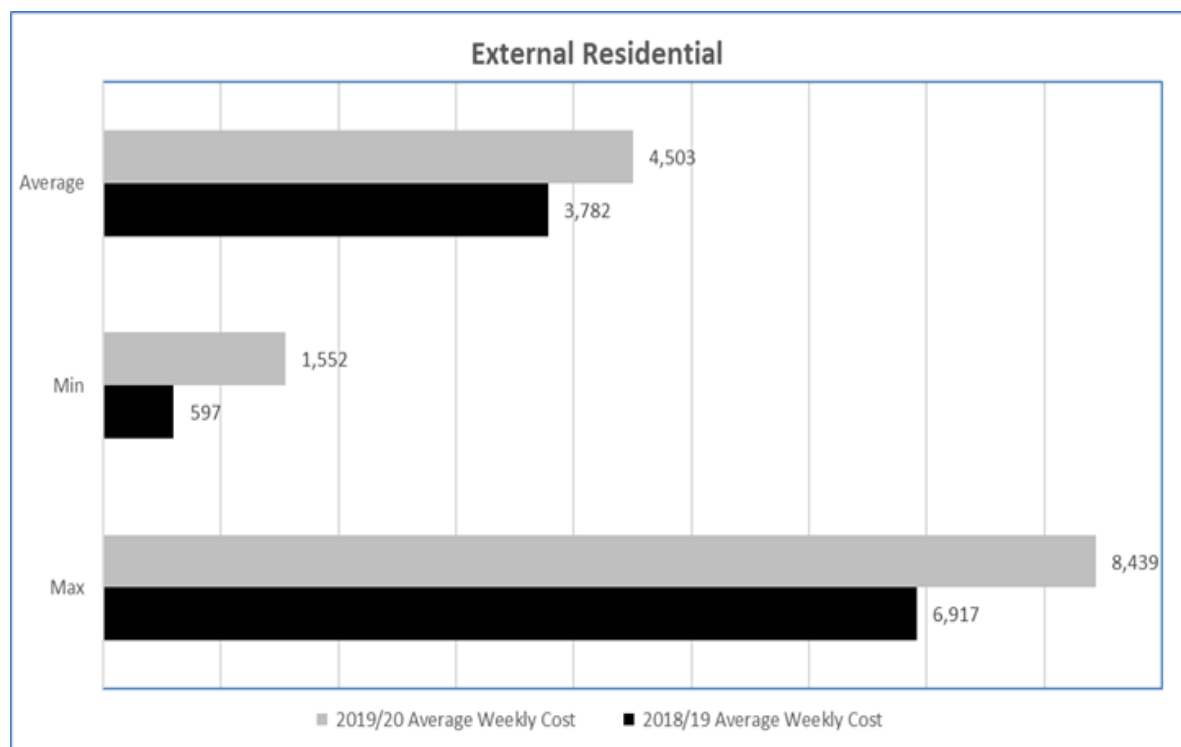
5.2.32 **Table 10: Forecast cost, forecast variance, average placement cost and placement mix**

| Placement Type                   | 19/20 Outturn Variance | Average Annual Placement cost (£m) | 19/20 Bed nights | Placement Mix | No. of children Mar 20 | No. of children Jan 20 |
|----------------------------------|------------------------|------------------------------------|------------------|---------------|------------------------|------------------------|
| External Residential Care        | 2.454                  | 0.264                              | 8,649            | 8%            | 23                     | 24                     |
| External Fostering               | 0.179                  | 0.038                              | 11,184           | 10%           | 26                     | 28                     |
| In-House Fostering Service       | 0.341                  | 0.022                              | 76,731           | 68%           | 203                    | 220                    |
| External Supported Accommodation | 1.377                  | 0.183                              | 4,349            | 4%            | 15                     | 17                     |
| Other*                           | 0.011                  | various                            | 11,709           | 10%           | 32                     | 30                     |
| <b>Total</b>                     | <b>4.362</b>           |                                    | <b>112,622</b>   | <b>100%</b>   | <b>299</b>             | <b>319</b>             |

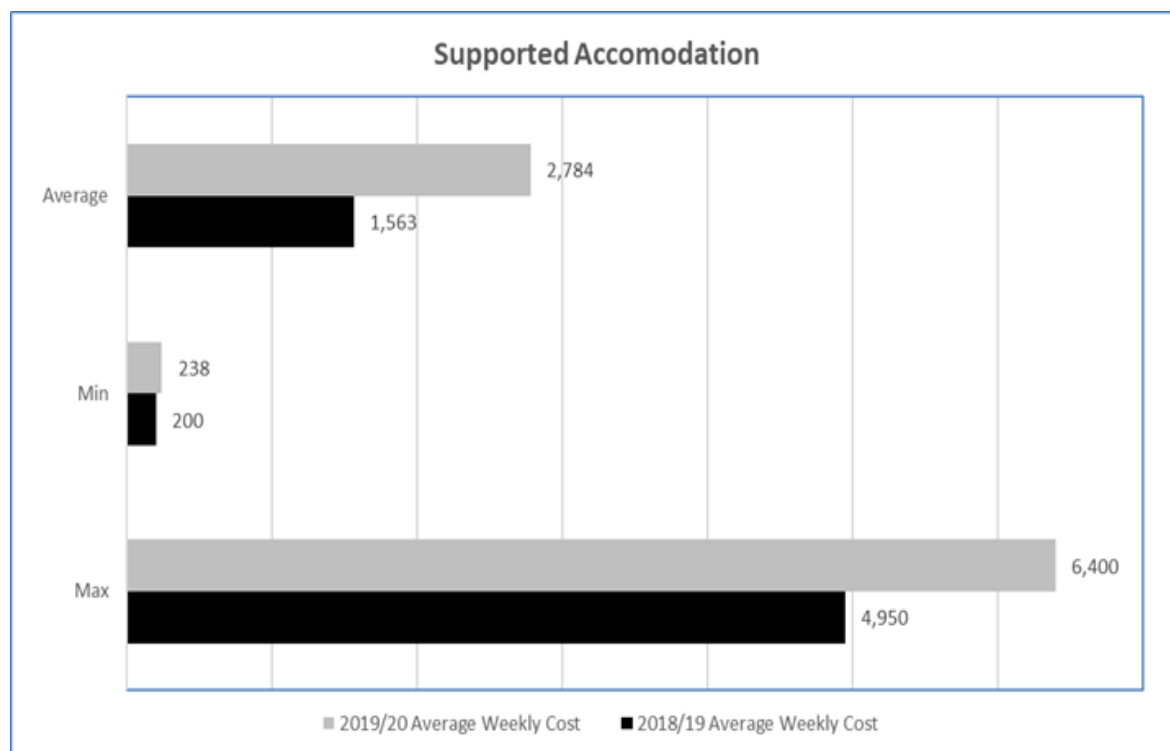
\*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

5.2.33 The impact of the increasingly complex needs of children within the care system can be seen in the increase in average costs of placements between 2018/19 and 2019/20 shown in Charts 6 and 7 below.

**Chart 6: Changes in Average, Minimum and Maximum Weekly Fee Rates Between 2018/19 and 2019/20 for Residential Care (net of health and education contributions)**



**Chart 7: Changes in Average, Minimum and Maximum Weekly Fee Rates Between 2018/19 and 2019/20 for Supported Accommodation (net of health and education contributions)**



5.2.34 Children’s Services has been successful in reducing the use of externally provided supported accommodation, which is the next most expensive form of provision after residential care. This has been achieved by making full use of the Authority’s in-house provision jointly working with the housing team and supporting young people who have been involved in risk taking behaviour with stable and resilient staff teams. This has allowed the placement of young people within internal services that may otherwise have required an external placement at significant additional cost.

Care Provision – Children not in care

5.2.35 The overspend of £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

5.2.36 This area ended the year with an underspend position of £0.104m (January: pressure of £0.165m) due to the release of grant funding to support pressures across the service.

## Social Work

5.2.37 Within the overall overspend of £5.299m for Corporate Parenting and Placements, there are staffing overspends of £0.199m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net overspend is due to the need to establish an additional team, to support with case load management (£0.150m) and market supplement payments (£0.160m). Children's services ended the year with no agency staff in place and caseloads were in line with good practice. There is also an overspend of £0.184m within the social work team budgets for child related costs such as professional fees, DNA tests, drug and alcohol testing, asylum seeker support, counselling sessions and costs for other therapeutic interventions.

### **Integrated Disability and Additional Needs**

5.2.38 There was an overspend of £0.404m at March 2020 which is an improvement of £0.049m since the last report. Within this service area the main overspends relate to operational staffing costs within in-house residential services of £0.150m, and an associated unachieved health income target of £0.096m. There were also staffing overspends of £0.138m in Educational Psychology during the year partly relating to cover arrangements associated with maternity leave. The IDANS service is continuing to carefully review planned provision.

## **5.3 Commissioning and Asset Management**

5.3.1 Commissioning and Asset Management (C&AM) has an outturn overspend of £0.178m as set out in Table 12. This is an improvement of £0.122m compared to the previously reported variance of £0.300m. Note that the Child Protection, Independent Assessment and Review Service has transferred to HECS from Commissioning and Asset Management since the January report (pressure of £0.025m) and the January comparative figure has been adjusted to reflect this change.

5.3.2 The Commissioning and Asset Management service has been heavily impacted by the Covid-19 crisis particularly in relation to supporting schools and in relation to lost income. The following Covid-19 related costs have been identified within C&AM in the last month of 2019/20 and have been transferred to Central Items and are offset by a drawdown from the Covid-19 Local Support Grant received in March 2020.

### **5.3.3 Table 11: Covid-19 Financial Impact within Commissioning and Asset Management**

| <b>Service Area</b> | <b>Value<br/>£m</b> | <b>Description</b>   |
|---------------------|---------------------|--|
| Catering            | 0.352               | Lost school meals income and hospitality income and costs of providing additional free school meals services |
| Cleaning            | 0.025               | Lost course fee income   |
| <b>Total</b>        | <b>0.377</b>        |  |

5.3.4 **Table 12: Commissioning and Asset Management Outturn Variation**

|   | <b>Budget<br/>£m</b> | <b>Outturn<br/>£m</b> | <b>Variance<br/>March<br/>£m</b> | <b>Variance<br/>Jan<br/>£m</b> |
|---|----------------------|-----------------------|----------------------------------|--------------------------------|
| School Funding & statutory staff costs            | 18.288               | 18.259                | (0.029)                          | (0.036)                        |
| Commissioning Service                             | 0.383                | 0.373                 | (0.010)                          | 0.000                          |
| Facilities & Fair Access                          | 0.530                | 1.035                 | 0.505                            | 0.244                          |
| Community & Voluntary Sector Liaison              | 0.439                | 0.421                 | (0.018)                          | (0.015)                        |
| Strategic Property & Investment                   | 0.894                | 0.894                 | 0.000                            | (0.005)                        |
| High needs Special Educational Needs              | 0.000                | 0.000                 | 0.000                            | 0.000                          |
| Property  | 0.786                | 0.517                 | (0.269)                          | 0.120                          |
| Commissioning & Asset Management & support        | 0.154                | 0.153                 | (0.001)                          | (0.008)                        |
| Procurement                                       | (0.029)              | (0.029)               | 0.000                            | 0.000                          |
| <b>Total Commissioning &amp; Asset Management</b> | <b>21.445</b>        | <b>21.623</b>         | <b>0.178</b>                     | <b>0.300</b>                   |

5.3.5 The main budget issues relate to Facilities and Fair Access which worsened by £0.261m since the January report. The overspends are across Cleaning (£0.112m), Home to School Transport (£0.223m), Catering (£0.170m) and Quadrant car parking income (£0.036m) marginally offset by an underspend on Attendance and Placement Access and Admissions (£0.036m). The issues in Catering and Cleaning relate to inflationary cost increases 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 6.17 to 6.23 for more details).

5.3.6 The previously reported Property pressures of £0.120m were mitigated by a PFI surplus and a contribution from commercial arrangements with the Authority's technical partner resulting in an underspend of £0.269m.

5.3.7 C&AM is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services to mitigate these overspends 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 is actively progressing on route rationalisation using the new QRoute system.

## 5.4 Environment, Housing & Leisure (EHL)

- 5.4.1 EHL has made a saving of £0.637m against the £42.140m budget, as set out in Table 14 below, which is an improvement of £0.335m from the January forecast. This monitoring position reflects a transfer from reserves to cover Private Finance Initiative (PFI) pressures and includes £0.889m savings against the waste and recycling disposal service due to reduced waste volumes.
- 5.4.2 EHL has been heavily impacted by the Covid-19 crisis 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 in the last month of 2019/20 and have been transferred to Central Items and are offset by a drawdown from the Covid-19 Local Support Grant received in March 2020.

### 5.4.3 Table 13: Impact of Covid-19 on EHL

| Service Area                 | Value<br>£m  | Description  |
|------------------------------|--------------|--|
| Sport and Leisure            | 0.164        | Lost income due to closures of facilities and additional costs |
| Local Environmental Services | 0.027        | Additional costs and lost income from café closures            |
| General Fund Housing         | 0.001        | Additional bed and breakfast costs to prevent homelessness     |
| <b>Total</b>                 | <b>0.192</b> |  |

### 5.4.4 Table 14: Outturn Variation in Environment Housing & Leisure to Budget

|  | Budget<br>£m  | Outturn<br>£m | Variance<br>March<br>£m | Variance<br>Jan<br>£m |
|--|---------------|---------------|-------------------------|-----------------------|
| Sport & Leisure                        | 3.100         | 3.410         | 0.310                   | 0.187                 |
| Cultural Services                      | 6.925         | 6.969         | 0.044                   | 0.069                 |
| Security & Community Safety            | 0.301         | 0.310         | 0.009                   | 0.028                 |
| Fleet Management                       | 0.808         | 0.827         | 0.019                   | 0.000                 |
| Waste and Recycling Disposal           | 7.129         | 6.240         | (0.889)                 | (0.581)               |
| Waste Management                       | 3.707         | 3.808         | 0.101                   | 0.074                 |
| Local Environmental Services           | 7.245         | 7.139         | (0.106)                 | (0.051)               |
| Head of Service and Resilience         | 0.234         | 0.198         | (0.036)                 | 0.045                 |
| Street Lighting PFI                    | 4.396         | 4.396         | 0.000                   | 0.000                 |
| Consumer Protection & Building Control | 0.928         | 0.888         | (0.040)                 | (0.042)               |
| Transport and Highways                 | 6.328         | 6.312         | (0.016)                 | 0.003                 |
| Planning                               | 0.217         | 0.273         | 0.056                   | 0.000                 |
| General Fund Housing                   | 0.822         | 0.733         | (0.089)                 | (0.034)               |
| <b>Total</b>                           | <b>42.140</b> | <b>41.503</b> | <b>(0.637)</b>          | <b>(0.302)</b>        |

5.4.5 Cabinet will recall from previous reports that EHL committed to delivering a balanced position. Whilst EHL started the year with identified pressures around energy and staffing costs plus target income pressures, a plan of mitigation was identified which included the following areas:

- Waste volume cost
- Fleet operational costs
- Whitley Bay Playhouse profit-share
- Bereavement income
- Operational costs in Cultural Services and Local Environmental Services

5.4.6 This planned management of pressures has been successful in 2019/20, as in previous years, with mitigating actions and savings now offsetting the pressures and resulting in an overall saving.

5.4.7 The main area of the underlying improvement in the position since January is in relation to waste disposal tonnage volumes, which have been lower than previously forecast resulting in improved savings.

### **Sport & Leisure**

5.4.8 Cabinet will recall Sport & Leisure had an increased income target of £0.600m in the 2019/20 Budget following increased income streams in 2018/19. At January the forecast showed an expectation to significantly improve over this budgeted position however the income levels closed nearer to budget, despite inclusion of a £0.164m grant draw-down to cover the impact of Covid-19. Sport and Leisure has reported overspends of £0.103m around staffing costs which is mainly caused by the need to cover shifts and back-fill for sickness.

