



**North Tyneside Council**

# Finance Sub Committee

Wednesday, 3 February 2021

**Tuesday, 9 February 2021** This meeting will be held remotely via Teams - Remote Meeting **commencing at 6.00 pm.**

<b>Agenda Item</b>	<b>Page</b>
<p>1. <b>Apologies for Absence</b></p> <p>To receive any apologies for absence</p>	
<p>2. <b>Appointment of Substitute Members</b></p> <p>To receive a report on the appointment of Substitute Members.</p>	
<p>3. <b>Declarations of Interest and Notification of any Dispensations Granted</b></p> <p>You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest.</p> <p>You are also invited to disclose any dispensation in relation to any registerable interests that have been granted to you in respect of any matters appearing on the agenda.</p> <p>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.</p>	
<p>4. <b>Minutes of 17 November 2020</b></p> <p>To confirm the minutes of the meeting held on 17 November 2020.</p>	<b>5 - 12</b>
<p>5. <b>Welfare Reform - Financial update</b></p> <p>To consider an update on the three schemes that provide financial support to residents, an update on Universal Credit and Hardship Fund.</p>	<b>13 - 20</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.

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<p>6.     <b>2020/21 Financial Management Report to 30 September 2020</b></p> <p>To receive the Financial Management report for the current financial year that reflected the financial position as at 30 September 2020.</p>	<b>21 - 112</b>
<p>7.     <b>2020/21 Financial Management Report to 30 November 2020</b></p> <p>To receive the Financial Management report for the current financial year that reflected the financial position as at 30 November 2020.</p>	<b>113 - 194</b>
<p>8.     <b>Exclusion Resolution</b></p> <p>The Sub-Committee is requested to pass the following resolution:</p> <p>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.</p>	
<p>9.     <b>Business and Technical Partnerships Risks</b></p> <p>To consider a monitoring update report on risks rated high within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with Engie and Capita.</p>	<b>195 - 204</b>

**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, 17 November 2020**

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

### **F42/19 Appointment of Substitute Members**

There were no substitute members appointed.

### **F43/19 Declarations of Interest and Notification of any Dispensations Granted**

There were no declarations of interest reported.

### **F44/19 Minutes**

**Resolved** that the minutes of the meeting held on 15 September 2020 be confirmed.

### **F45/19 2020/21 Financial Management Report to 31 July 2020**

The Head of Resources presented the 2020/21 Financial Management report to 31 July 2020 that had been considered by Cabinet at its meeting 21 September 2020.

The report was the second monitoring report of the 2020/21 financial position and provided the second indication of the potential revenue and capital position of the Authority at 31 March 2021. The report explained where the Authority continued to manage its financial pressures.

North Tyneside Council was in a significant period of financial uncertainty with the impact of the Covid-19 pandemic increasing the challenge of being able to forecast the financial impact across the Authority.

The Authority continued to see areas of pressure across Adults and Social Care, but there are significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

The Authority's approved net revenue budget of £161.361m was forecast to outturn with a pressure of £11.410m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.7 below sets out the variation summary across the General Fund.

The Authority continued to take a prudent approach to forecasting including in relation to identifying the impact of Covid-19 which was forecast to add pressures of £27.549m to the

General Fund in 2020/21.

The total Local Authority Support Grant had received from Government was (£12.531m) of which £0.733m was required to offset Covid-19 issues in 2019/20. A third tranche of funding had been announced with the share for North Tyneside Council being (£1.777m), that included the remaining (£13.575m) was being applied against the forecasted pressures along with two specific grants for costs linked to Test and Trace (£1.140m) and Infection Control (£2.205m) leaving an amount of £10.629m over and above grant funding. The resultant pressures relating to normal business activities across the Authority were in the region of £0.781m and compare favourably with the same in recent financial years.

Through close monitoring of Covid-19 implications the forecast position would change throughout the year. The report acknowledged the impact of additional cost and lost income and noted that the Authority had seen a reduction in service costs and was working with its partner Engie to how to identify the financial benefits.

Member were given the opportunity to raise questions in relation to the information provided in the report raised that information provided.

It was raised that in relation to Children Services the chart Comparative Performance in Rates of Children in Care per 10,000 Children under 18 provided data up to 2018. It was asked if this was the most up to date information. In response it was stated that further updated data would be sought for the next report.

In relation to school's finance, school deficit clarification was sought to the meaning of structural deficit. It was explained that there were twelve schools with a forecasted deficit budget plan for 2020/21. Each school has a 3-year budget plan to reduce their deficit and most were in line to do so. However, those that were forecasted not to reduce their deficit within 3 years were classed at being in structural deficit. It was stated that there was positivity as most schools were seeing continued reductions to their deficits.

A member asked for insight to the reasons for the rise in rent arrears. It was stated that the rise had been seen in rent arrears due to Covid-19 and the increase of tenants moving onto Universal Credit. It was also stated that for the first few months no enforcement action had taken place due to Covid-19.

A member questioned the savings the Authority had made due to the low interest rates. It was stated the forecast at 31 July 2020 was an underspend of £1.314m due to a combination of interest savings, reduced interest rates and Investment Plan reprogramming to the year end 31 March 2021.

A member asked for clarification to the payment of the public health grant received from Central Government. It was stated that for the 3 years prior to 2020 there had been an annual reduction of public health grant with approximately £1m reduction over the 3 years. It was stated that a small increase was received in 2021 but this was in relation to the agenda for change pay costs.

In relation to school meals provision during the school holidays the member stated there was uncertainty to the receipt from Central government for covering cost during the October half term break, it was asked if the Authority received funding for this period. In response it was stated that no finding was received for the October half term and the Authority used its

Poverty Intervention Fund to provide meals. It was stated that government support had been provided for periods previously and the funding was given direct to schools.

**Agreed** that the 2020/21 Financial Management Report to 31 July 2020 be noted.

#### **F46/19            Welfare Reform - Financial update**

The Sub-committee considered an update report 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 Universal Credit.

#### **Discretionary Housing Payment Fund**

The Discretionary Housing Payment (DHP) fund, administered by Local Authorities on behalf of the Department for Work and Pensions (DWP) with the aim 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).

Citizens Advice financial advice continues to work well and regular reporting of overall outcomes shows the significant monetary value their advice has on debts written off, income gain and rescheduled payments.

The position of spend against the grant as at 30.06.20 showed the level of unallocated funding stood at £296,533. The level at 17.11.20 stood at £286,000, approximately 50% of the fund provided.

It was stated that arrears letters were being mailed out and there was an expectation this would prompt an increase in DHP claims.

A Member asked if rent arrears letters provided information to tenants to how to access help available. In response it was stated that DHP payments would not be appropriate, however help maybe available through the Hardship Fund.

#### **Local Council Tax Support Scheme**

The demand on the scheme showed a different picture in the current year compared with years previous, where instead of seeing a reduction in claims as normal, there had been a 7% increase in working age caseload since the middle of March 2020.

This was associated to the current pandemic situation where more working age people had seen reductions in their income and job losses, placing increased pressure on the cost of the scheme and as at 30.09.20 17,602 claimants were in receipt of CTS, 9,938 working age and 7,664 pensionable age with a cost of awards since April of £15,371.960 . There was anticipated further increases following the end of the government furlough scheme where some employers may decide to reduce their workforce.

#### **Hardship Fund**

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.

The Hardship Fund allocation to North Tyneside Council amounted to £2,024,000 and would aid those who would struggle to meet Council Tax Payments.

There was a strong expectation by Government, was that billing authorities would 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 then be used to deliver increased financial assistance through other local support mechanisms, having considered local circumstances.

The hardship payment had made a significant difference to working age Council Tax Support claimants in that around 58% had no Council Tax liability for 2020/21 to pay and many only had very small amounts to pay.

Work was ongoing through the COVID-19 Recovery Work Stream on Welfare & Benefit Support including Hardship Fund to continue to deliver the hardship funding. Over 10,000 residents had been supported and £1.65m of the hardship funding had been used.

A member asked if the Hardship fund was available to small businesses effected by Covid-19 and not receiving support.

In response it was stated that Hardship Fund was only available for individual resident and tenants, however there were specific grants to support for hospitality and Leisure sectors. The additional discretionary restriction grants of £4m was also available and work was on going to assess the necessary the criteria for its use.

A member asked and it was confirmed that the fund would be promoted.

### **Local Welfare Provision**

Statistics for the period 1st April 2020 to 31<sup>st</sup> October 2020 demonstrated a 30% increase and there had been 714 applications for Local Welfare Support in comparison to the 550 in the previous year.

All 714 applications were offered a full screening, where further advice and information including signposting to partner organisations was offered where appropriate.

There had been 325 crisis applications eligible for further practical support, which included applicants receiving food, utility support, baby items or baby food, essential household items, travel costs or clothing.

Spend for the period in respect of immediate practical support amounted to £4,060 and this was in addition to the annual grant to the Food Bank of £26,500 which was paid in this quarter.

There was still funding available from the North East First Credit Union which allows the Authority to refer people with poor credit history who would be seen as higher risk customers, with 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.

It was stated that referrals were directed to the credit union after an assessment by the welfare staff team and four people had taken up loans for household goods. The credit union were now able to take applications online which had simplified the process simpler and quicker for customers in crisis.

### **Covid-19 update**

The impact of job losses had seen people who had not accessed support in the past had been supported due to covid-19.

In addition to support to applicants there had also been a grant for emergency assistance with food and essential supplies of £239,000 which was announced by Government in July, allowing further support to those who would not have been eligible for support in the past. In the period since grant received 37 applicants had been supported on 60 occasions.

It also allowed funding provision to 14 community projects who applied for grant support to provide services for those in their areas who had been impacted by COVID and were in food poverty and lacking essential services.