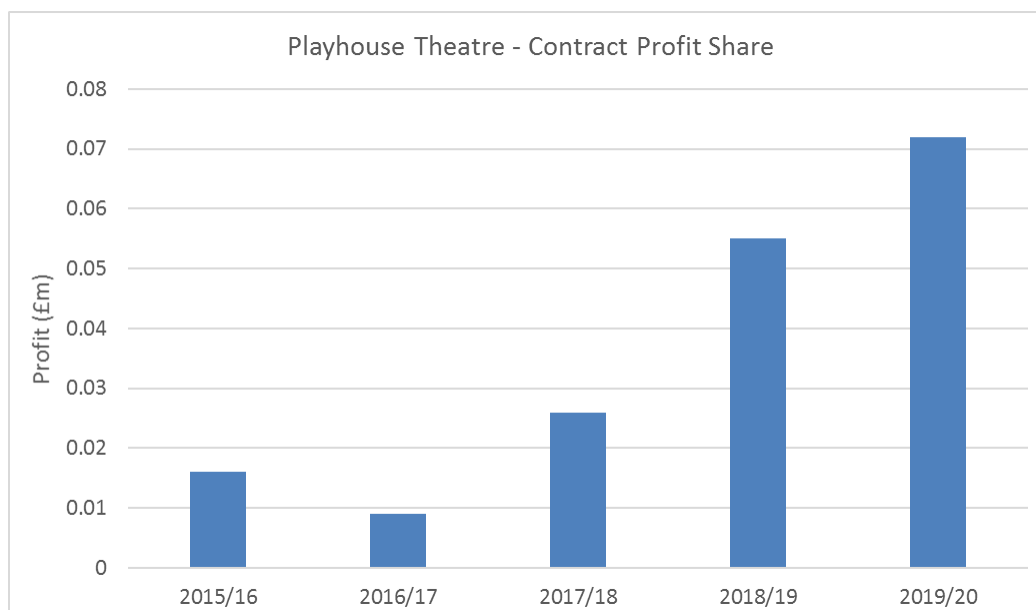
5.4.9 The service also has other overspends relating to premises costs of £0.207m, principally energy and water costs, in addition to other, smaller operational overspends. This leaves Sport & Leisure overall showing a net overspend of £0.310m.

### **Cultural Services**

5.4.10 Cultural Services is showing an outturn overspend of £0.044m, which includes historical issues due to energy and rates costs and income shortfalls due to changing patterns of consumer behaviour.

5.4.11 Cultural Services overspends are partially mitigated by the profit share from the Playhouse, along with continued close management of operational expenditure.

#### 5.4.12 Chart 8: Playhouse Profit Shares for previous 5 years



#### Security & Community Safety

- 5.4.13 Cabinet will recall from previous reports that this service area has reviewed and realigned both structure and finances to increase its overall viability. Following this review, it has closed with a small £0.009m overspend.

#### Fleet Services/Facilities Management

- 5.4.14 The Fleet Services and Facilities Management Service ended the year with a marginal overspend against budget of £0.019m despite absorbing a cost burden of £0.310m in relation to meeting the increased capital financing costs for newly purchased vehicles. The additional costs have continued to be offset by the associated reduction in servicing and maintenance costs of a newer fleet. In addition, the service area has benefitted from reduced fuel costs associated with more efficient vehicles.

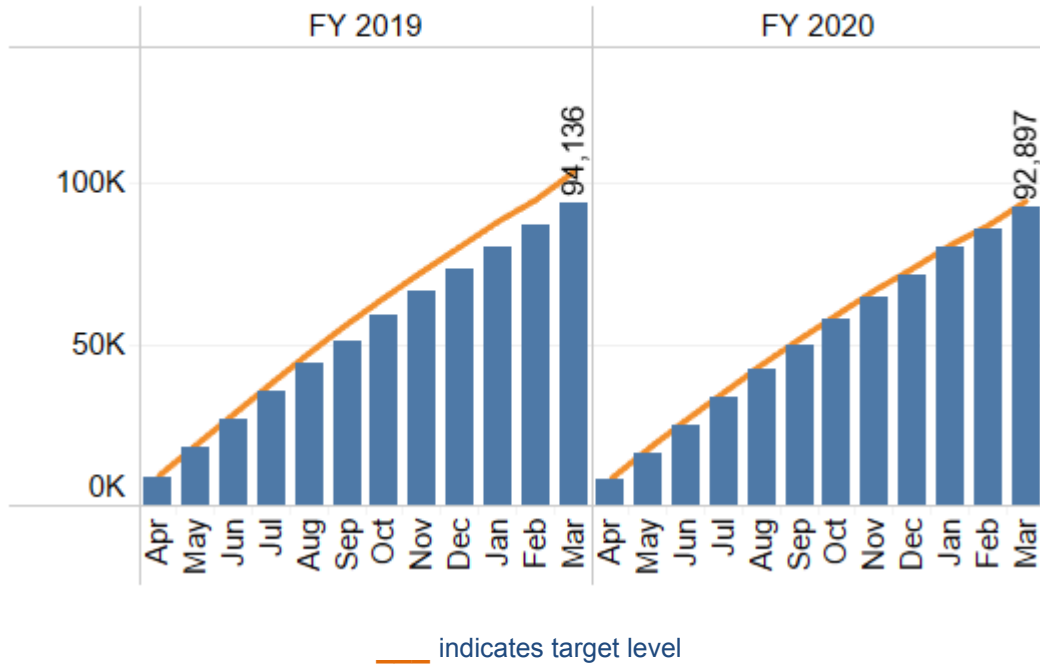
#### Waste Management including Recycling and Disposal

- 5.4.15 The Waste Management service experienced overspends following policy decisions to provide larger bins at no extra cost to residents. There have been expenditure increases during the year linked to coping with expanding routes for new housing developments across North Tyneside totalling £0.139m.
- 5.4.16 The proportion of household refuse, recycling and composting continued to show improvement since the introduction of alternate weekly collections. The reduction in waste volumes going to landfill has resulted in a significant underspend for the year of £0.889m against the waste disposal contract costs. The chart below shows the change in waste volume, both in total waste collected and in waste produced per household, over the last two years.



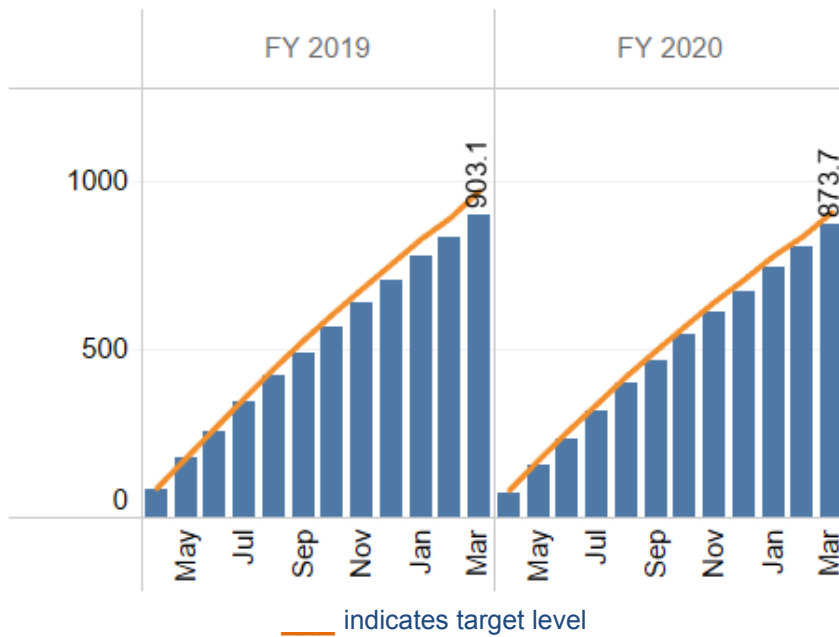
5.4.17 **Chart 9: Improvement of Municipal Waste Volumes Year on Year 2018/19 to 2019/20**

Total Municipal Waste collected from households and operations



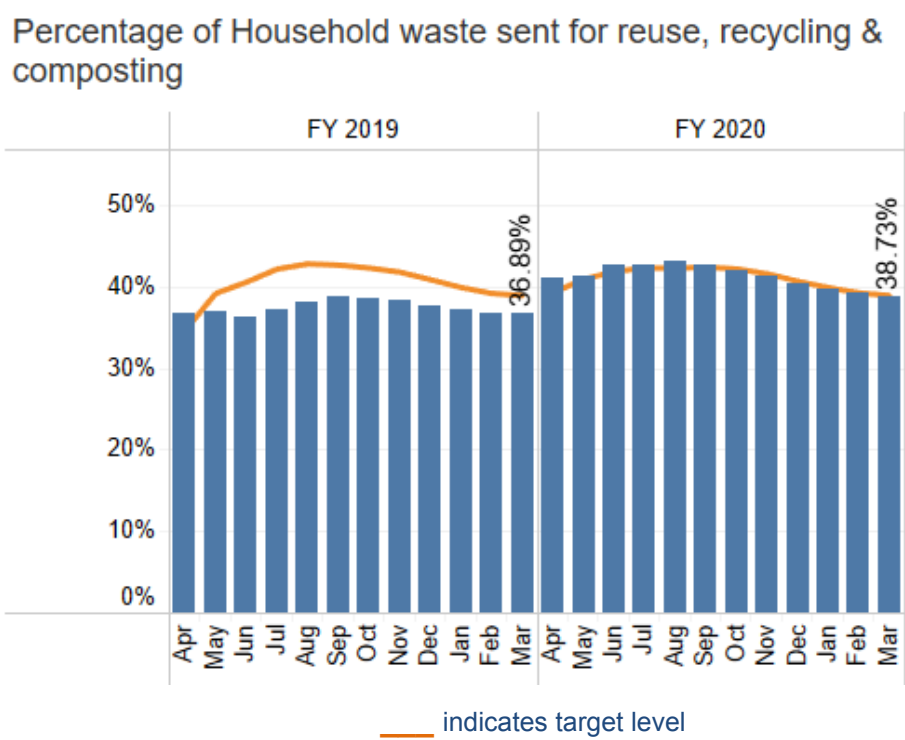
5.4.18 **Chart 10: Improvement of Household Waste Volumes Year on Year 2018/19 to 2019/20**

Total waste produced per household

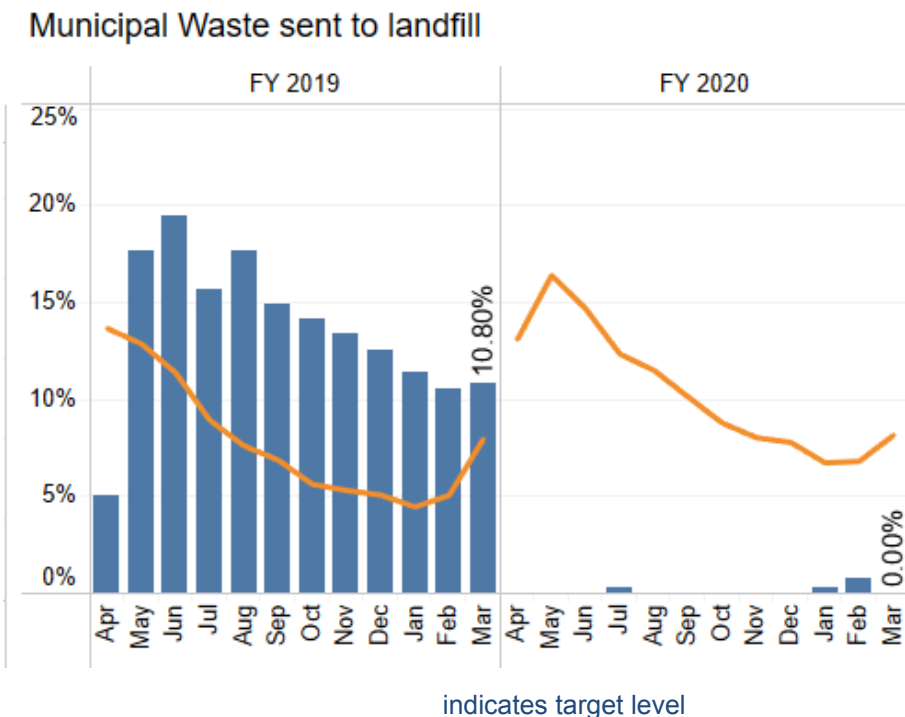


5.4.19 The change in overall waste disposal is even clearer when reviewing the change in household waste recycled and municipal waste disposed in landfill, as shown in Charts 11 and 12 below.

5.4.20 **Chart 11: Percentage changes in waste disposal methods for household waste**



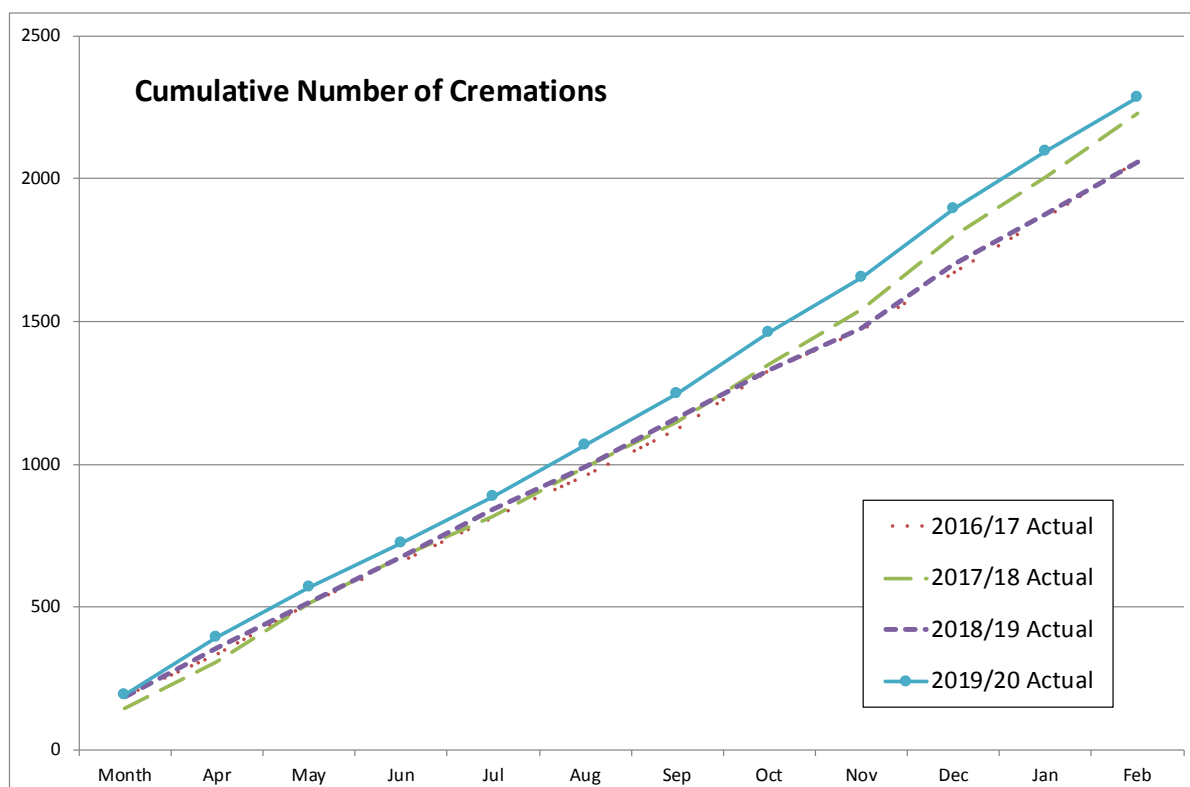
5.4.21 **Chart 12: Percentage changes in waste disposal methods for municipal waste**



## Local Environmental Services

5.4.22 Local Environmental Services has produced an underspend of £0.106m against budget. The main variances relate to savings in Grounds Maintenance operational costs, which has improved further since January and includes an favourable variance of £0.041m on Bereavement income. Bereavement income has improved since a dip in 2018/19, as seen in Chart 13 below:

### 5.4.23 Chart 13: Annual Number of Cremations (2016/17 to 2019/20)



## Street Lighting PFI

5.4.24 Following the draw-down of reserves for the street-lighting PFI, the area is balanced.

## Technical Package Services

5.4.25 These services include Planning, Transport and Highways, Consumer Protection and Building Control which show a joint break-even position. The outturn position regarding Planning has resulted in a variance of £0.056m. This is mainly as a result of reduced income from planning applications of £0.051m following a reduction in the number of applications towards the end of the year.

5.4.26 Overall the Technical Package (including the services within Commissioning and Asset Management) has delivered a balanced position in 2019/20.

## General Fund Housing

5.4.27 This service has reported a final outturn saving of £0.089m, mainly due to reduced costs in Housing Growth and increased recharges for staff time to the HRA.

## 5.5 Regeneration & Economic Development (R&ED)

5.5.1 R&ED has ended the year with an overspend of £0.275m as shown in Table 15 below. The movement of £0.240m since the January report is due to combination of staffing costs no longer being rechargeable to capital schemes, reduced income at the Swan Hunter sites plus Spanish City utility cost pressures pre let. There were no identified Covid-19 cost or income implications for R&ED in 2019/20 due to the crisis hitting at the end of the financial year. R&ED is continuing to review the impact moving into 2020/21 on commercial income and site management costs.