Demand for food parcels immediately increased on 2 November following the announcement of the second lockdown to commence on 5 November.

### **Universal Credit**

North Tyneside Universal Credit UC claims had risen from the March 2020 figure of 11,000 to over 18,000 claimants in November where of the 18,000 claimants, 8,400 were actively seeking work group.

Covid-19 demonstrated increased impact on housing tenants with 1,204 tenants reporting that they had been adversely impacted. This had contributed to the significant increase in the number of tenants claiming UC, with an additional 1,085 UC cases being recorded since 16 March 2020; 439 of these new UC claimants informed this was due to the impact of Covid-19. In total 694 tenants on UC have informed us that they have been impacted.

A Member requested if a section on the Poverty Intervention Fund could be an additional section for reporting to the sub-committee.

A member requested to the number of UC Claimants who were taking up the offer of using a work coach. It was stated that the Job Centre Managers did not monitor the number of approaches, but officers would inquire if monitoring of coaching approaches could be considered.

**Agreed** that the Welfare update report be noted.

## **F47/19            Section 106 Update Report**

The Sub-committee received a briefing to provide and understanding to Planning obligations under Section 106 (s106) of the Town and Country Planning Act 1990, commonly known as s106 agreements.

The S106 mechanism allows a development proposal acceptable in planning terms, that would not otherwise be acceptable, and are focussed on mitigating the impact of the development on an area.

S106 agreements are often called ‘developer contributions’ or ‘*planning gain*’ and include a range of identified categories, historically including highways, affordable housing, sport and leisure, health and play sites, amongst others.

The efficiency and transparency of the s106 process had been raised by Members and Officers within the Authority and were detailed in the briefing note.

The Investment Programme Board (IPB) set up a s106 sub group to provide political oversight of the s106 process and to overcome identified issues and would approve and manage all the Authority’s s106 spend and project delivery in an agreed, transparent way, linked to agreed service area priorities and wider Authority’s priorities and plans.

To ensure a fair distribution of monies across North Tyneside, the group, in line with the Authority’s strategic plans and priorities, agreed that for all future s106 allocations, the Borough would be split into four areas / quadrants: North East, North West, South East and South West, allowing a more flexible approach to projects and spend through maximising opportunities. In addition a dedicated s106 Capital Programme Manager had been appointed to manage the process.

The briefing detailed the process and governance arrangements of the IPB.

Appended to the briefing were two strategies (play site and allotments) that were developed through the commissioning of the IPB and formed the lynchpin for all future s106 decisions and spend for play site and allotment projects moving forward.

The s106 programme of works aims to supplement and support the wider Authority budget, to ensure a good spread of spend for all areas of the Borough and to provide flexibility and value for money.

Service areas routinely reviewed information and developing projects, which would be presented to the IPB s106 sub group for consideration prior to securing the IPB approval. If approved the projects are then delivered.

Appended to the briefing were the latest s106 spreadsheets that included the financial information of all developer contributions, either as ‘s106 allocated monies’ or ‘s106 pipeline monies’.

On inspection of the information a member requested further information in respect to:

- i.     00/02134/S106 Collingwood Ward (S0056) Plot 6 Cobalt Business Park  
      00/01360/FUL
- ii.    13/02005/S106 Whitley Bay Ward- Site of former 35 Esplanade 13/01526/FUL.

It was stated that officers would provide the information directly to the member.

A member raised concern that there were projects (Health) with significant amounts of associated monies set against them for long period and asked the reason for not using the monies earlier. In response it was stated that with the appointment of a dedicated officer to manage s106 monies, work was on going to identify projects or specific use.

The member requested information from the 5-year Investment Plan in relation to St Marys. It was stated that officers would provide the information directly to the member.

The member sought assurance that in future more specific and detailed proposals would be submitted to ensure the rapid use of S106 monies. In response it was stated that this was an area that had been considered and new governance arrangements and the appointment of dedicated officer was put in place to ensure this.

A Members raised in relation to a project that was included on the 'pipeline schedule' reference 18/00826/FUL Mallard Way, Silverlink. It was stated that officers would provide the information directly to the member.

**Agreed** that the Section s106 update be noted.

#### **F48/19            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.

#### **F49/19            Business and Technical Partnerships Risks**

The Sub-committee considered the report that set out monitoring to the management and mitigation of high (red) risks contained within both the Strategic and Operational Risk Registers of each Partnerships.

**Agreed** that the Business and Technical Partnership Risks report be noted.

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**Meeting:** Finance Sub-Committee

**Date:** 9 February 2021

**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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**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 time 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 In 2020/21 we received £558,563 DHP funding which was an increase of over £100,000 against the previous year. Spend against the DHP fund slowed in the first half of the year as the local authority and other landlords did not pursue tenants in arrears and many tenants did not seek help through the DHP fund. Since arrears letters have started to be issued tenants are now engaging and DHP spend is starting to increase. We are working closely with our housing team and also other registered providers to identify those who need support to encourage take up and the fund is being promoted by welfare provision. We have streamlined processes to make claiming and backdating simpler for those in need so claims can be dealt with quickly.