### 5.5.2 **Table 15: Outturn Variation Regeneration and Economic Development**

|                         | <b>Budget</b> | <b>Actual</b>  | <b>Variance</b> | <b>January</b>  |
|-------------------------|---------------|----------------|-----------------|-----------------|
|                         | <b>£m</b>     | <b>Outturn</b> | <b>March</b>    | <b>Variance</b> |
|                         |               | <b>£m</b>      | <b>£m</b>       | <b>£m</b>       |
| Business & Enterprise   | 0.753         | 0.731          | (0.022)         | (0.065)         |
| Regeneration            | 0.309         | 0.576          | 0.267           | 0.079           |
| Resources & Performance | 0.197         | 0.227          | 0.030           | 0.021           |
| <b>Total</b>            | <b>1.259</b>  | <b>1.534</b>   | <b>0.275</b>    | <b>0.035</b>    |

5.5.3 The Regeneration outturn has worsened by £0.188m since the January reported position. The service ended the year carrying staffing costs that had been previously forecast to be recharged to various capital schemes, which makes up £0.113m of this overspend. This shortfall has arisen due to a transfer of project management work to Commissioning and Asset Management allowing Regeneration and Economic Development to focus on sourcing external funding for capital investments within the Borough. An early reallocation of this target across the Investment Programme will be undertaken in 2020/21.

5.5.4 Other previously reported pressures result from a shortfall against budget for berthing fee income of £0.103m and for rental income for business units at the Swans Centre for Innovation of £0.092m. These overspends are partially offset by savings in supplies and services at Swans Quay, mainly relating to security services.

5.5.5 The rest of the service includes operational overspends in Resources & Performance predominantly from staffing being partially offset by savings in Business & Enterprise resulting from grants to business organisations being lower than budget.

## 5.6 Resources

5.6.1 Overall the Chief Executive Office & Resources is showing an outturn overspend of £0.362m, a movement of £0.507m since the January forecast of a £0.145m underspend. This is mainly due to not drawing down £0.594m from reserves to cover costs of IT transformation which was assumed in the January forecast position. This transfer from reserves was not required due to the overall improvement of the General Fund position.

## 5.6.2 Table 16: Outturn Variation Chief Executive Office & Resources

|                                 | <b>Budget</b> | <b>Outturn</b> | <b>Variance</b> | <b>Variance</b> |
|---------------------------------|---------------|----------------|-----------------|-----------------|
|                                 | <b>£m</b>     | <b>£m</b>      | <b>March</b>    | <b>Jan</b>      |
|                                 |               |                | <b>£m</b>       | <b>£m</b>       |
| Chief Executive                 | (0.100)       | (0.190)        | (0.090)         | (0.048)         |
| ICT                             | 1.891         | 2.446          | 0.555           | 0.681           |
| Finance                         | (0.329)       | (0.479)        | (0.150)         | (0.835)         |
| HR & Organisational Development | (0.024)       | 0.023          | 0.047           | 0.057           |
| <b>Total</b>                    | <b>1.438</b>  | <b>1.800</b>   | <b>0.362</b>    | <b>(0.145)</b>  |

5.6.3 The Chief Executive office is showing a saving against the non-staffing budgets, which increased since January following a transfer of budget to Corporate Strategy relating to Marketing. In addition, the service received funding from the North of Tyne Combined Authority for officer time.

5.6.4 The overspend within HR relates to staffing costs, including the costs of transferring HR services back to the Authority from its partner organisation, Engie. Revenues and Benefits has further improved by £0.288m over the period, through £0.128m improvement in bad debt provision and £0.160m in the final subsidy and overpayments positions.

5.6.5 Costs relating to the transformation programme have increased spend in ICT as it was previously assumed these would be met from reserves however, due to the overall improvement in the Authority's position, the drawdown was no longer required.

## 5.7 Corporate Strategy

5.7.1 Corporate Strategy has ended the year with a surplus of (£0.003m) as set out in Table 17 below (January, underspend of £0.068m). The movement since the January reported position is due to reduced income generation within Corporate Strategy Management and within Marketing. Corporate Strategy identified only £0.001m of Covid-19 related costs in 2019/20 comprising of marketing materials. This cost has been transferred to Central Items to be offset by a drawdown from the Covid-19 Local Support Grant.

### 5.7.2 Table 17: Outturn Variation Corporate Strategy

|                                     | <b>Budget</b> | <b>Outturn</b> | <b>Variance</b> | <b>Variance</b> |
|-------------------------------------|---------------|----------------|-----------------|-----------------|
|                                     | <b>£m</b>     | <b>£m</b>      | <b>March</b>    | <b>Jan</b>      |
|                                     |               |                | <b>£m</b>       | <b>£m</b>       |
| Children's Participation & Advocacy | (0.019)       | (0.131)        | (0.112)         | (0.034)         |
| Corporate Strategy Management       | 0.162         | 0.251          | 0.089           | 0.009           |
| Elected Mayor & Executive Support   | 0.013         | 0.008          | (0.005)         | (0.012)         |
| Marketing                           | 0.019         | 0.081          | 0.062           | 0.046           |
| Policy Performance and Research     | 0.244         | 0.207          | (0.037)         | (0.077)         |
| <b>Total Corporate Strategy</b>     | <b>0.419</b>  | <b>0.416</b>   | <b>(0.003)</b>  | <b>(0.068)</b>  |

5.7.3 The final outturn income shortfalls were offset by previously reported reductions in costs due to staffing costs being rechargeable and transformation costs being met from reserves.

## 5.8 Law & Governance

5.8.1 Law & Governance has ended the year with an overspend of £0.204m compared to the January forecast of £0.171m. The movement since the last report relates to increased barristers' fees and higher than forecasted running costs within the Coroner's Service. There were no identified Covid-19 cost or income implications for Law and Governance in 2019/20 due to the crisis hitting at the end of the financial year. Law & Governance is however, continuing to review the impact moving into 2020/21 on commercial income and Coroner's costs.

### 5.8.2 **Table 18: Outturn Variation Law and Governance**

|                                       | <b>Budget<br/>£m</b> | <b>Outturn<br/>£m</b> | <b>Variance<br/>March<br/>£m</b> | <b>Variance<br/>Jan<br/>£m</b> |
|---------------------------------------|----------------------|-----------------------|----------------------------------|--------------------------------|
| Customer, Governance and Registration | (0.076)              | (0.073)               | 0.003                            | 0.003                          |
| Democratic and Electoral Services     | (0.063)              | (0.062)               | 0.001                            | 0.025                          |
| Information Governance                | 0.000                | 0.007                 | 0.007                            | 0.040                          |
| Legal Services                        | (0.135)              | 0.002                 | 0.137                            | 0.102                          |
| North Tyneside Coroner                | 0.293                | 0.349                 | 0.056                            | 0.001                          |
| <b>Total</b>                          | <b>0.019</b>         | <b>0.223</b>          | <b>0.204</b>                     | <b>0.171</b>                   |

5.8.3 The pressure predominantly relates to staffing within the service as it was forced to incur high costs for locum staff. In addition, costs for the shared Coroner's Service have proven higher than anticipated.

## 5.9 Central Budgets & Contingencies

5.9.1 The 2019/20 draft outturn set out in Table 19 below reflects an underspend of £6.188m on central budgets (January: underspend of £4.208m).

### 5.9.2 **Table 19: Outturn Variation Central Budgets and Contingencies**

|                             | <b>Budget<br/>£m</b> | <b>Outturn<br/>£m</b> | <b>Outturn<br/>Variance<br/>£m</b> | <b>Variance<br/>Jan<br/>£m</b> |
|-----------------------------|----------------------|-----------------------|------------------------------------|--------------------------------|
| Corporate & Democratic Core | 9.521                | 9.539                 | 0.018                              | 0.000                          |
| Other Central Items         | (7.987)              | (14.193)              | (6.206)                            | (4.208)                        |
| <b>Total Central Items</b>  | <b>1.534</b>         | <b>(4.654)</b>        | <b>(6.188)</b>                     | <b>(4.208)</b>                 |

- 5.9.3 The improvement of £1.980m in Central Items relates mainly to the items shown below;
- Levy account surplus £0.162m (one-off)
  - Section 31 Grant- NNDR £0.233m (continues into 2020/21)
  - Cost of Capital £0.411m (one-off)
  - PFI adjustments £0.400m (one-off)
  - Salary sacrifice £0.211m (continues)
  - Regional Adoption Agency support service charge £0.175m (continues)
  - Education Services Grant £0.193m (subject to review)
- 5.9.4 Within Other Central Items, throughout the year there were several areas where spend and income were forecasted to deviate from budget. Continued savings have been identified in 2019/20 resulting from the application of the Authority's Treasury Management Strategy. There is a saving of £1.462m relating to Public Works Loan Board loans taken out at a lower rate of interest than budgeted for (£0.355m) and a reduction in borrowing costs resulting from higher 'internal borrowing' (£1.334m). In addition, reprogramming within the Investment Plan has delivered a credit against Minimum Revenue Provision of £0.370m. Of this total saving, an amount of £1.100m was proposed as in-year mitigation to the cross-cutting savings targets outlined in sections 2.7 to 2.9. There is also a saving against budget of £0.966m for Strain on the Fund costs, increased from £0.900m at January. There are contingency budgets of £4.526m including the £4.416m held against pressures in social care. There is a construction service contribution to insurance provision for 2019/20 of £0.200m, the use of the construction and maintenance reserves of £0.250m for corporate costs and a total of £0.311m other smaller savings.
- 5.9.5 These underspends are partially offset by savings targets shortfalls outlined in sections 2.7 to 2.9. These relate to the following Efficiency Statement Categories: A Focus on the Social Care Customer Experience, How We Are Organised and Delivering Our Fees and Charges Policy.

## **SECTION 6 - SCHOOLS FINANCE**

### **Schools Balances in 2019/20**

6.1 Schools have concluded their 2019/20 accounts closure in line with the Local Scheme For Financing Schools and the Authority's year-end timetable. Collective school balances in North Tyneside maintained schools reduced from a surplus of £1.599m at the start of the year to a closing surplus of £0.165m. This position is significantly better, by £6.095m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £4.661m. The most recent set of monitoring performed with schools during the year and completed in early February 2020 showed an overall forecast deficit balance of £3.935m. The final balance position for schools is reported in the Authority's statutory accounts and is before any commitments are taken into account. The reported position across 2019/20 is analysed below in Table 20 by phase:

6.2 **Table 20: Total School balance position against plan Surplus/ (Deficit) - committed and uncommitted**

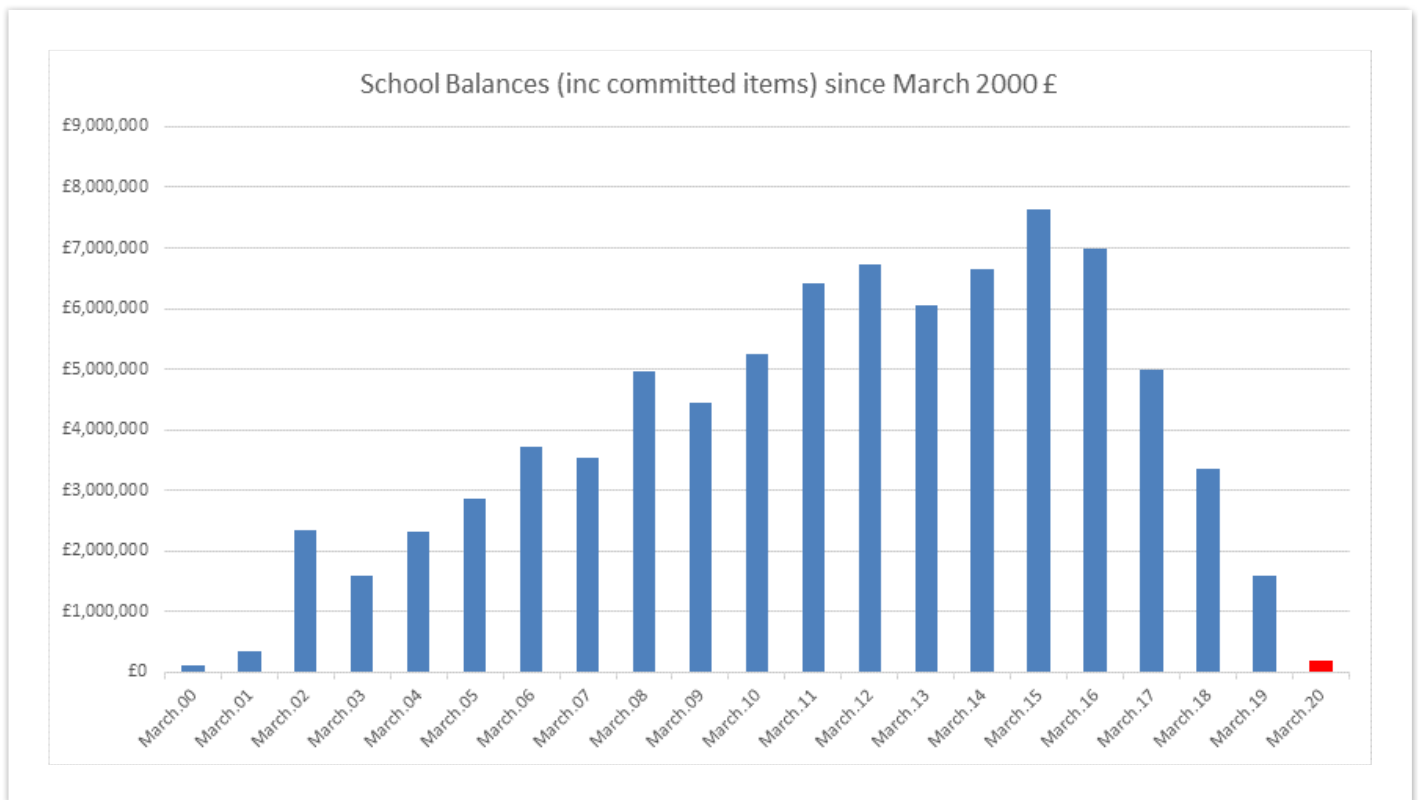
| <b>Phase</b>  | <b>Outturn<br/>2018/19<br/>£m</b> | <b>Budget<br/>Plan<br/>2019/20<br/>£m</b> | <b>Monitoring<br/>1<br/>2019/20<br/>£m</b> | <b>Monitoring<br/>2<br/>2019/20<br/>£m</b> | <b>Provisional<br/>Outturn<br/>2019/20<br/>£m</b> | <b>Annual<br/>Movement<br/>£m</b> |
|---------------|-----------------------------------|---|--|--|---|-----------------------------------|
| Nursery       | 0.009                             | 0.002                                     | 0.029                                      | 0.097                                      | 0.127   | 0.118                             |
| First         | 0.654                             | 0.412                                     | 0.433                                      | 0.433                                      | 0.636   | (0.018)                           |
| Primary       | 3.134                             | 2.346                                     | 2.317                                      | 2.314                                      | 3.497   | 0.363                             |
| Middle        | 0.380                             | 0.369                                     | 0.346                                      | 0.256                                      | 0.547   | 0.167                             |
| Secondary     | (3.658)                           | (8.028)                                   | (7.817)                                    | (7.647)                                    | (5.549)   | (1.891)                           |
| Special / PRU | 1.080                             | 0.238                                     | 0.501                                      | 0.612                                      | 0.907   | (0.173)                           |
| <b>Total</b>  | <b>1.599</b>                      | <b>(4.661)</b>                            | <b>(4.191)</b>                             | <b>(3.935)</b>                             | <b>0.165</b>                                      | <b>(1.434)</b>                    |

6.3 Cabinet will be aware that, under legislation, schools retain a high degree of autonomy when setting budgets unless they are in a deficit position. Therefore, whilst Elected Members and officers are able to advise schools on the adequacy of balances, they cannot intervene. Schools have been reminded of the need to forecast as accurately as possible so that decisions are taken in the light of accurate budget projections.

6.4 Although the outturn position for 2019/20 is better than predicted during the year, this is the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside. Chart 14 below sets out the long-term trend:



**6.5 Chart 14: Long-Term Trend in School Balances within North Tyneside**



6.6 Adequacy of school funding continues to be a high profile issue nationally and the position of school balances provides a useful indicator of the health of school finances. Moving forward into 2020/21, the Department for Education (DfE) has increased funding to schools, however indications are the number of schools expecting to be in deficit is increasing.

**School Deficits**

6.7 Cabinet will recall from the January update that some individual schools continue to face significant financial challenges. During the year, the Authority and Schools Forum paid particular attention to those schools with approved deficits.

6.8 There were eleven schools with approved deficits in 2019/20, with an initial total budgeted deficit value of £10.052m. Schools Forum and senior officers worked closely and collaboratively with these schools during the year which contributed to an improved outturn of £9.289m, a movement of £0.763m. Four of these schools ended the year in a surplus position. The progress of individual schools is outlined in Table 21 below:

6.9 **Table 21: Provisional Outturn – Schools in deficit**

| Deficit School Positions 2019/20 | Deficit Approval<br>£m | Provisional Outturn<br>£m | Improvement<br>£m |
|----------------------------------|------------------------|---------------------------|-------------------|
| Beacon Hill                      | (0.210)                | 0.149                     | 0.359             |
| Fordley Community Primary        | (0.018)                | (0.055)                   | (0.037)           |
| Forest Hall Primary              | (0.013)                | 0.000                     | 0.013             |
| Holystone Primary                | (0.053)                | (0.051)                   | 0.002             |
| Ivy Road Primary                 | (0.288)                | (0.257)                   | 0.031             |
| St Aidan's R C Primary           | (0.025)                | 0.001                     | 0.026             |
| St Bartholomew's C of E Primary  | (0.018)                | 0.004                     | 0.022             |
| Longbenton High                  | (2.195)                | (2.093)                   | 0.102             |
| Marden High                      | (0.513)                | (0.479)                   | 0.034             |
| Monkseaton High                  | (4.420)                | (4.310)                   | 0.110             |
| Norham High                      | (2.299)                | (2.198)                   | 0.101             |
| <b>Total</b>                     | <b>(10.052)</b>        | <b>(9.289)</b>            | <b>0.763</b>      |

6.10 Cabinet should note that seven schools are expected to remain in deficit for 2020/21. In addition to these schools with planned deficits in 2020/21, an additional three schools have warned the Authority that they expect to need to apply for a licenced deficit agreement in 2020/21. Consequently, ten schools are expected to request deficit approval in 2020/21. Initial deficit challenge sessions have taken place during May 2020. Full details of deficit approval applications will be reported to Members as part of the first financial management report of 2020/21.

6.11 In 2019/20, Schools Forum agreed to delegate an amount of £0.133m for schools in financial difficulty often referred to as 'headroom' funding. Schools Forum also agreed to centrally retain a sum of £0.250m to support schools with falling rolls. In addition to the 2019/20 centrally retained and de-delegated sums, an amount of £0.803m was carried forward from 2018/19 (net of repayments of funding back to academies during the year). After support payments made, an amount of £0.752m has been carried forward into 2020/21 as summarised in Table 22 below:

6.12 **Table 22: Centrally retained and de-delegated funds to support schools in financial difficulty**

|                                     | £m           |
|-------------------------------------|--------------|
| Carried forward from 2018/19        | 0.803        |
| Less repayments to academies        | (0.029)      |
| Falling Rolls Payments to Schools   | (0.049)      |
| Headroom Payments to Schools        | (0.356)      |
| Falling rolls funding 2019/20       | 0.250        |
| Headroom funding 2019/20            | 0.133        |
| Procurement Officer costs           | 0.000        |
| <b>Carried forward into 2020/21</b> | <b>0.752</b> |

- 6.13 Unlike previous years, the DfE is not requiring the Authority to report details of schools balances through the Consistent Financial Reporting (CFR) return, to ease the burden on schools during the Covid-19 outbreak. This return would normally be co-ordinated by the Authority to be submitted by the deadline in July 2020.

Traditionally, the CFR is used to populate parts of the s251 outturn return, however, the DfE has removed this requirement for this year. The Authority will continue to work with schools to allow the value of each individual schools' balance after commitment adjustments to be reported to Cabinet in due course.

- 6.14 Cabinet will recall that a programme of work is in progress with schools to consider further actions required to address the longer-term approach to financial planning in North Tyneside. The programme is focussing on three work streams and is also consolidating work on two existing projects. The work streams are:-

- Financial review and analysis;
- Planning and modelling;
- Tools for schools;
- Keeping Children and Young People in school; and
- Closing the Gap.

#### **2019/20 Dedicated Schools Grant (DSG) Outturn**

- 6.15 After allowing for school allocations, the 2019/20 DSG account of £141.425m (after removing academy funding) is showing a net deficit balance of £3.262m. This compares to a surplus of £0.746m in 2018/19. Cabinet should note that in 2019/20 the DfE issued guidance that any shortfall in dedicated schools grant should not be supported using funds from the General Fund.

- 6.16 Within the individual blocks, the balance on the High Needs block is a pressure of £4.542m. This is partially offset by an underspend of £0.432m on the Early Years block and an underspend of £0.848m on Centrally Retained and de-delegated items which mainly relates to the headroom and falling roles funding referred to in section 6.12 above. As the DSG is a ringfenced account, any balance is carried forward into the next financial year.

#### **High Needs Block**

- 6.17 Cabinet will recall that the High Needs block outturn in 2018/19 was a pressure of £0.920m. This pressure has continued in 2019/20 in line with national trends. In recognition of the nationwide issue of increasing demand within Special Educational Needs and Disabilities (SEND), the Government announced additional funding for High Needs in 2018/19 and 2019/20. The additional funding amounted to £0.426m for the Authority in each of the two years. This funding was built into forecasts in 2019/20, however, despite this additional funding, in-year forecasted pressure in January was £3.886m. The provisional 2019/20 outturn has improved slightly to £3.622m (excluding the carried forward balance from 2018/19). Cabinet should note that the High Needs block forms part of the DSG, which is ringfenced and does not form part of the General Fund.

6.18 This overall pressure in the High Needs block is in line with the national and regional picture and results from additional places required in special schools, out of borough placements and in relation to top up payments as outlined in Table 23 below;

6.19 **Table 23: Breakdown of High Needs Pressures at March 2020**

| Provision                       | Budget<br>£m  | Provisional<br>Outturn<br>Variance<br>£m | Comment   |
|---------------------------------|---------------|--|---|
| Special schools and PRU         | 11.398        | 1.474                                    | Pressure on places for children with Profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder |
| ARPs/Top ups                    | 3.520         | 1.314                                    | Pressures in pre 16 top ups e.g. Norham ARP   |
| Out of Borough                  | 1.225         | 0.944                                    | Additional costs of the most complex children currently not able to be supported in the Borough   |
| Commissioned services           | 3.977         | (0.110)                                  |   |
| <b>Subtotal</b>                 | <b>20.120</b> | <b>3.622</b>                             |   |
| 2018/19 brought/forward balance |               | 0.920                                    |   |
| <b>Cumulative Outturn</b>       |               | <b>4.542</b>                             |   |

6.20 The Department for Education guidelines state that Schools Forum can approve a transfer of up to 0.5% of the School Block to support other blocks. Transfers have been made to the High Needs Block from the Schools Block in previous years. The Authority has not requested a transfer for 2020/21.

### **Management of the High Needs Block Pressure**

6.21 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 North Tyneside Clinical Commissioning Group. 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.

6.22 A new North Tyneside Inclusion Strategy will be developed in 2020 to strengthen the Authority's capacity to meet the needs of children with SEND in line with North Tyneside Children's Services pledges to:

- Intervene early with evidence based, family focussed services;
- Work in partnership to keep children in school;
- Keep children safe at home and connected to their local communities.

6.23 Plans are in progress to strengthen the graduated response in mainstream schools, strengthen the gatekeeping around access to High Needs top-up funding and to improve management of demand for out of borough placements by looking at the reasons behind current requests for an external placement.

### **Early Years Block**

6.24 The Early Years block has ended the year with a cumulative surplus of £0.432m. This included a brought forward surplus of £0.881m from 2018/19. The 2018/19 surplus included £0.571m surplus generated on the 3 and 4 year-old funding, £0.471m of which was returned to providers of the 3 and 4 year-old entitlement as was recommended by the Early Years Sub-Group of Schools Forum. An adjustment to funding takes place each May/June when the DfE reviews initial funding estimates in relation to the numbers of pupils actually taking places compared to the initial funding estimates based on the January pupil census prior to the financial year. The Authority is anticipating a clawback of funding as a result of this review.

## **SECTION 7 - HOUSING REVENUE ACCOUNT (HRA)**

### **Outturn Position**

- 7.1 The HRA shows an underspend of £2.831m against the in-year 2019/20 Budget, with a further £1.101m improvement against budgeted brought forward balances. The overall position is shown in Table 24 below and shows a position that has improved steadily throughout the year. Rental income showed continued improvement against budget as the number of empty homes continued to out-perform business plan assumptions (£0.367m). In addition, income from temporary dispersed accommodation came in above budget (£0.115m); whilst service charge income, including furniture packs also maintained the positive trend to year-end coming in well above budget (£0.108m) with garage rents coming in slightly better than budget (£0.024m). Income from commercial properties and properties rented to HECS for various client groups came in well above budget (£0.124m), with a number of new properties coming on stream e.g. Bonchester Mews, Bridlington Close as well as existing schemes at Mitford Gardens, Perth Gardens and Purley Close.
- 7.2 There is a significant underspend of £2.061m in the position for HRA Management Costs, which is down to a number of factors. A significant proportion was part of the benefits realisation from the Construction Options Project (COP), and the creation of the in-house Construction Service. This had the following main elements:
- A permanent saving from the creation of the new structure for the in-house Service and the assimilation of the former Housing Property Client service of £1.000m;
  - In addition there were one-off in-year savings of £0.710m against the Construction Project budget for delivery of the transition;
  - A one-off saving from reductions and a rebate on Council Tax payments for empty homes totalling £0.258m; and,
- There were a range of other smaller variations, one-off savings and pressures totalling a saving of £0.093m in water rate commission, training, staffing, equipment and consultancy costs due to timings around appointments and development of the project requirements.
- 7.3 A Use of Reserves decision was made in 2018 to utilise PFI Reserve Resources of up to £3.000m to fund the purchase of the new fleet for the in-house Construction Service, of which £2.760m was used. This funding is being recovered through hire charges from fleet users, with the sums collected put initially into a Vehicle Replacement Reserve, with the stipulation that the PFI Reserve has first call on the funds collected. A total of £0.183m was returned to the PFI reserve via this route in 2019/20, however, the improved position in-year on the HRA enabled additional contributions to be made back to the reserve (£0.637m) which will significantly reduce the time taken to get the reserve back into balance as per the original financial model.

- 7.4 The continued flexible approach to Treasury Management enables advantage to be taken of low interest rates on temporary borrowing to be able to achieve interest charges below budgeted levels, and due to additional debt set aside from increased prior year right to buy sales, this led to a year-end improvement £0.221m in the interest payments charged to the HRA.
- 7.5 The growing rate of take-up of Universal Credit has seen an increasing impact on the in-year bad debt provision requirement and the outturn position was an overspend of £0.240m. In addition, the HRA general contingency provision will not be required, resulting in a saving of £0.150m and the Transitional Protection Fund used to maintain PFI tenants rents at pre PFI levels continued to trend under budget resulting in a saving of £0.015m.
- 7.6 All of the £1.866m of savings identified in the 2019/20 Budget approved by Cabinet were delivered in full.

7.7 **Table 24: Outturn Variance Housing Revenue Account**

|  | FULL YEAR – 2019/20       |                 |                           | Jan 2020<br>Variance<br>£m |
|--|---------------------------|-----------------|---------------------------|----------------------------|
|  | Full Year<br>Budget<br>£m | Outturn         |                           |                            |
|  |                           | Actual<br>£m    | Outturn<br>Variance<br>£m |                            |
| <b><u>INCOME</u></b>   |                           |                 |                           |                            |
| Rental Income  | (58.697)                  | (59.311)        | (0.614)                   | (0.836)                    |
| Other Rental Income - Shops & Offices<br>etc.                              | (0.275)                   | (0.399)         | (0.124)                   | (0.000)                    |
| Interest on Balances   | (0.050)                   | (0.058)         | (0.008)                   | (0.000)                    |
| PFI Credits  | (7.693)                   | (7.693)         | 0.000                     | 0.000                      |
|  | <b>(66.715)</b>           | <b>(67.461)</b> | <b>(0.746)</b>            | <b>(0.836)</b>             |
| <b><u>EXPENDITURE</u></b>  |                           |                 |                           |                            |
| Capital Charges - Net Effect   | 12.110                    | 11.889          | (0.221)                   | (0.000)                    |
| HRA Management Costs   | 12.014                    | 9.953           | (2.061)                   | (2.039)                    |
| PFI Contract Costs   | 9.641                     | 10.278          | 0.637                     | 0.438                      |
| Repairs  | 11.981                    | 11.457          | (0.524)                   | (0.511)                    |
| Revenue Support to Capital Programme                                       | 9.053                     | 9.053           | 0.000                     | 0.000                      |
| Contribution to Major Repairs Reserve –<br>Depreciation                    | 12.392                    | 12.401          | 0.009                     | 0.000                      |
| Contingencies, Bad debt Provision &<br>Transitional Protection<br>Payments | 1.000                     | 1.075           | 0.075                     | 0.315                      |
| Pension Fund Deficit Funding   | 0.855                     | 0.855           | 0.000                     | 0.000                      |
|  | <b>69.046</b>             | <b>66.961</b>   | <b>(2.085)</b>            | <b>(1.797)</b>             |
|  | <b>2.331</b>              | <b>(0.500)</b>  | <b>(2.831)</b>            | <b>(2.633)</b>             |
| <b>BALANCES BROUGHT FORWARD</b>  | <b>(6.202)</b>            | <b>(7.303)</b>  | <b>(1.101)</b>            | <b>(1.101)</b>             |
| <b>BALANCES TO CARRY FORWARD</b>   | <b>(3.871)</b>            | <b>(7.803)</b>  | <b>(3.932)</b>            | <b>(3.734)</b>             |

## Rent Arrears and Universal Credit Cases

7.8 The Authority has faced an increasingly difficult set of challenges in rent collection, which have impacted on maintaining the level of rent collected. One of the biggest issues has been the Government's welfare reform changes and the introduction of Universal Credit (UC) which was fully implemented across North Tyneside on 2 May 2018. This means the authority has seen a steady fall in the level of direct payments in the form of Housing Benefit to cover housing rents via the Department of Work and Pensions (DWP), and an increased level of cash that has to be collected because of the increased numbers of UC cases where tenants are paid directly for the housing element of benefit along with all other benefit due to them.

The Authority continues to work with residents to provide ICT support to help them make applications and to provide personalised budget support to help residents manage their household finances. A team is working proactively with tenants to minimise arrears, and this was closely monitored as the year progressed to identify any adverse impacts on the budget position. For the first time in the last 15 years, 2018/19 saw a pressure on the bad debt provision, which was repeated this year; an indication of the impact this change is having on levels of arrears.

There are currently around 40 tenants per week moving onto UC. At 1 April 2019 there were 1,991 North Tyneside Homes tenants on UC with arrears totalling £1,142,459, by 31 March 2020 this number had increased to 3,503 with related arrears of £2,140,743. The overall position on Rent Arrears has seen a £2.000m increase in the overall level of arrears over the last five years. Table 25 below illustrates the change in levels of rent arrears and UC cases over the last five years:

7.9 **Table 25: Trends in rent arrears and Universal Credit cases 2015-2020**

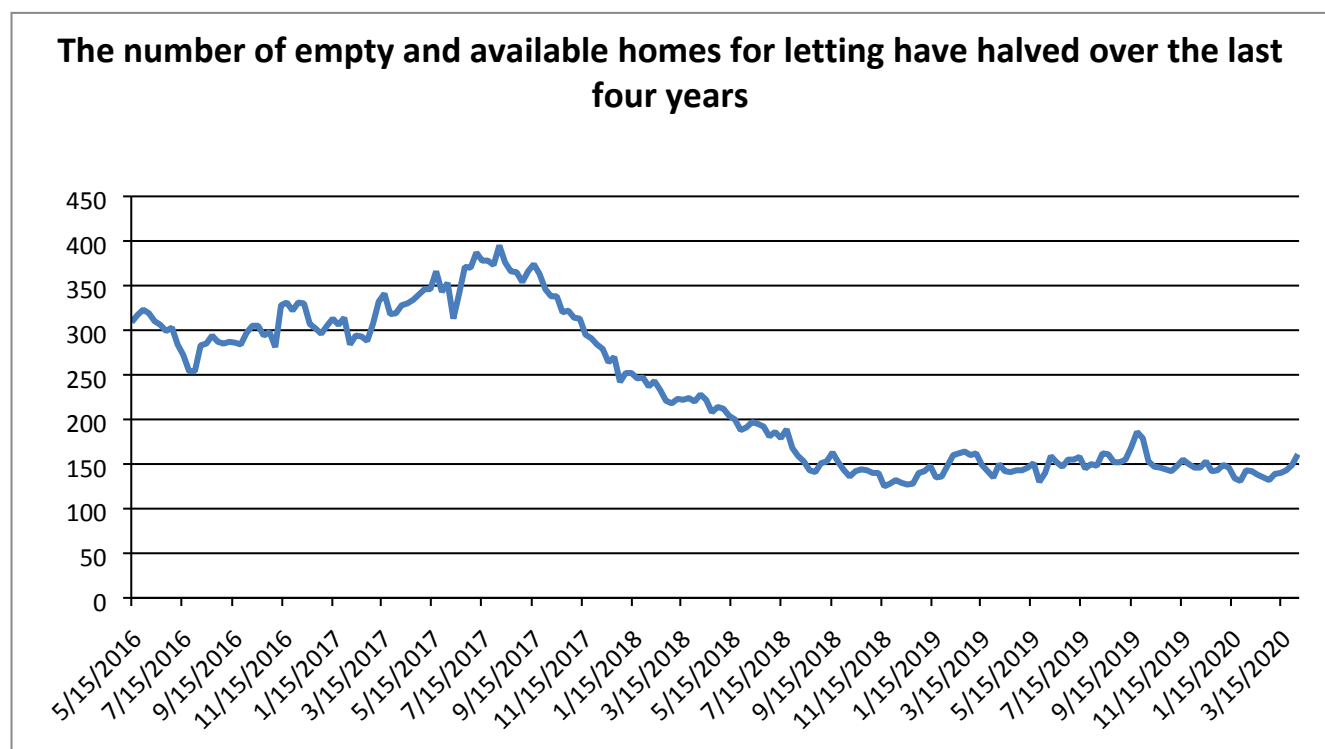
| Year    | Rent Arrears (Former and Current) | Number of Universal Credit Cases | Rent Arrears for those on UC |
|---------|-----------------------------------|----------------------------------|------------------------------|
| 2015-16 | £3.295m                           | 0                                | 0                            |
| 2016-17 | £3.575m                           | 0                                | 0                            |
| 2017-18 | £3.748m                           | 231                              | £0.133m                      |
| 2018-19 | £4.375m                           | 1,991                            | £1.142m                      |
| 2019-20 | £5.299m                           | 3,503                            | £2.141m                      |