#### DHP financial details for the financial year 2020/2021

- 3.03 Table 1 below shows the current position of spend against the grant as at 25 January 2021. It is being monitored regularly to ensure that we stay on track, and at this point it seems unlikely we will need to add additional funding.

Table 1 – DHP Spend to date

	Amount of grant
Original Fund - DWP funding only	£558,563
Total spend and committed	£331,975
Funding unallocated	£226,588

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

- 3.04 Claimants
- 902 claimants made a successful claim (61%)
  - 577 claimants made an unsuccessful claim (39%)
- 3.05 The reason for awards since April 2020
- 1 claimant has custody of children
  - 25 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
- 3.06 Of those paid a Discretionary Housing Payment:
- 629 are council tenants (70%)
  - 273 are privately rented tenants (30%)

### 3.07 Requested reviews

- Since April 2020 there have been 70 reviews carried out with 29 changed in favour of the customer.

### **Local Council Tax Support Scheme**

- 3.08 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.
- 3.09 The demand on the scheme is very different this year and we saw a large rise from April to August where the caseload peaked at 17,755 and since then we have started to see a small decline and we now have 17,501 claimants (7,573 pensionable age and 9,928 working age). The cost of the scheme now stands at £15,360,394 which is just less than in Novembers report.
- 3.10 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**

- 3.11 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. All working age claimants received up to £150.00 from this hardship fund, which meant around 58% now have no Council Tax liability for 2020/21 to pay and many only have very small amounts to pay.
- 3.12 The remaining COVID-19 Hardship Grant has been used to support other Council Tax payers who didn't receive the £150.00 but were impacted by COVID 19, as well as being used by Welfare Provision to support people in financial need and is also being used to support housing tenants who are not entitled to a Discretionary Housing Payment but who are financially vulnerable.

### **Local Welfare Provision**

Statistics for the period 1st April 2020 to 31<sup>st</sup> December 2020

- 3.13 There have been 1,920 applications for Local Welfare Support in comparison to the same period last year when there was 1,368.

- 3.14 All 1,920 applications were offered a full screening. Further advice and information including signposting to our partner organisations was offered where this was appropriate.
- 3.15 There were 906 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.
- 3.16 Spend for the period in respect of immediate practical support amounted to £10,998. This is in addition to the annual grant to the Food Bank of £26,500 which was paid in this quarter.
- 3.17 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.
- 3.18 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

### 3.19 Covid 19 update

Further to the updates provided previously this year the demand for support has returned to a more practical level. The impact of job losses has meant that people who have not accessed support in the past have been supported by the team.

As well as the normal resources the team have been able to provide support to applicants there has also been a grant for emergency assistance with food and essential supplies of £239,000 which was announced by Government in July. This has allowed the team to provide more intense support including to those who would not have been eligible for support in the past. It has also allowed for ongoing support.

This funding has also been used as one of options for applicants for Test and



Trace discretionary payments where a small cash payment was appropriate to alleviate hardship caused by the need to isolate. 78 people have received payments, this has totalled £14106. It has also funded additional staffing resources in the team. and It has also allowed us to provide funding to community projects who applied for grant support to provide services for those in their areas who had been impacted by COVID and were in food poverty and lacking essential services.

### **Universal Credit**

- 3.20 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)
- 3.21 The number of people claiming Universal Credit has risen significantly by just over 8400. This is a 78% increase against the figure in February 2020.
- 3.22 DWP initially deployed staff from other departments to process claims but as the months have progressed they have recruited over 800 staff for a new Universal Credit Service Centre to manage the additional claims, as well as 20 new Work Coaches and 2 additional Employment Advisors to support claimants manage these difficult circumstances. Job Centre Plus Offices have remained open for those that are unable to access support digitally/via telephony opening times are currently 10-2 (temporary for current lockdown).
- 3.23 There have been no mandatory requirements for job search activity linked to claimant commitments since the beginning of the pandemic and Work Coach discussions with claimants around job searches will include identifying any other needs and signposting to appropriate organisations using an internal directory of provision & support for example mental health ,domestic abuse, addictions, budgeting/financial issues, homelessness, skills needs, digital capability etc. New Youth Work Coaches have been introduced in all JCP's to provide specialist support to 18-24 year olds and other national packages of support have also been introduced: Job Finding Support, Restart Programme, Work & Health targeted support and Restart Programme – these aim to target a range of support to claimants with varying needs. Local employability provision has been funded via the DWP flexible Support Fund to help support certain groups where gaps in skills have been identified for example ex-offenders, autism, learning disabilities & Workplace Anxiety. There are also Sector Based Work Placements available which provide training with an interview guarantee for jobs on completion. These are available in a number of roles in industries such as Hospitality & Catering, Warehouse & Logistics.