## Empty Homes

7.10 In terms of the impact of empty homes on the financial picture to date, rates during 2019/20 generally continued to trend below previous levels and this positive performance continues the trend over the last couple of years following the completion of the North Tyneside Living Schemes. As a result, income received exceeded budget projections, as there was a positive impact on both rental income and service charges attached to the increased level of occupancy. Chart 15 below illustrates the movement in levels of empty homes over the last four years from 2017/18 through to the end of 2019/20. There was a spike in the numbers of empty homes at year-end due to the impact of the Covid-19 pandemic during the last few weeks of the 2019/20 financial year:



## 7.11 Chart 15: Number of Empty Homes vacant and available for letting



### Right to Buy (RTB) Trends

7.12 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 (£22,000) which had remained static as property values had increased, making RTB less financially attractive to tenants. Shortly after self-financing began, the Government announced a change to RTB significantly increasing the maximum discount, initially to £75,000 and then subsequently annual inflation was added to the maximum. Table 26 below shows the trend in RTB sales since that time, and the financial impact this has had on income for the HRA:

7.13 **Table 26: RTB Trends and Financial Impact**

|                | Sales assumed by self-financing | Actual RTB Sales | Additional RTB Sales above Budget assumptions | Estimated lost rent per annum (£m) | Capital Receipts (£m) |
|----------------|---------------------------------|------------------|---|------------------------------------|-----------------------|
| 2012-13        | 40                              | 85               | 45  | 0.315                              | 3.477                 |
| 2013-14        | 47                              | 122              | 75  | 0.457                              | 4.957                 |
| 2014-15        | 53                              | 100              | 47  | 0.397                              | 3.938                 |
| 2015-16        | 55                              | 135              | 80  | 0.577                              | 5.548                 |
| 2016-17        | 55                              | 136              | 81  | 0.557                              | 5.632                 |
| 2017-18        | 56                              | 158              | 102   | 0.630                              | 7.758                 |
| 2018-19        | 56                              | 135              | 79  | 0.538                              | 6.533                 |
| <b>2019-20</b> | <b>57</b>                       | <b>118</b>       | <b>61</b>                                     | <b>0.475</b>                       | <b>5.662</b>          |
|                | <b>419</b>                      | <b>989</b>       | <b>570</b>                                    | <b>3.946</b>                       | <b>43.505</b>         |

- 7.14 In the period (2012-2020), the Authority has built over 150 new homes through the HRA, which has helped mitigate a portion of the revenue loss from the 989 sales in the same period. However, the cumulative impact on HRA annual rental income from RTB over this period is in excess of £3.900m per annum.

## **SECTION 8 - INVESTMENT PLAN**

- 8.1 The Investment Plan represents the Authority's capital investment programme in projects across all service areas, including General Fund and HRA activities.
- 8.2 All capital investment follows a structured gateway process, and is challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. Delivery of the Investment Plan year by year, through both physical on site development and capital spend, is key to the successful attainment of the Authority's objectives.

### **2019/20 Capital Expenditure**

- 8.3 The initial 2019/20 Investment Plan Budget was £62.758m (£36.944m General Fund and £25.814m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved Plan at the year-end of £65.182m (£40.873m General Fund and £24.309m Housing). Table 27 below summarises these changes:

**Table 27: 2019/20 Investment Plan – Summary of changes to Budget**

|   | <b>£m</b>     |
|---|---------------|
| Investment Plan approved by full Council – 21 February 2019 | 62.758        |
| Reprogramming from 2018/19                                  | 14.317        |
| Reprogramming to 2020/21                                    | (17.739)      |
| Other variations (net)                                      | 5.846         |
| <b>Revised Investment Plan</b>                              | <b>65.182</b> |

- 8.4 Actual capital expenditure in 2019/20 totalled £59.080m (£69.359 in 2018/19), comprising General Fund expenditure of £35.911m and £23.169m on Housing Schemes.
- 8.5 Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority. £6.551m relates to spend on other items, with £2.409m for share capital, £1.941m on loans, £1.493m spent on Disabled Facilities Grants and £0.336m grants for Clean Bus Technology.
- 8.6 Table 28 below compares the actual capital expenditure with the revised Budget for the year, as well as the actual spend for 2018/19:

**Table 28: Comparison of Capital Expenditure to Revised Budget for 2019/20**

| <b>Actual Capital Expenditure 2018/19<br/>£m</b> |              | <b>Revised Capital Budget 2019/20<br/>£m</b> | <b>Actual Capital Expenditure 2019/20<br/>£m</b> | <b>Variation from Budget over / (under)<br/>£m</b> |
|--|--------------|--|--|--|
| 41.708   | General Fund | 40.873                                       | 35.911   | (4.962)  |
| 27.651   | Housing      | 24.309                                       | 23.169   | (1.140)  |
| <b>69.359</b>                                    | <b>Total</b> | <b>65.182</b>                                | <b>59.080</b>                                    | <b>(6.102)</b>                                     |

8.7 Included within the appendices is further information on the Investment Plan and activities in the year. **Appendix B** shows the final expenditure, and how that expenditure was financed, with **Appendix C** showing a comparison of expenditure against budget for each individual project. The reasons for these variations have been analysed as reprogramming and other variations.

8.8 Across all capital projects, further reprogramming of £6.262m has been identified and it is requested that Cabinet approve the carry forward of this amount into the 2020/21 Investment Plan. A detailed breakdown of this amount is included in **Appendix C**.

8.9 The major achievements delivered as part of the capital investment programme in 2019/20 include:

(a) Completion of projects including;

- a new artificial grass pitch at Amberley Playing Fields;
- accommodation improvements to meet the requirements of children with Special Education Needs and Disabilities (SEND) at Beacon Hill School, Melrose resourced provision at Longbenton High School and Silverdale School;
- highway improvement works including resurfacing of 12.5 miles of roads, 38 footway improvement schemes, 16 road safety schemes, Gibraltar rock stabilisation of the clifftop sea wall, as well as improvement works A189 Haddricks Mill to West Moor; and, cycling and walking improvements to Northumberland Park to Cobalt, Tyneview Terrace and Coast Road;
- various works to housing stock (kitchen and bathroom replacements, heating upgrades, roof replacements, replacement windows and doors);
- various projects as part of the Asset Planned Maintenance programme (including replacing sports hall floor and roof works at the Lakeside Leisure Centre, boiler works at Segedunum Museum, works at Tynemouth Pool and Saville Exchange);
- improvement works to the schools estate (DDA improvements, roof replacements, heating improvements, electrical rewires, kitchen refurbishments etc.);
- environmental improvements at Lockey Park;

- fleet replacements including gritters, grounds maintenance vehicles, sweepers, small vans and hybrid cars;
- ICT refresh; and,
- purchase of a further 13 affordable homes for rent and completion of 12 homes for sale at Empress Point by North Tyneside Trading Company.

(b) In addition there are a number of projects underway including;

- the Centre for Innovation (CFI) phase 2 at the former Swan Hunter site;
- operational depot accommodation;
- internal fit out of Wallsend Customer First Centre to accommodate the substance use service and local police office;
- building new HRA affordable homes at various locations; and,
- North Tyneside Trading Company building homes for sale.

Further details can be found in the Investment Programme Board end of year report which is included as a background paper to this report.

## Capital Financing

8.10 Local authorities can finance capital expenditure from a variety of sources: grants; external contributions; capital receipts; borrowing; and contributions from revenue. This section of the report considers how the Investment Plan has been financed.

8.11 Under the Prudential System for capital financing, the Authority can decide to borrow to fund capital expenditure, known as prudential (or unsupported) borrowing. There are associated revenue costs (interest and Minimum Revenue Provision (MRP)) which must be met from the Authority's own resources, i.e. funded by Council Tax payers. MRP is a charge included in the Authority's accounts that effectively spreads the cost of capital expenditure over a period that generally equates to the period in which the asset is used. When deciding whether to take out additional borrowing, the Authority must consider whether the Investment Plan is affordable, sustainable and prudent.

8.12 When determining how to finance the Authority-funded element of the Investment Plan, the Authority's MRP Policy is used to maximise the effectiveness of borrowing in relation to individual schemes in the Investment Plan.

8.13 The total capital expenditure of £59.080m has been financed as shown in table 29 below:

**Table 29: 2019/20 Capital Financing**

|   | <b>2019/20<br/>Capital<br/>Financing<br/>£m</b> |
|---|---|
| <u>Council Contribution</u>                       |   |
| Prudential (Unsupported) Borrowing – General Fund | 12.001  |
| Capital Receipts -General Fund                    | 0   |
| Capital Receipts – HRA                            | 0.357   |
| Direct Revenue Funding - General Fund             | 0.173   |
| Direct Revenue Funding – HRA                      | 12.012  |
| Major Repairs Allowance                           | 10.800  |
|   | <b>35.343</b>                                   |
| <u>External funding</u>                           |   |
| Specific Government Grants                        | 15.355  |
| ERDF  | 0.128   |
| Capital Grants and Contributions                  | 8.254   |
|   | <b>23.737</b>                                   |
|   | <b>59.080</b>                                   |

- 8.14 Total Prudential borrowing for the General Fund was £12.001m. During the year £2.119m of General Fund capital receipts were generated. £1.446m have been used to repay loans and £1.773m will be carried forward for future years.
- 8.15 For Housing, capital receipts of £6.295m were received during 2019/20, of which £1.874m were pooled and paid across to central government leaving a balance of £4.421m available for financing. This balance plus the brought forward receipts of £7.251m gave an available balance of £11.672m. Of this £0.357m was used to finance 2019/20 capital spend and £3.003m was set aside to repay debt leaving a balance of £8.312m to be carried forward into 2020/21.
- 8.16 Table 30 below shows the movement in capital receipts during 2019/20 including receipts received during 2018/19 (identified in paragraphs 6.15 and 6.16 above), receipts brought forward at 1 April 2019, receipts used to finance the 2019/20 Investment Plan, receipts set aside to repay debt and loans, and receipts carried forward at 31 March 2020.

**Table 30: Movement in Capital Receipts during 2019/20**

|              | Receipts brought forward 1 April 2019<br>£m | Net Useable Receipts received<br>£m | Receipts used for financing<br>£m | Receipts set aside for repayment of debt<br>£m | Receipts set aside for repayment of loans<br>£m | Receipts carried forward 31 March 2020<br>£m |
|--------------|---|-------------------------------------|-----------------------------------|--|---|--|
| General Fund | 1.100                                       | 2.119                               | 0                                 | 0  | (1.446)   | 1.773  |
| Housing      | 7.251                                       | 4.421                               | (0.357)                           | (3.003)  | 0   | 8.312  |
| <b>Total</b> | <b>8.351</b>                                | <b>6.540</b>                        | <b>(0.357)</b>                    | <b>(3.003)</b>                                 | <b>(1.446)</b>                                  | <b>10.085</b>                                |

8.17 The Authority also used £15.355m of funding from specific Government grants. These grants included:

- £5.533m Education and Schools Capital funding;
- £7.796m Transport and Infrastructure funding; and,
- £1.493m Better Care Fund (including Disabled Facilities Grant).

8.18 Capital Grants and Contributions of £8.254m used in the year included:

- £2.675m North East Local Enterprise Partnership (NELEP);
- £1.612m Section 278 highway works; and,
- £3.229m Section 106 contributions.

8.19 As required, under self-financing for Housing, there is a Major Repairs Allowance calculated and used to finance ongoing works to Council dwellings. This contribution is financed from within the HRA (i.e. it is self-financed) and so appears as part of the Authority's contribution shown in Table 29 above.

8.20 An analysis of the overall capital financing is also shown in **Appendix B**.

### **International Financial Reporting Standards (IFRS) adjustments to Capital Expenditure in 2018/19**

8.21 Under IFRS any expenditure incurred relating to PFI schemes and finance leases is classed as capital expenditure and the resulting assets are added to the Authority's balance sheet.

8.22 During 2019/20 spend of £0.136m was incurred under the street lighting PFI contract.

### **Priority Schools Building Programme 2 (PSBP2)**

8.23 The refurbishment of Cullercoats Primary School was delivered as part of PSBP2 and as such it was not part of the Authority's own Investment Plan. Works commenced in May 2018 with the main works being completed at the end of August 2019 and handed across to the Authority. All works are now finalised and the refurbished buildings are included on the Authority's balance sheet. The notional cost of the works has been assumed to be £5.800m based on the original grant award from the Government.

## **SECTION 9 – ANNUAL TREASURY MANAGEMENT REVIEW AND PRUDENTIAL INDICATORS**

### **9.1 Regulatory Environment**

- 9.1.1 The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This section of the report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 9.1.2 During 2019/20 the minimum reporting requirements were that the full Council or Cabinet should receive the following reports:
- an annual treasury strategy in advance of the year (Council 21 February 2019);
  - a mid-year (minimum) treasury update report (Cabinet 25 November 2019); and
  - an annual review following the end of the year describing the activity compared to the strategy (this report).
- 9.1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.
- 9.1.4 The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports. Reports are reviewed by Lead Member Briefing before they are reported to Cabinet. A joint session for North Tyneside Council and North of the Tyne Combined Authority Member training on treasury management issues was undertaken during the year on 10 December 2019 in order to support members' scrutiny role.

### **9.2 Capital Expenditure and Financing**

- 9.2.1 The Authority undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
  - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 9.2.2 The actual capital expenditure forms one of the required prudential indicators. Table 31 below shows the actual capital expenditure and how this was financed. Further details of this are shown in table 29 in section 8 of this report.



**Table 31: Actual Capital Expenditure and its Financing**

|   | <b>2018/19<br/>Actual<br/>£m</b> | <b>2019/20<br/>Estimate<br/>£m</b> | <b>2019/20<br/>Actual<br/>£m</b> |
|---|----------------------------------|------------------------------------|----------------------------------|
| General Fund  | 41.708                           | 40.873                             | 35.911                           |
| HRA   | 27.651                           | 24.309                             | 23.169                           |
| <b>Total Capital<br/>Expenditure</b>                                | <b>69.359</b>                    | <b>65.182</b>                      | <b>59.080</b>                    |
|   |                                  |                                    |                                  |
| Financed in-year<br>(grants, contributions<br>and capital receipts) | 48.994                           | 53.589                             | 47.079                           |
| Unfinanced Capital<br>Expenditure<br>(Prudential borrowing)         | 20.365                           | 11.593                             | 12.001                           |

### 9.3 The Authority's Overall Borrowing Need

9.3.1 The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

9.3.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. Table 32 below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

**Table 32: Gross Borrowing against the CFR**

|                          | <b>2018/19<br/>Actual<br/>£m</b> | <b>2019/20<br/>Estimate<br/>£m</b> | <b>2019/20<br/>Actual<br/>£m</b> |
|--------------------------|----------------------------------|------------------------------------|----------------------------------|
| CFR General Fund         | 323.761                          | 325.714                            | 317.191                          |
| CFR HRA                  | 328.669                          | 324.774                            | 321.772                          |
| <b>Total CFR</b>         | <b>652.430</b>                   | <b>650.488</b>                     | <b>638.963</b>                   |
| Gross borrowing position | 568.383                          | 585.404                            | 581.308                          |
| Under/over funding       | 84.047                           | 65.084                             | 57.655                           |

9.3.3 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Authority has maintained gross borrowing within its authorised limit.

9.3.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

9.3.5 **Table 33 - Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

|  | <b>2019/20<br/>£m</b> |
|--|-----------------------|
| Authorised limit   | 1,250.000             |
| Maximum gross borrowing position during the year                   | 585.367               |
| Operational boundary   | 680.000               |
| Average gross borrowing position                                   | 565.364               |
|  |                       |
| Financing costs as a proportion of General Fund net revenue stream | 15.83%                |
| Financing costs as a proportion of HRA net revenue stream          | 27.56%                |

#### 9.4 Treasury Position as at 31 March 2020

9.4.1 The Authority’s treasury position (excluding borrowing by PFI and finance leases) at 31 March 2019 and 31 March 2020 is shown in table 34 below:

**Table 34: Treasury Position as at 31 March**

| <b>Borrowing Position</b>     | <b>31 March 2020 Principal £m</b> | <b>Rate/Return %</b> | <b>31 March 2019 Principal £m</b> | <b>Rate/Return %</b> |
|-------------------------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| <b>Fixed Rate Funding:</b>    |                                   |                      |                                   |                      |
| -*PWLB long - term            | 250.250                           | 3.81                 | 231.250                           | 4.12                 |
| (HRA-Self Financing)          | 128.193                           | 3.49                 | 128.193                           | 3.49                 |
| -Market<br>**(LOBO's)         | 20.000                            | 4.35                 | 20.000                            | 4.35                 |
| -Temporary                    | 68.470                            | 1.09                 | 70.703                            | 0.80                 |
| <b>Total External Debt</b>    | <b>466.913</b>                    | <b>3.35</b>          | <b>450.146</b>                    | <b>3.43</b>          |
|                               |                                   |                      |                                   |                      |
| <b>CFR</b>                    | <b>524.568</b>                    |                      | <b>534.193</b>                    |                      |
| <b>Over (Under) borrowing</b> | <b>(57.655)</b>                   |                      | <b>(84.047)</b>                   |                      |

\*Public Works Loan Board      \*\*Lender Option Borrower Option

**Table 35: The maturity structure of the external debt portfolio was as follows:**

|                                | <b>31 March 2020 Actual £m</b> | <b>31 March 2019 Actual £m</b> |
|--------------------------------|--------------------------------|--------------------------------|
| Within 12 months               | 54.470                         | 76.703                         |
| 12 months and within 24 months | 15.000                         | 11.000                         |
| 24 months and within 5 years   | 14.000                         | 19.000                         |
| 5 years and within 10 years    | 38.475                         | 21.575                         |
| 10 years and within 20 years   | 77.200                         | 74.100                         |
| 20 years and within 30 years   | 63.575                         | 73.575                         |
| 30 years and within 40 years   | 115.000                        | 115.000                        |
| 40 years and within 50 years   | 69.193                         | 48.193                         |
| Greater than 50 years          | 20.000                         | 11.000                         |

## 9.5 Investment Portfolio

**Table 36: Treasury and Non Treasury Investments**

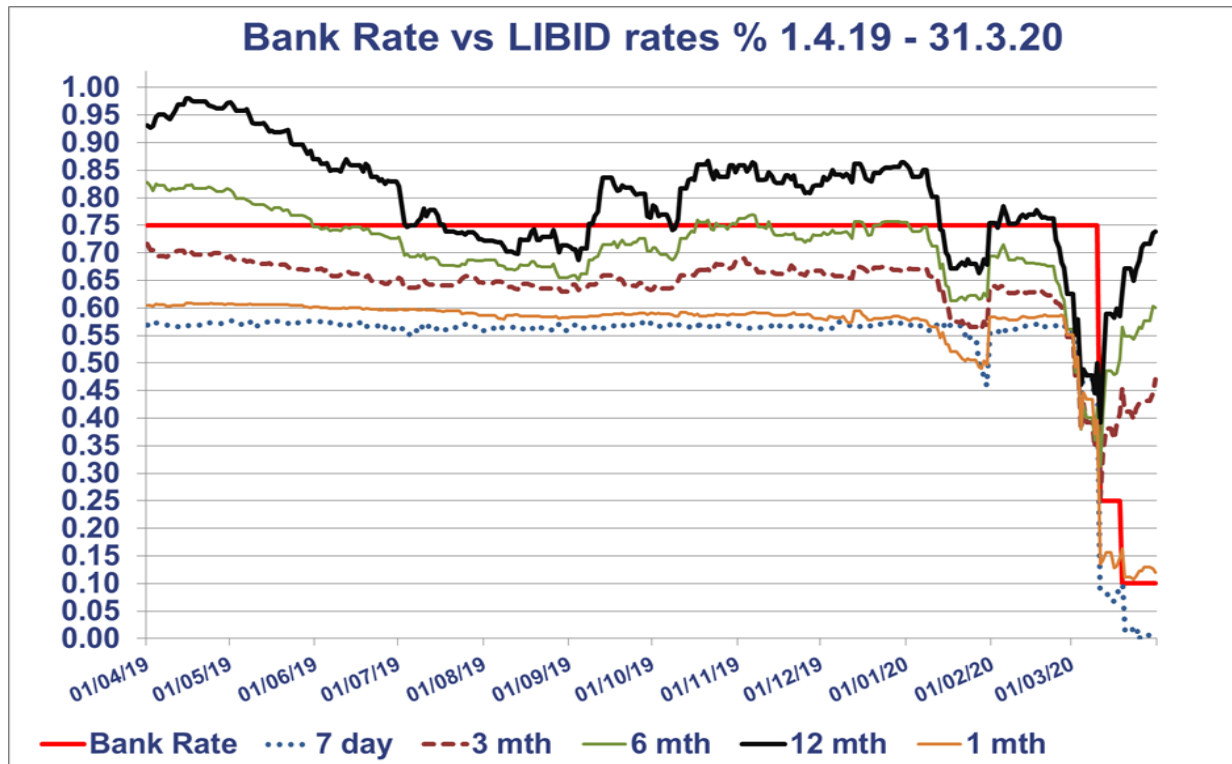
| Treasury investments    | Actual<br>31 March<br>2020<br>£m | Actual<br>31 March<br>2019<br>£m |
|-------------------------|----------------------------------|----------------------------------|
| DMADF (H M Treasury)    | 35.100                           | 12.300                           |
| Other Local Authorities | 17.000                           | 0.000                            |

| Non Treasury investments              | Actual<br>31 March<br>2020<br>£m | Actual<br>31 March<br>2019<br>£m |
|---------------------------------------|----------------------------------|----------------------------------|
| Joint venture                         | 1.322                            | 2.650                            |
| Companies                             | 4.000                            | 1.869                            |
| <b>TOTAL NON TREASURY INVESTMENTS</b> | <b>5.322</b>                     | <b>4.519</b>                     |

- 9.5.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that the Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in the Bank Rate until the Brexit issue was finally settled. However, there was an expectation that the Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.
- 9.5.2 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

**Chart 16: Investment strategy and control of interest rate risk**



**9.6 Borrowing strategy and control of interest rate risk**

- 9.6.1 During 2019/20, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Authority’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 9.6.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost, the difference between (higher) borrowing costs and (lower) investment returns.
- 9.6.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

9.6.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Resources monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp fall in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short-term borrowing would have been considered; and,
- if it had been felt that there was a significant risk of a much sharper rise in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

9.6.5 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

**Chart 17: Interest Rate View**

| Link Asset Services Interest Rate View 31.3.20 |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
|  | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
| Bank Rate View                                 | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   |
| 3 Month LIBID                                  | 0.45   | 0.40   | 0.35   | 0.30   | 0.30   | 0.30   | 0.30   | 0.30   |
| 6 Month LIBID                                  | 0.60   | 0.55   | 0.50   | 0.45   | 0.40   | 0.40   | 0.40   | 0.40   |
| 12 Month LIBID                                 | 0.75   | 0.70   | 0.65   | 0.60   | 0.55   | 0.55   | 0.55   | 0.55   |
| 5yr PWLB Rate                                  | 1.90   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   |
| 10yr PWLB Rate                                 | 2.10   | 2.10   | 2.10   | 2.20   | 2.20   | 2.20   | 2.30   | 2.30   |
| 25yr PWLB Rate                                 | 2.50   | 2.50   | 2.50   | 2.60   | 2.60   | 2.60   | 2.70   | 2.70   |
| 50yr PWLB Rate                                 | 2.30   | 2.30   | 2.30   | 2.40   | 2.40   | 2.40   | 2.50   | 2.50   |

9.6.6 Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

9.6.7 HM Treasury has imposed two changes in the margins over gilt yields for PWLB rates in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ended on 4 June. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

9.6.8 There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

## 9.7 Borrowing Outturn for 2019/20

9.7.1 Long-term borrowing undertaken during the year for the General Fund to fund capital expenditure and maturing debt was £25.000m and is detailed in table 37 below:

**Table 37 - Replacement PWLB Loans 2019/20**

| Principal<br>£m | Interest<br>Rate<br>% | Start Date    | Maturity Date     | Certainty<br>Rate |
|-----------------|-----------------------|---------------|-------------------|-------------------|
| 5.000           | 2.18                  | 26 March 2020 | 03 September 2029 | PWLB              |
| 5.000           | 1.50                  | 24 March 2020 | 01 May 2065       | HRA               |
| 5.000           | 1.50                  | 24 March 2020 | 30 April 2066     | HRA               |
| 5.000           | 1.49                  | 24 March 2020 | 03 May 2067       | HRA               |
| 5.000           | 2.28                  | 26 March 2020 | 01 October 2069   | PWLB              |

This compares with a budget assumption of borrowing at an interest rate of 3% which was set in line with projections from the Authority's treasury management advisors.

9.7.2 Internal borrowing and low rate short-term borrowing was also undertaken during the year. General Fund short-term borrowing outstanding at 31 March 2020 was £49.000m. The HRA also took advantage of low rate short-term borrowing with a balance of £19.470m outstanding at 31 March 2020.

9.7.3 Maturing long-term loans of £6.000m were repaid in 2019/20 as detailed in Table 38 below:

**Table 38 - Maturing Long-Term Loans repaid during 2019/20**

| Principal<br>£m | Interest Rate<br>% | Date Repaid     |
|-----------------|--------------------|-----------------|
| 6.000           | 11.25              | 15 October 2019 |

9.7.4 Short-term savings were achieved during the year by internally financing new capital expenditure by running down existing cash balances and replacing maturing debt by taking advantage of borrowing low rate loans from PWLB as detailed in Table 37 above. Lower cash balances also meant lower counterparty risk on the investment portfolio.

**9.7.5 Borrowing in advance of need**

The Authority has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

**9.7.6 Rescheduling**

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

**9.7.8 Summary of debt transactions**

Management of the debt portfolio resulted in £3.412m in interest savings for the General Fund and £0.229m for the HRA.

**9.8 Investment Outturn**

9.8.1 **Investment Policy** – the Authority’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by full Council on 21 February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

9.8.2 The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

9.8.3 **Resources** – the Authority’s cash balances comprise revenue and capital resources and cash flow monies. The Authority’s core cash resources comprised as follows:

**Table 39: Core Cash Balances**

| Balance Sheet Resources | 31 March 2020<br>£m | 31 March 2019<br>£m |
|-------------------------|---------------------|---------------------|
| Balances                | 14.968              | 15.707              |
| Earmarked reserves      | 66.948              | 68.455              |
| Provisions              | 4.015               | 4.374               |
| Usable capital receipts | 10.085              | 8.351               |
| <b>Total</b>            | <b>96.016</b>       | <b>89.784</b>       |



- 9.8.4 **Investments held by the Authority** - The Authority maintained an average balance of £17.908m of internally managed funds invested with the Debt Management Office (DMO). Additionally an average balance of £5.000m was deposited with other local authorities for a period between December 2019 into January 2020, and an average balance of £3m was deposited with Lloyds Bank from November 2019 to March 2020. The internally-managed funds earned an average rate of return of 0.635% and, total investment income was £0.170m compared to a budget of £0.023m.
- 9.9 A full list of the Prudential and Treasury Indicators is shown in **Appendix D**.

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GF & HRA Reserves 2019/20

| Reserve                                       | Purpose of Reserve  | Opening Balance | Cont To        | Cont From    | Closing Balance |
|---|---|-----------------|----------------|--------------|-----------------|
| General Insurance Reserve                     | Risks covered by the reserve include fire, employer and third party liability, contract guarantee bonds, motor cars, personal accident and other general risks  | (7,297,578.81)  | (1,143,635.02) | 451,568.38   | (7,989,645.45)  |
| Planning Functions 20% Fee                    | Reserve set aside to account for the 20% uplift in planning application fees. The reserve to be invested into the planning service  | (134,938.00)    | (107,937.00)   |              | (242,875.00)    |
| Private Landlord Lease to Let Scheme          | Reserve set aside to modernise private landlord properties for future lettings  | (159,465.93)    | (33,460.00)    | 4,561.00     | (188,364.93)    |
| Street Lighting                               | Set up to equalise cash flows relating to the Council's street lighting PFI scheme  | (3,350,020.30)  | (30,905.00)    | 601,171.79   | (2,779,753.51)  |
| Lettings Agents Transparency & Redress Scheme | Grant to support the monitoring of lettings agents in the Lettings Agents Transparency & Redress Scheme   | (4,770.68)      |                |              | (4,770.68)      |
| Music Service                                 | Development of music education hub  | (107,780.90)    | (103,575.70)   | 107,780.90   | (103,575.70)    |
| North Shields Christmas Market                | The Xmas Market runs annually at a 'cost neutral' basis. The balance handed over & now retained in NTC's accounts acts as a contingency for the market (given that the market event is run for the community). If the event makes a loss, the balance/funding held is used to meet the expense. Similarly, if the event makes a profit, the balance will increase. It is expected that the annual event runs on a 'cost neutral' basis for some time to come            | (10,547.00)     |                | 1,239.00     | (9,308.00)      |
| Riverside Way/ Elm House                      | The Children's Social Care Innovation Programme and Partners in Practice support the development, testing and spreading of more effective ways of supporting children and families who need help from children's social care services.  | (90,662.26)     |                | 90,662.26    | 0.00            |
| Partners in Practice Programme                | Reserve established following receipt of S31 income to improve children's services. Commitments exist in 2019/20.   | (151,406.38)    |                | 151,406.38   | 0.00            |
| Construction & Maintenance Reserve            | Options Post Kier 2019  | (250,000.00)    |                | 250,000.00   | 0.00            |
| Wallsend Festival                             | The Wallsend Festival runs annually at a 'cost neutral' basis. The balance handed over & now retained in NTC's accounts acts as a contingency for the festival (given that the festival is run for the community). If the event makes a loss, the balance/funding held is used to meet the expense. Similarly, if the event makes a profit, the balance will increase. It is expected that the annual event runs on a 'cost neutral' basis for some time to come        | (6,428.00)      |                | 1,128.00     | (5,300.00)      |
| Tynemouth Pool Restoration                    | A grant from Ministry of Housing, Communities and Local Government to provide planning application support for Tynemouth Pool Restoration   | (46,800.00)     |                |              | (46,800.00)     |
| Reinvestment in Leisure Service               | Reinvestment in Leisure Service   | (500,000.00)    |                | 75,420.86    | (424,579.14)    |
| Alternate Weekly Waste Collection Reserve     | Alternate Weekly Waste Collection Reserve   | (200,000.00)    |                | 30,000.00    | (170,000.00)    |
| Redundancy & Remuneration Reserve             | Reserve to meet the expected cost of redundancies arising from the Change Programme   | (2,850,236.15)  |                | 1,191,214.27 | (1,659,021.88)  |
| Support for Change Programme                  | Reserve to support the implementation of the Change Programme   | (4,894,136.00)  |                | 1,202,653.80 | (3,691,482.20)  |
| Community Infrastructure Levy                 | To be used on the costs associated with the Community Infrastructure Levy   | (42,882.00)     | (20,844.00)    |              | (63,726.00)     |
| Affordable Homes                              | Carry forward of budget to continue to develop initiatives and create the requisite delivery mechanisms to help achieve Cabinet's ambition to enable delivery of 3,000 affordable homes in the Borough over the next 10 years   | (91,358.32)     |                |              | (91,358.32)     |
| Capacity Funding                              | This is a grant received in 2014/15 from the Ministry of Housing, Communities & Local Government (MHCLG) for Capacity Funding towards the feasibility of the redevelopment of Murton Gap for Housing, with spend commencing in 2015/16  | (7,192.72)      |                |              | (7,192.72)      |
| Adopt North East                              | Adopt North East (ANE) is the new regional adoption agency, which combines local authority adoption services from North Tyneside, Gateshead, Newcastle, Northumberland and South Tyneside, that went live on 1st December 2018 and is hosted in North Tyneside Council. It was agreed that the service is to be funded from each of the five local authorities. The reserve is a ring-fenced account and will be used to offset any future pressures ANE may encounter. | (214,853.25)    |                | 214,853.25   | 0.00            |
| Lead Local Flood Authority                    | Funding to support the Council's programme of flooding work in its role as Lead Local Flooding Authority  | (5,686.00)      | (6,154.00)     |              | (11,840.00)     |
| MHCLG - New Burdens Funding                   | Planning applications for Brownfield sites  | (4,099.81)      |                | 4,099.81     | 0.00            |
| MHCLG - Self Build                            | Works associated with the self build and custom build register  | (68,681.33)     | (13,975.00)    |              | (82,656.33)     |
| CAPITA NTC Managed Budget Reserve             | The reserve has been established to hold any surplus balance generated by the Capita NTC Managed Budget. Funds held in this reserve will be ring-fenced to help support any potential future in-year pressures that the Managed Budget might experience.  | (133,709.00)    |                | 133,709.00   | 0.00            |
| New Burdens UC Funding                        | To support welfare in future years as a result of the impact of Covid-19  | 0.00            | (19,318.00)    | 0.00         | (19,318.00)     |
| Training Reserve                              | This reserve will be available to supplement and support the delivery of the Corporate Training Plan  | (100,000.00)    |                |              | (100,000.00)    |