3.24 To support people who are serving their period of notice DWP have specialist support in place through their Rapid Response Service (RRS). This allows employees to access:

- information, advice and guidance
- non-vocational training to move a person closer to employment
- help to assess transferable skills in relation to the local labour market by conducting a Skills Transfer Analysis
- vocational training to address skills needs
- other RRS funded support to help overcome barriers to getting a job or starting self-employment
- help to meet discretionary costs e.g.; travel to training course expenses.

Those employees who don't find alternative employment within this period of notice can access the same support for a period of 13 weeks\*. This is whether they make a claim for benefit or not.

3.25 Whilst there have been large increases in unemployment there are some positives around new employment opportunities within the Civil Service and wider for example:

- 27 Social Mobility Apprenticeship vacancies for 16+ NEET claimants based at Benton Park View
- 15 EO Social Mobility vacancies based at Benton Park View
- 18 AO Social Mobility vacancies
- 55 AO vacancies based at Tyne View Park
- 155 AO vacancies based at International Pension Centre
- Approx 200 vacancies AO Caseworkers based at Benton Park View
- 32 AO vacancies for Service Centre
- HMRC 100 vacancies via Brook Street (currently pending)

Other employment opportunities include:

- 200 vacancies at Quorum at Concentrix
- 300/400 recruited at Sitel in Oct 20
- Contact Centre roles at EE, virtual sessions took place in January
- 200 vacancies at Nissan
- **NHS** - The major single recruitment drive was for the Lighthouse Laboratory roles (over 1,000 jobs). This is run by Newcastle Hospitals and operates as part of the integrated Covid Hub across three sites: Gateshead and two sites in Newcastle Helix (where the more specialised/bio-med roles are housed). The "entry level" roles were for over 600 new staff. And the NHS Apprenticeship Scheme launches 8<sup>th</sup> Feb.

### **Housing Department Update**

3.26 The impact of UC continues to be felt by our housing department and they now have 4,324 tenants on UC as at 25th January 2021. 3,141 (72.64%) of these are in arrears although it is worth noting that 64.5% of those on UC were already in arrears when they moved onto UC. The average arrears for those on UC is £599.90 (this has reduced since last quarter despite the impact of COVID-9) compared to an average arrears of £563.78 for all tenants and £335.27 for those not on UC. Other housing providers are also advising of significant arrears with tenants in receipt of UC.

- 3.27 COVID-19 has had a large impact on housing tenants with 1,113 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 1,416 UC cases being recorded since 16th March 2020; 464 of these new UC claimants have told us that they have been impacted by COVID-19. In total 719 tenants on UC have informed us that they have been impacted by COVID-19.
- 3.28 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 £549,193; a proportion of this increase (£258,887) is due to arrears accrued by new UC claimants before they transitioned to UC being added to the total.

#### **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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## North Tyneside Council Report to Cabinet 30 November 2020

**Title: 2020/21 Financial Management Report to 30 September 2020**

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

### **PART 1**

#### **1.1 Executive Summary:**

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

Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic. However, when “business as usual” is considered services are performing favourably when compared to this stage in previous financial years. The Authority continues to face financial pressures across areas of Social Care and demand-led services that have been reported over a number of years. In considering the financial outlook for 2020/21, Services have considered the financial pressures they will face in 2020/21 and how they will mitigate these.

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

The financial impact of the pandemic continues to have a significant effect on the projected 2020/21 outturn position. The Authority has received three payments of Local Authority Support Grant funding from the Government (total of £14.308m), of

which £0.733m was allocated due to Covid-19 pressures arising in March 2020 and a further tranche of £2.061m was recently announced.

On 2 July 2020, the Government also announced support will be provided in relation to pressures on sales, fees and charges. The Authority has submitted its initial claim, covering the period April 2020 – July 2020 to the value of £2.463m. At this stage, no confirmation has been received from Government regarding this claim, but this funding has been included in the position reported. The Cabinet Member for Finance and Resources is being kept up to date with the impact of all grant funding relating to Covid-19 and any further grant funding will be reported to Cabinet in the next report.

The impact of pressures arising from Covid-19 in 2020/21 are forecasted to be significant and the September position contains Covid-19 pressures over and above the level of grant funding received to date. Due to the level of uncertainty of how service delivery will continue to be impacted by Covid-19, it is expected the reported position will change over the coming months as the response and recovery continue. Like all authorities North Tyneside is seeing a clear financial impact as a result of the pandemic and current indications are that the Covid-19 funding received to date does not cover all anticipated costs/loss of income. Discussions are on-going at both local and national level around the financing of the residual pressures expected as a result of Covid-19.

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

The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2020/21 Schools budgets, planning for 2021/22, Schools funding and the forecast outturn for the Housing Revenue Account as at 30 September 2020.

The report also provides an update on the 2020/21 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval as well as an update on Treasury Management and the cash flow position.

As required by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, a mid-year Treasury Management report is provided to give an update on the latest Prudential Indicators and Treasury Management activities for the year 2020/21. This has been included in this report as Appendix 2 and Appendix 3 respectively.

## **1.2 Recommendations:**

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Collection Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 30 September 2020 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £11.714m new revenue grants (as outlined in Annex section 3);

- (c) notes the Authority's Investment Plan spend of £15.220m to 30 September 2020 and the financing of the Plan to the end of the year (Annex Section 8); and
- (d) approves variations of (£6.923m) and reprogramming of £1.094m for 2020/21 within the 2020 – 2025 Investment Plan (Annex Section 8).

### **1.3 Forward Plan:**

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 3 July 2020.

### **1.4 Authority plan and policy framework:**

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

### **1.5 Information:**

#### **1.5.1 Financial Position**

This report is the third monitoring report presented to Members on the Authority's 2020/21 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2021. The reported position is expected to change over the coming months as the response and recovery to Covid-19 continues.

The report covers:

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

#### **1.5.2 General Fund Revenue Account**

The budget for 2020/21 was approved by full Council at its meeting on the 20 February 2020. The net General Fund revenue budget was set at £161.361m. This included £3.622m of savings to be achieved (£0.805m relating to 2020/21).

The forecast overall pressure is estimated at £5.142m against the approved net budget. This is made up of a forecasted pressure of £0.883m on normal activities and £4.259m relating to the impact of Covid-19. This is after a forecasted transfer to reserves of a £12.719m surplus relating to Section 31 grants. A surplus is forecasted as a result of the compensation provided by Government for the losses being felt by the Authority on Business Rates following the changes Government made to retail and nursery reliefs in their response to the Covid-19 pandemic. The surplus will be held in reserve and utilised to support the Collection Fund deficit that will be faced in 2021/22 due to these measures.

The £0.883m pressure in the services is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £5.286m and Adult Services of £0.788m. This is before inclusion of the contingency based budgets, which are held and reported with Central Items, that were created by Cabinet as part of the 2018/19 budget setting process to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £4.480m of pressures in Corporate Parenting and Placements, £1.433m in Wellbeing and Assessment and £1.010m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2019/20 and arise from:

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

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

With regards to the impact of Covid-19, the main drivers behind the £4.259m shortfall are also within Health, Education, Care and Safeguarding where £11.725m is for increased costs to the Authority of supporting the market (£5.403m), impact on savings targets (£2.713m), increased costs for children in care (£1.233m), lost income within School Improvement (£0.666m), Public Health (£0.597m), additional demand (£0.494m), and other miscellaneous costs such as staffing costs, PPE, and other income losses (£0.619m).

Significant Covid-19 related pressures exist in Environment, Housing and Leisure, (£7.871m) due to loss of income in areas such as Sport & Leisure and Highways & Transport and in Commissioning & Asset Management through income lost within Catering (£4.585m).

### 1.5.3 New Revenue Grants

The following revenue grants have been received during June and July 2020:

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Health Education Care & Safeguarding	Education and Skills Funding Agency	KS 2 moderation and KS 1 Phonics Funding	To fund statutory duties for teacher assessment and monitoring of the phonics screening test	0.011



<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Health Education Care & Safeguarding	Home Office	Leaving Care	Support for young care leavers	0.025
Health Education Care & Safeguarding	Department for Education	Looked After Children Mental Health Assessment Pilot	Piloting a new mental health assessment framework for looked after children entering care	0.040
Health Education Care & Safeguarding	National Foundation of Youth Music	Standing Upright Project	Delivery of a youth music programme in North Tyneside	0.015
Health Education Care & Safeguarding	Department for Education	Extension of the role of Virtual School Head to certain previously looked after children	To support authorities to meet their duty to appoint a Virtual School Head for previously looked after children and make information and advice available	0.054
Environment Housing and Leisure	North of Tyne Combined Authority	Next Steps Accommodation	To support reduction of homelessness during Covid-19	0.048
Environment Housing and Leisure	Historic England	Street Through Time	Supporting recovering of historic high streets	0.009
Environment Housing and Leisure	Without Walls Ltd	Without Walls	Supporting outdoor arts	0.010
Regeneration and Economic Development	European Regional Development Fund	Reopening High Streets Safely Fund	To support local authorities to develop an action plan for the reopening of local economies	0.184

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Central Items	Ministry of Housing Communities and Local Government	Local Authority Compliance and Enforcement Grant	To support the Local Authority with any activity which will support compliance and enforcement of measures to prevent the spread of Covid-19	0.108
Central Items	Department of Health and Social Care	Local Authority Test and Trace - Containment	To support the Authority with any activity which will support containment to control the spread of Covid-19	0.416
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Programme Costs	Individuals are entitled to Test and Trace Support Payments of £500. This is to support people on low incomes who are unable to work from home if they are told to self-isolate by NHS Test and Trace	0.090
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Discretionary Payments	Individuals are entitled to Test and Trace discretionary support payments. This is to support people on low incomes who are unable to work from home if they are told to self-isolate by NHS Test and Trace	0.054