|   |  |                 |                |            |                 |
|---|--|-----------------|----------------|------------|-----------------|
| Welfare Reform                                    | Grant funding from central government to meet the on-going cost of implementing welfare reform   | (63,317.96)     | (56,266.00)    | 63,317.96  | (56,266.00)     |
| Education PFI Reserve                             | Established to provide a mechanism which takes account of project cashflows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools   | (1,327,862.04)  | (200,000.00)   | 463,312.60 | (1,064,549.44)  |
| Hackney Carriage Unmet Demand Survey Reserve      | A ring fenced reserve set up at the request of the Hackney Carriages and Private Hire Trade representatives whereby any surplus from fees is reinvested in the service   | (21,163.00)     |                |            | (21,163.00)     |
| Building Control Reserve                          | The reserve has been set up to assist in complying with the accounting requirements of the Building (Local Authority Charges) regulations 2010   | (106,996.14)    | (26,913.00)    | 3,169.00   | (130,740.14)    |
| Feasibility Study Reserve                         | Set up to fund feasibility studies of potential capital schemes  | (480,043.19)    | (119,276.03)   |            | (599,319.22)    |
| Strategic Reserve                                 | Established to address future potential significant external pressures on the Council's budget   | (14,597,396.43) | (891,845.26)   |            | (15,489,241.69) |
| Dudley/Shiremoor Joint Service Centre PFI Reserve | Established to provide a mechanism which takes account of project cashflows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre  | (1,201,171.35)  | (145,594.47)   | 86,218.63  | (1,260,547.19)  |
| Schools PFI Lifecycle Costs                       | Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract  | (2,865,872.90)  | (268,967.46)   | 901,949.38 | (2,232,890.98)  |
| MHCLG Bond Bank                                   | This reserve is used to underwrite the deposit required when renting a property and therefore enabling people (over 18) who are homeless or have a housing need to access private lettings   | (39,935.00)     |                |            | (39,935.00)     |
| Dudley PFI Lifecycle Costs                        | Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract  | (289,272.72)    |                |            | (289,272.72)    |
| Smokehouses Fish Quay Sinking Fund                | Sinking Fund re Smokehouses - North Shields Fish Quay  | (2,500.00)      |                | 2,500.00   | 0.00            |
| Dockmasters Fish Quay Sinking Fund                | Sinking Fund re Dockmasters - North Shields Fish Quay  | (2,000.00)      |                | 2,000.00   | 0.00            |
| Union Quay/Working Above Shops Sinking Fund       | Sinking Fund re Union Quay - North Shields Fish Quay   | (7,000.00)      |                | 7,000.00   | 0.00            |
| Vita House Fish Quay Sinking Fund                 | Sinking Fund re Vita House   | (2,500.00)      |                | 2,500.00   | 0.00            |
| Barracks Building Fish Quay Sinking Fund          | Sinking Fund re Barracks Building  | (2,000.00)      |                | 2,000.00   | 0.00            |
| North Shields Business Centre Sinking Fund        | Sinking Fund re Business Centre  | (4,000.00)      |                |            | (4,000.00)      |
| Salisbury House North Shields Sinking Fund        | Sinking Fund re Salisbury House  | (9,400.00)      |                | 9,400.00   | 0.00            |
| Salisbury House N Shields Ringfence               | Salisbury House Reserve  | (14,694.42)     | (14,443.89)    | (9,400.00) | (38,538.31)     |
| Saville Exchange N Shields Ringfence              | Saville Exchange Reserve   | (15,419.04)     |                |            | (15,419.04)     |
| 131 Bedford Street                                | North Shields Reserve - 131 Bedford Street.  | (102,513.81)    |                |            | (102,513.81)    |
| Stag Line Building                                | North Shields Reserve - Stag Line Building.  | (8.30)          |                | 8.30       | 0.00            |
| Smokehouses Reserve                               | Fish Quay Reserve - Smokehouses  | (67,558.84)     | (14,213.43)    | (2,500.00) | (84,272.27)     |
| Service Improvement Fund                          | Support fund established to facilitate the delivery of the major change programme that is required to ensure we continue to provide the services that our people need. The fund also provides Cabinet with the flexibility to make service improvement choices based on feedback from the residents and other key stakeholders | (712,880.74)    | (195,000.00)   | 555,886.00 | (351,994.74)    |
| Waste Procurement Reserve                         | A reserve established to manage the future costs of waste provision  | (734,012.73)    |                |            | (734,012.73)    |
| Pow Dene Reserve                                  | Fish Quay Reserve - Pow Dene   | (199,799.58)    |                | 5,061.32   | (194,738.26)    |
| Dockmasters Reserve                               | Fish Quay Reserve - Dockmasters  | (16,218.83)     |                | 1,968.36   | (14,250.47)     |
| Working Above The Shops                           | Fish Quay Reserve - Union Quay Reserve   | (32,572.88)     | (9,140.35)     | (7,000.00) | (48,713.23)     |
| Local Safeguarding Board                          | To hold the balance of contributions from various partners and income generated from the LSCB charging policy (in relation to training) on behalf of the LSCB  | (51,733.41)     | (30,206.45)    | 26,440.71  | (55,499.15)     |
| Vita House Reserve                                | Fish Quay Reserve - Vita House reserve   | (43,330.43)     | (11,734.37)    | (2,500.00) | (57,564.80)     |
| Ballards Smoke House Reserve                      | Fish Quay Reserve - Ballards Smoke House   | (816.64)        | (186.98)       |            | (1,003.62)      |
| Barracks Building Reserve                         | Fish Quay Reserve - Barracks Building  | (37,009.49)     |                | 1,968.47   | (35,041.02)     |
| Whitley Bay CFC PFI Reserve                       | Established to provide a mechanism which takes account of project cashflows over a 25-year period to enable the yearly equalisation of the additional costs of the Customer First Centre   | (752,377.53)    | (41,413.51)    | 16,887.51  | (776,903.53)    |
| Whitley Bay CFC PFI Lifecycle Costs               | Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract  | (212,798.05)    |                |            | (212,798.05)    |
| Covid 19 Local Authority Support                  | Funding from MHCLG to support local authorities with Covid funding   | 0.00            | (6,088,914.66) |            | (6,088,914.66)  |
| Apprenticeships                                   | To support the further development of the Council's apprenticeship and training programme, with a particular focus on working with the business partners ENGIE and Capita Symonds  | (70,000.00)     |                |            | (70,000.00)     |

|   |  |                 |                 |              |                 |     |
|---|--|-----------------|-----------------|--------------|-----------------|-----|
| Internal Refurbishment Reserve                    | A furniture reserve to fund a rolling programme of refurbishments to the Direct Access Units and Dispersed Units   | (49,741.50)     | (40,000.00)     | 54,585.27    | (35,156.23)     | HRA |
| HRA Solar PV Green Fund                           | To support the provision of energy efficiency measures on council dwellings  | (638,432.39)    | (96,859.58)     | 30,309.08    | (704,982.89)    | HRA |
| Older Peoples Homes for the Future PFI Reserve    | Set up to equalise cash flows relating to the Council's North Tyneside Living PFI scheme   | (12,221,160.48) | (917,629.21)    | 1,549,419.00 | (11,589,370.69) | HRA |
| New Build   | Established to support the provision of New Build Council Housing  | (2,627,412.43)  |                 | 1,185,000.00 | (1,442,412.43)  | HRA |
| Housing PFI Lifecycle Costs                       | Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract  | (3,730,636.17)  | (993,556.43)    | 274,285.79   | (4,449,906.81)  | HRA |
| Surplus on RTB Admin Costs                        | Reserve created to recognise additional administration payments over and above those required to fund RTB administration costs over the previous two years, have been set aside to supplement financing available for the Housing Investment Plan.   | (472,676.00)    | (71,333.80)     |              | (544,009.80)    | HRA |
| HRA Solar PV Maintenance                          | Maintenance of solar PV systems on new build council dwellings   | (11,463.14)     | (88.70)         | 2,850.00     | (8,701.84)      | HRA |
| Repairs Options Post 2019                         | To assist with Repairs Offer Options post 2019   | (100,000.00)    | (45,000.00)     |              | (145,000.00)    | HRA |
| HPC Vehicle Replacement Reserve                   | A delegated decision on Use of Reserves was taken as part of the project to create the Housing Property and Construction Group which released up to £3m from the North Tyneside Living PFI reserve to fund the purchase of the new fleet. As part of this decision it was agreed that the money recovered to cover the purchase costs over time from the financing element of hire rates, would initially be put into a VRR in order to build resource to replace the fleet as appropriate over the longer term. However, the one stipulation was that the PFI Reserve would have first call on the money to restore its position should that be required. For 2019-20 this resulted in the total applicable sum of £365,394 being split evenly between the Reserve and the VRR with each receiving a contribution of £182,697 | 0.00            | (182,697.00)    |              | (182,697.00)    | HRA |
|   | Sub Total - General Reserves   | (64,660,930.40) | (11,941,084.30) | 9,738,106.08 | (66,863,908.62) |     |
| Grants  |  |                 |                 |              |                 |     |
| Air Quality Monitoring Grant                      | Grant to fund support on measures to improve air quality in the local authority area   | (56,019.00)     |                 | 5,330.00     | (50,689.00)     |     |
| Step up to Social Work Grant                      | A programme to provide accelerated entry route into social work for high achieving graduates and career changers   | (63,230.28)     | (47,019.00)     | 24,230.28    | (86,019.00)     |     |
| Rogue Landlords Grant Reserve                     | To provide improved reporting systems to assist in tackling rogue landlords in North Tyneside  | (4,368.00)      |                 | 2,427.94     | (1,940.06)      |     |
| Tobacco Burdens Grant                             | To cover any additional costs incurred as a direct result of the implementation new tobacco legislation  | (3,480.58)      | (3,016.93)      |              | (6,497.51)      |     |
| Public Health Grant                               | Department of Health ring-fenced grant made available to local authorities to allow them to discharge their new public health responsibilities   | (809,161.29)    | (595,894.06)    | 809,161.29   | (595,894.06)    |     |
| Education Funding Agency                          | The 16-19 Bursary Fund aims to ensure that every young person participates and benefits from a place in 16-19 training. The SEN element of the reserve is intended to develop special educational needs and disability implementation and services   | (268,973.85)    | (758,869.24)    | 268,973.85   | (758,869.24)    |     |
| Syrian Refugee Grant                              | The reserve is for the Syrian Refugee Relocation Programme and will be used for spend in-line with this programme. The grant will be spent over the 5 years of the programme, but will be added to/ reduced as the next wave of refugees enter our Borough, with their 5 years of funding starting from this point   | (114,818.55)    | (66,681.00)     |              | (181,499.55)    |     |
| Tackling Troubled Families                        | Grant reserve to support the delivery of outcomes for families with complex and multiple needs   | (142,500.00)    |                 | 142,500.00   | 0.00            |     |
| Assessed & Supported Year in Employment Programme | The Assessed and Supported Year in Employment (ASYE) is designed to help newly qualified social workers develop their skills, knowledge and capability, and strengthen their professional confidence. It provides them with access to regular and focused support during their first year of employment in social work   | (13,087.96)     |                 |              | (13,087.96)     |     |
| North East Social Work Alliance                   | Development of a North East Social Work Alliance website providing a comprehensive one stop resource for everything to do with social work education within the region   | (15,000.00)     |                 |              | (15,000.00)     |     |
| Flexible Homelessness Support Grant               | Grant to allow councils greater flexibility to prioritise homelessness prevention through new ways of working  | (256,788.50)    |                 | 116,409.00   | (140,379.50)    |     |
| Homeless Veterans Grant Reserve                   | Grant to allow councils greater flexibility to prioritise homelessness prevention through new ways of working  | (90,909.00)     |                 | 90,909.00    | 0.00            |     |
| RRP Tenancy Support                               | Tenancy Support for Rapid Rehousing Pathway Scheme for Homelessness  | 0.00            | (32,084.00)     |              | (32,084.00)     |     |
| Local Authority EU Exit Preparation               | As Central Government is committed to ensuring councils have the support and the funding they need to prepare for an orderly exit from the EU and do appropriate contingency planning, this funding will help councils to adapt to changes caused by Brexit, while still protecting vital local services   | (104,984.00)    | (231,714.80)    |              | (336,698.80)    |     |
| Homeless Reduction Act Grant                      | Grant to support the introduction of the Homeless Reduction Act from 1st April 2018  | (61,375.50)     |                 |              | (61,375.50)     |     |
| Grant Reserves under £100k                        | Safer North Tyneside (53,777.04);Heritage Events (1,606.50);Local Authority Parks Improvement Funding (35,659.00);National Community Clean-Up Campaign (35,844.00) ; Adoption Support Fund (167,638.18);Moving on Tyne and Wear (14,551.98);Universal Credit (31,176.10);Domestic Abuse (14,634.00); Reducing Parental Conflict (40,100.00)  | (394,986.80)    | (127,869.69)    | 293,200.37   | (229,656.12)    |     |

|                                     |   |                 |                 |               |                 |
|-------------------------------------|---|-----------------|-----------------|---------------|-----------------|
| Training & Development              | School-centred initial teacher training (SCITT) - Networks of schools that have been approved to run school-centred courses are known as SCITTs. They provide practical, hands-on teacher training, delivered by experienced, practising teachers based in their own school or a school in their network. SCITT courses generally last one year, and many include a postgraduate certificate in education (PGCE) and/or Master's-level credits. Training as part of a SCITT gives you the opportunity to learn 'on the job'. You will benefit from working and learning every day in a school and getting an immediate insight into what teaching involves. | (39,965.83)     | (25,368.51)     | 39,965.83     | (25,368.51)     |
| Parks - Heritage Lottery Fund Grant | Ring-fenced grant for the future maintenance and managements costs associated with Wallsend Parks and Northumberland Parks  | (561,106.36)    | (244,985.00)    | 23,000.00     | (783,091.36)    |
| Preventing Repossession Fund        | To offer assistance to individuals to avoid repossession of their property  | (2,407.00)      |                 | 2,407.00      | 0.00            |
| NE One Public Estate Grant          | Grant as part of a national programme (NT are part of North East Scheme) to transform local communities and public services   | (43,633.00)     |                 | 17,950.00     | (25,683.00)     |
| LAA Performance Grant               | To support local authorities in England towards expenditure lawfully incurred   | (2,098.59)      |                 |               | (2,098.59)      |
|                                     | Sub Total of Grant Reserves   | (3,048,894.09)  | (2,133,502.23)  | 1,836,464.56  | (3,345,931.76)  |
| Dedicated Schools Grant             | This Grant is a ring-fenced specific grant and must be used in support of the Schools Budget as financed in the School Finance (England) Regulations 2008   | (745,941.54)    | 3,261,612.75    | 745,941.54    | 3,261,612.75    |
|                                     | Total all Reserves  | (68,455,766.03) | (10,812,973.78) | 12,320,512.18 | (66,948,227.63) |

|                                      |                |
|--------------------------------------|----------------|
| Check:                               |                |
| Total GF per Note to the Accounts =  | -47,846        |
| Total HRA per Note to the Accounts = | -19,102        |
|                                      | <u>-66,948</u> |

|                      |          |
|----------------------|----------|
| Total All Reserves = | -66,948  |
| Difference =         | <u>0</u> |

Link to source document:  
<S:\Central\2019-20 Final Accounts\Reserves\Reconciliation of Reserves 2019-20.xlsx>

|               | Actual<br>Gross<br>Expenditure<br>£000 | Financing                        |                             |                              |              |                                   |                            | Total<br>Financing<br>£000 |
|---------------|--|----------------------------------|-----------------------------|------------------------------|--------------|-----------------------------------|----------------------------|----------------------------|
|               |  | Unsupported<br>Borrowing<br>£000 | Capital<br>Receipts<br>£000 | Government<br>Grants<br>£000 | ERDF<br>£000 | Grants &<br>Contributions<br>£000 | Revenue<br>Funding<br>£000 |                            |
| General Fund  | 35,911                                 | -12,001                          | 0                           | -15,356                      | -128         | -8,253                            | -173                       | -35,911                    |
| Housing (HRA) | 23,169                                 | 0                                | -357                        | 0                            | 0            | 0                                 | -22,812                    | -23,169                    |
| <b>Total</b>  | <b>59,080</b>                          | <b>-12,001</b>                   | <b>-357</b>                 | <b>-15,356</b>               | <b>-128</b>  | <b>-8,253</b>                     | <b>-22,985</b>             | <b>-59,080</b>             |

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**2019/20 INVESTMENT PLAN OUTTURN VARIATIONS**

|                           | Gross Expenditure                                     | Budget        | Variance      | (Under)/Overspend | Funding adjustments | Reprogramming |               |
|---------------------------|---|---------------|---------------|-------------------|---------------------|---------------|---------------|
|                           | £000  | £000          | £000          | (-)/+£000         | £000                | £000          |               |
| <b>GENERAL FUND</b>       |   |               |               |                   |                     |               |               |
| BS026                     | Asset Planned Maintenance Programme                   | 1,856         | 1,892         | -36               | 0                   | 53            | -89           |
| BS029                     | Wallsend Customer First Centre                        | 46            | 506           | -460              | 0                   | 0             | -460          |
| CO064                     | Social Care Information System                        | 100           | 99            | 1                 | 0                   | 1             | -0            |
| CO076                     | Lockey Park Environmental Improvements                | 51            | 74            | -23               | 0                   | 0             | -23           |
| CO077                     | Amberley Playing Field Artificial Grass               | 709           | 714           | -5                | -5                  | 0             | -0            |
| CO078                     | Coastal Revival Fund                                  | 48            | 48            | -0                | 0                   | -0            | -0            |
| CO079                     | Playsites 2019/20                                     | 0             | 50            | -50               | 0                   | 0             | -50           |
| CO080                     | Burradon Recreation Ground                            | 14            | 100           | -86               | 0                   | 0             | -86           |
| DV054                     | The Dome (Including Pre 18/19 Coastal Regeneratio     | 43            | 45            | -2                | 0                   | 0             | -2            |
| DV058                     | Swan Hunter Redevelopment                             | 1,563         | 2,185         | -622              | 0                   | -390          | -232          |
| DV064                     | Council Property Investment                           | 1,015         | 942           | 73                | 0                   | 0             | 73            |
| DV066                     | Investment in North Tyneside Trading Company          | 4,350         | 4,772         | -423              | 0                   | 0             | -423          |
| DV067                     | Northern Promenade                                    | 38            | 128           | -90               | 0                   | 0             | -90           |
| DV068                     | Southern Promenade                                    | 24            | 0             | 24                | 0                   | 0             | 24            |
| DV069                     | High Point Development                                | 7             | 0             | 7                 | 0                   | 7             | 0             |
| DV070                     | Forest Hall Regeneration                              | 18            | 18            | -0                | -0                  | -0            | 0             |
| DV071                     | Section 106 Contributions to set up Health Facilities | 78            | 78            | 0                 | 0                   | 0             | -0            |
| ED075                     | Devolved Formula Capital                              | 878           | 929           | -51               | 0                   | 61            | -112          |
| ED100                     | 30Hrs Grant   | 15            | 75            | -60               | 0                   | -60           | 0             |
| ED120                     | Basic Need  | 20            | 184           | -164              | 0                   | 0             | -164          |
| ED132                     | LEA Formula Capital Maintenance Programme             | 3,607         | 3,814         | -207              | 0                   | -197          | -10           |
| ED186                     | Backworth Park Primary                                | 0             | 0             | 0                 | 0                   | 0             | 0             |
| ED188                     | Special Educational Needs and Disabilities            | 1,061         | 849           | 212               | 0                   | 212           | -0            |
| ED189                     | Schools Nursery Capital Fund                          | 0             | 0             | 0                 | 0                   | 0             | 0             |
| EV034                     | Local Transport Plan                                  | 3,348         | 3,383         | -35               | 0                   | 197           | -232          |
| EV055                     | Surface Water Management                              | 30            | 0             | 30                | 0                   | 30            | 0             |
| EV056                     | Additional Highways Maintenance                       | 3,153         | 3,254         | -101              | 0                   | 0             | -101          |
| EV069                     | Transport Review                                      | 905           | 1,300         | -395              | 0                   | 0             | -395          |
| EV073                     | A1058 Coast Road Improvements to Junctions            | 0             | 0             | 0                 | 0                   | 0             | 0             |
| EV076                     | Operational Depot Accommodation Review                | 3,313         | 3,122         | 191               | 0                   | 0             | 191           |
| EV077                     | A1056/A189 Weetslade Junction Imps                    | 69            | 0             | 69                | 0                   | 69            | 0             |
| EV078                     | A19 Employment Corridor Access Imps                   | 0             | 0             | 0                 | 0                   | 0             | 0             |
| EV079                     | A191 Coach Lane & Tyne Park Junction Imps             | 0             | 0             | 0                 | 0                   | 0             | 0             |
| EV080                     | Coast Road Cycle Route                                | 467           | 468           | -1                | -1                  | 0             | -0            |
| EV082                     | North Bank of Tyne Infrastructure                     | 1,236         | 1,214         | 22                | 0                   | 22            | 0             |
| EV083                     | Street Lighting LED                                   | 0             | 0             | 0                 | 0                   | 0             | 0             |
| EV084                     | A189 Improvements Haddricks Mill to West Moor         | 2,031         | 3,887         | -1,856            | 0                   | 0             | -1,856        |
| EV086                     | Clean Bus Technology Fund                             | 336           | 358           | -22               | 0                   | -22           | 0             |
| EV087                     | Air Quality Early Measures Fund                       | 628           | 635           | -7                | 0                   | 0             | -7            |
| EV088                     | Tyne View Terrace Cycleway                            | 419           | 427           | -8                | 0                   | 0             | -8            |
| EV090                     | Section 278 Avant Homes                               | 1,396         | 1,223         | 173               | 0                   | 239           | -66           |
| GEN11                     | Donated Assets - Cullercoats Primary Refurb           | 139           | 218           | -79               | 0                   | -3            | -76           |
| GEN12                     | Local Infrastructure Projects (General Fund)          | 1,493         | 1,500         | -7                | 0                   | 0             | -7            |
| HS004                     | Disabled Facility Grants                              | 0             | 0             | 0                 | 0                   | 0             | 0             |
| HS036                     | NT Warm Zones   | 163           | 389           | -226              | 0                   | 0             | -226          |
| HS051                     | Private Sector Empty Homes Programme                  | 0             | 100           | -100              | 0                   | 0             | -100          |
| HS052                     | Killingworth Moor Infrastructure                      | 1,132         | 1,234         | -102              | 0                   | 0             | -102          |
| IT020                     | ICT Strategy  | 6             | 0             | 6                 | 0                   | 6             | 0             |
| IT026                     | ICT Citizen Interaction and Self Serve                | 103           | 100           | 3                 | 0                   | 3             | 0             |
| IT027                     | Self Service Kiosk Replacement                        | 35,911        | 40,314        | -4,403            | -6                  | 229           | -4,626        |
|                           |   | 0             | 559           | -559              | 0                   | -69           | -489          |
| GEN03                     | Contingency Provision                                 | <b>35,911</b> | <b>40,873</b> | <b>-4,962</b>     | <b>-6</b>           | <b>159</b>    | <b>-5,115</b> |
| <b>TOTAL GENERAL FUND</b> |   |               |               |                   |                     |               |               |
| <b>HOUSING</b>            |   |               |               |                   |                     |               |               |
|                           |   | 18,940        | 19,804        | -864              | -1                  | 0             | -863          |
| HS015                     | Refurbishment / Decent Homes Improvements             | 1,040         | 1,041         | -1                | -1                  | 0             | 0             |
| HS017                     | Disabled Adaptations                                  | 101           | 110           | -9                | 0                   | 76            | -85           |
| HS039                     | Integrated Housing Computer System                    | 1,500         | 1,654         | -154              | 0                   | 0             | -154          |
| HS041                     | Housing PFI   | 1,190         | 1,235         | -45               | 0                   | 0             | -45           |
| HS044                     | HRA New Build   | 398           | 465           | -67               | 0                   | -67           | 0             |
| HS050                     | Construction Options Project                          | <b>23,169</b> | <b>24,309</b> | <b>-1,140</b>     | <b>-2</b>           | <b>9</b>      | <b>-1,147</b> |
| <b>TOTAL HOUSING</b>      |   |               |               |                   |                     |               |               |
|                           |   | <b>59,080</b> | <b>65,182</b> | <b>-6,102</b>     | <b>-8</b>           | <b>168</b>    | <b>-6,262</b> |
| <b>TOTAL</b>              |   |               |               |                   |                     |               |               |

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**Prudential and treasury indicators**

| <b>1. PRUDENTIAL INDICATORS</b>  | <b>2018/19</b>  | <b>2019/20</b>  | <b>2019/20</b>   |
|--|-----------------|-----------------|------------------|
|  | <b>actual</b>   | <b>revised</b>  | <b>actual</b>    |
|  | <b>£m</b>       | <b>£m</b>       | <b>£m</b>        |
| <b>Capital Expenditure</b>   |                 |                 |                  |
| Non – HRA (General Fund)   | £41.708         | £49.036         | £35.911          |
| HRA  | £27.651         | £25.964         | £23.169          |
| <b>TOTAL</b>   | <b>£69.359</b>  | <b>£75.000</b>  | <b>£59.080</b>   |
| <b>Ratio of financing costs to net revenue stream</b>                          |                 |                 |                  |
| Non – HRA (General Fund)   | 14.98%          | 15.90%          | 15.83%           |
| HRA  | 27.51%          | 28.07%          | 27.56%           |
| <b>Ratio of financing costs for Prudential Borrowing to net revenue stream</b> |                 |                 |                  |
| Non – HRA (General Fund)   | 9.07%           | 10.23%          | 10.61%           |
| HRA  | 7.94%           | 4.45%           | 7.73%            |
| <b>Gross borrowing requirement General Fund (CFR excluding PFI)</b>            |                 |                 |                  |
| brought forward 1 April  | £271.772        | £279.462        | £279.462         |
| carried forward 31 March   | £279.462        | £283.356        | £274.968         |
| in year borrowing requirement  | £7.690          | (£3.894)        | (£4.494)         |
| <b>Gross borrowing requirement HRA (CFR excluding PFI)</b>                     |                 |                 |                  |
| brought forward 1 April  | £259.531        | £254.731        | £254.731         |
| carried forward 31 March   | £254.731        | £252.129        | £249.600         |
| in year borrowing requirement  | (£4.800)        | (£2.602)        | (£5.131)         |
| <b>Gross debt (excluding PFI)</b>  | <b>£461.155</b> | <b>£468.019</b> | <b>£461.155</b>  |
| <b>CFR</b>   |                 |                 |                  |
| Non – HRA  | £323.761        | £325.714        | £317.191         |
| HRA  | £328.669        | £324.774        | £321.772         |
| <b>TOTAL</b>   | <b>£652.430</b> | <b>£650.488</b> | <b>£638.963</b>  |
| <b>Annual change in Capital Financing Requirement</b>                          |                 |                 |                  |
| Non – HRA  | £5.995          | £1.953          | (£6.570)         |
| HRA (applies only to housing authorities)                                      | (£6.504)        | (£3.895)        | (£6.897)         |
| <b>TOTAL</b>   | <b>(£0.509)</b> | <b>(£1.942)</b> | <b>(£13.467)</b> |

| <b>2. TREASURY MANAGEMENT INDICATORS</b>        | <b>2018/19</b>    | <b>2019/20</b>    | <b>2019/20</b>    |
|---|-------------------|-------------------|-------------------|
|   | <b>actual</b>     | <b>revised</b>    | <b>actual</b>     |
|   | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      |
| <b>Authorised Limit for external debt -</b>     |                   |                   |                   |
| borrowing                                       | £1,200.000        | £1,100.000        | £1,100.000        |
| other long term liabilities                     | £160.000          | £150.000          | £150.000          |
| <b>TOTAL</b>                                    | <b>£1,280.000</b> | <b>£1,250.000</b> | <b>£1,250.000</b> |
| <b>Operational Boundary for external debt -</b> |                   |                   |                   |
| borrowing                                       | £560.000          | £550.000          | £550.000          |
| other long term liabilities                     | £140.000          | £130.000          | £130.000          |
| <b>TOTAL</b>                                    | <b>£700.000</b>   | <b>£680.000</b>   | <b>£680.000</b>   |
| <b>Actual external debt</b>                     | <b>£571.251</b>   | <b>£585.404</b>   | <b>£581.308</b>   |

| <b>Maturity structure of fixed rate borrowing during 2019/20</b> | <b>upper limit</b> | <b>lower limit</b> |
|--|--------------------|--------------------|
| under 12 months  | 50%                | 0%                 |
| 12 months and within 24 months                                   | 50%                | 0%                 |
| 24 months and within 5 years                                     | 50%                | 0%                 |
| 5 years and within 10 years                                      | 75%                | 0%                 |
| 10 years and within 20 years                                     | 100%               | 25%                |
| 20 years and within 30 years                                     | 100%               | 25%                |
| 30 years and within 40 years                                     | 100%               | 25%                |
| 40 years and within 50 years                                     | 100%               | 25%                |

| Funding source  | Quantum for North Tyneside   | Notes   |
|---|--|---|
| <p>£1.6 billion national funding to Local Authorities for initial additional costs, including additional pressures in social care.</p> <p>A further £1.6billion national funding announced, with a changed methodology for distribution</p> | <p>£6.822 million</p> <p>£5.709million</p> <p>Total to date £12.531m</p> | <p>The grant has not been allocated to individual Services at this stage. However, the Authority has submitted a return to MHCLG which outlines the headline pressures in terms of Expenditure, Income and Cashflow. For May 2020, these are as follows;</p> <p>Expenditure - £14.959 million<br/>Income - £9.971 million</p> <p>Due to the advance of a number of grants due to be received in 2020/21 the Authority have not identified any issues with cashflow at present. However, this is under regular review.</p> <p>The return that has been submitted to MHCLG has identified the expenditure and income pressures as Red now until further work is carried out to substantiate the level of estimated pressure.</p> <p>It is anticipated that the Authority will be required to respond to additional requests for information in the future and we will provide an updated position as necessary.</p> |
| <p>£500m Hardship Fund</p>  | <p>£2.02 million</p>   | <p>Intended to support those of Working Age in receipt of Local Council Tax Support. This meant that 9,683 people had their Council Tax bill reduced by £150.</p> <p>We have built in contingency for further applications with a total estimated cost of £1.534 million. The remainder of the hardship funding will be used to support the Welfare Assistance Crisis Support.</p>  |
| <p>Extended Retail Discount</p>   | <p>£26 million</p>   | <p>Retail, Hospitality &amp; Leisure businesses will pay no Business Rates in the financial year 2020/21. No matter how big they are. 821 businesses in North Tyneside qualify for this discount.</p>   |

|  |  |   |
|--|--|---|
| Nursery Premises Discount  | £223,803   | Nor will Business Rates be charged in 2020/21 for children's nursery premises. 19 businesses in North Tyneside qualify for this discount.   |
| Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund | Our records indicate we have a potential 3,014 qualifying businesses in North Tyneside that will be eligible for a total £34.270 million in funding. | <p>Businesses that are eligible for Small Business Rate Relief can now access a grant of £10,000.</p> <p>Businesses in the retail, hospitality and leisure sectors can access support through the Retail, Hospitality and Leisure Grant Fund (RHLGF) which provides:</p> <ul style="list-style-type: none"> <li>• £10,000 for those businesses with a rateable value of up to £15,000 or</li> <li>• £25,000 for those businesses with a rateable value of over £15,000 and less than £51,000.</li> </ul> <p>At the end of May, we have paid grants to a total of 2,567 businesses with a cash value of £29.495 million.</p> <p>Work continues to identify and contact businesses who have not claimed. Although in some cases, because this system is based on property, some of those properties are not eligible businesses and some businesses have stopped trading. The local Chambers, the Business Forum and Sage have been pushing these messages out to their contacts.</p> <p>We are also dealing with businesses who have made application but do not qualify under the government criteria or whose details do not match our existing records.</p> |
| National Infection Control Fund  | £2.200 million   | <p>75% of this funding just over £1.650m to be forwarded to registered care homes to assist with infection control measures.</p> <p>There are specific grant conditions in relation to the Infection Control Fund which care homes will have to comply with, any non-compliance could result in claw back of the grant.</p>   |