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Administration Costs	To support administration costs associated with Test and Trace support payments.	0.033
Central Items	Department for Education	Mental Health in School	To support the Wellbeing for Education Return project supporting psychological recovery for the return to full time education post lockdown	0.027
Central Items	Department for Transport	Travel Demand Management	To support the Authority with travel demand management activities linked to Covid-19 regulations	0.020
Central Items	Department for Education	Covid-19 Schools Fund 1	To support schools facing additional costs of Covid-19	0.084
Central Items	Department for Education	Covid-19 Schools Fund 2	To support schools facing additional costs of Covid-19	0.108
Central Items	Department for Education	Schools catch up premium	To provide assistance to the Authority for maintained schools and pupils placed in independent special settings in the form of Coronavirus catch-up premium	0.514
Central Items	Ministry of Housing Communities and Local Government	Covid-19 Local Authority Support Grant	To support the Authority in funding the financial impact of Covid-19	2.061

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department of Health and Social Care	Infection Control Grant Round 2	To provide support to care homes and other providers to fund the cost of controlling Covid-19 infection	2.207
Health Education Care and Safeguarding	Education and Skills Funding Agency	Teachers Pay Grant	Paid across to schools to support teachers' pay costs	1.071
Health Education Care and Safeguarding	Education and Skills Funding Agency	Teachers Pensions Employer Contributions Grant	Paid across to schools to support teachers' pensions costs	3.229
Health Education Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	To support the Authority to monitor performance of maintained schools and broker school improvement provision	0.168
Health Education Care and Safeguarding	Education and Skills Funding Agency	Primary PE and Sports Premium Grant	Paid across to schools to support and develop PE and sport	1.128
<b>Total</b>				<b>11.714</b>

#### 1.5.4 School Funding

Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2020/21 was £6.689m. These budgets were revised, mainly following discussions with schools showing deficit balances, to an expected deficit of £6.681m. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2019/20 was the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside and the overall projected balances for 2020/21 continues this trend.

In July twelve schools were identified to cabinet as expecting to be in deficit during 2020/21, including two schools that were in structural deficit. Following the allocation of falling rolls and headroom funding in July, another school has now moved out of deficit and another three schools are being considered for this funding, to be agreed in

November at Schools Forum. Before any adjustments relating to this agreement, the total balances of these deficit schools are expected to total £12.516m.

Cabinet will recall that the High Needs Block ended 2019/20 with a pressure of £4.542m. The forecast of the budget position for 2020/21 indicates an anticipated in-year pressure of £3.457m reflecting a further rise in demand for special school places.

#### 1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2021 of £6.576m; assuming all identified Covid-19 related costs and income shortfalls are covered Centrally. These balances are £1.572m higher than budget which was set at £5.004m. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous year's financial performance (£0.211m) but there is also an in-year estimated underspend of (£1.361m), against an in-year budget of £2.590m, due to underspends arising on repairs budgets from Covid-19 impacts (£0.927m) combined with forecast vacancy savings of (£0.129m).

Universal Credit was fully implemented across North Tyneside on 2 May 2018. At 30 September 2020, there were 2,972 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.525m. This is up by 398 and £0.315m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, but actually is down from the end of August when there were 3,011 tenants on Universal Credit (reduction of 39 tenants) with related arrears of £2.529m (reduction of £0.004m). A team is working proactively with tenants to minimise arrears and this position will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

#### 1.5.6 Investment Plan

The approved 2020-2025 Investment Plan totals £244.320m (£67.307m 2020/21) and is detailed in table 36 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2020/21, reprogramming and other variations identified through the Investment Programme Governance process.

An officer led review of the Investment Plan has resulted in proposals for reprogramming of £1.094m and variations of (£6.923m) of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £74.875m for 2020/21 and to the end of September 2020 spend of £15.220m had been incurred which represents 20.33% of the revised plan.

#### 1.5.7 Performance against Council Plan

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

##### **Our People will:**

- Be listened to so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.

- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

#### **Our Places will:**

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

#### **Our Economy will:**

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

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

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

disabilities and physical disabilities are also living longer, often with multiple complex issues.

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

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

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

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

### Option 2

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

## **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

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

## **1.8 Appendices:**

Annex : Financial Management Report to 30 September 2020

Appendix 1: 2020 – 2025 Investment Plan

Appendix 2: Prudential Indicators 2020/21

Appendix 3: Treasury Management Mid-Year Report 2020/21

## **1.9 Contact officers:**

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701

Claire Emmerson – Corporate Finance and School matters – Tel. (0191) 643 8109

David Dunford – General Fund and Collection Fund matters – Tel. (0191) 643 7027

Cathy Davison – Investment Plan matters – Tel. (0191) 643 5727

Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

Amar Hassan – Treasury Management matters – Tel. (0191) 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 2020/21  
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>
- (b) Investment Plan 2020-25  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix D(i))
- (c) Reserves and Balances Policy  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report  
<https://democracy.northtyneside.gov.uk/documents/s2657/Our%20North%20Tynside%20Performance%20Report%20Cover%20March%202020.pdf>
- (e) Quarter 2 Efficiency Savings Programme Report  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=138&MId=525&Ver=4>
- (f) Link - Interest Rate Forecast (available at the offices of the author)
- (g) Link – Risks to the UK Economy (available at the offices of the 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. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 9 February 2020.

### **2.2 Legal**

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

### **2.3 Consultation/community engagement**

#### **2.3.1 Internal Consultation**

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



### 2.3.2 External Consultation / Engagement

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

## 2.4 Human rights

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

## 2.5 Equalities and diversity

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

## 2.6 Risk management

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

## 2.7 Crime and disorder

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

## 2.8 Environment and sustainability

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

## PART 3 - SIGN OFF

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

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# 2020/21 Financial Management Report Annex

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## **SECTION 1 - GENERAL FUND SUMMARY**

### **1 General Fund Revenue Forecast**

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

Like all local authorities, North Tyneside Council is in a significant period of financial uncertainty with the impact of the Covid-19 pandemic increasing the challenge of being able to forecast the financial impact across the Authority. The Authority is considering the financial impacts of the pandemic and revising its financial modelling accordingly with the latest central government guidance and expects the forecast position to change over time as the Authority see the impacts evolve and change. The Authority continues to see areas of pressure across Adults and Social Care, but there are significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

- 1.2 The Authority's approved net revenue budget of £161.361m is forecast to outturn with a pressure of £5.142m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.8 below sets out the variation summary across the General Fund. Included in Table 1 is a forecasted movement to reserves, based on current estimates, of £12.719m relating to additional Section 31 (S31) payments the

Authority will receive from Government to compensate for the losses that will be incurred from the additional Retail and Nursey Relief's introduced by Government in their response to the Covid-19 pandemic. The result of these additional reliefs is to cause an increased deficit position in the Authority's Collection Fund position which will need to be met from the additional S31 payments in 2021/22. Further details can be found in both Section 5 of this Annex as well as 4.9 of Section 4.

- 1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to identifying the impact of Covid-19 which currently is forecast to add pressures of £25.703m to the General Fund in 2020/21. The total Local Authority Support Grant received from Government to date is (£14.308m) of which £0.733m was required to offset Covid-19 issues in 2019/20. A fourth tranche of funding has been announced and the share for North Tyneside Council is (£2.061m). With that included the remaining (£15.636m) is being applied against the forecasted pressures along with three specific grants for costs linked to Test and Trace (£1.140m), Infection Control (£2.205m) and Sales, Fees and Charges (£2.463m) leaving an amount of £4.259m over and above current grant funding. Therefore, the pressures relating to normal business activities across the Authority are currently in the region of £0.883m and compare favourably with this stage of recent financial years.
- 1.4 On 2 July 2020 the Government announced support will be provided in relation to pressures on sales, fees and charges. The Authority submitted its first claim covering the period 1 April 2020 – 31 July 2020 in September to the value of £2.463m. No confirmation relating to this claim has been received from Government, but this is built into the position reported.
- 1.5 The Authority has also received and/or been notified of other sources of government funding related to Covid-19 since the last report. Further details of these can be found in section 3 of this annex. The main items relate to a second tranche of Infection Control Grant and further Test, Track and Trace funding intended to support the local effort in tracing, compliance and enforcement activities to stop the spread of Covid-19 within the borough. Plans for the utilisation of these funds are being finalised and as such these grants are not included in the figures as at the end of September 2020. The Cabinet Member for Finance and Resources will be kept up to date with the impact of the grant funding and an update will be provided to Cabinet in the next report in January.
- 1.6 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.
- 1.7 Through close monitoring of Covid-19 implications the forecast position will change through the year. Whilst some of the impact of additional cost and lost income are captured, work is in progress to ensure transparency with regard to some of the savings that changes to operations will drive out. For example, savings on car mileage and potentially energy costs as a result of many office-based staff working from home. The Authority has seen a reduction in printing across all services and are working to understand with Engie how the Authority will see the financial benefit that accrues from that.

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

**1.8 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 30 September 2020**

Services	Budget	Forecast Sept	Variance Sept	Variance July	Variance Change since July		Of which - Covid-19	Of which - Business as Usual	Business as Usual July Variance	Business as Usual Change since July
	£m	£m	£m	£m	£m		£m	£m	£m	£m
Health, Education, Care and Safeguarding	70.163	87.962	17.799	19.422	(1.623)		11.725	6.074	5.723	0.351
Commissioning and Asset Management	7.053	11.270	4.217	5.182	(0.965)		3.830	0.387	0.401	(0.014)
Environment, Housing and Leisure	42.696	50.543	7.847	6.811	1.036		7.871	(0.024)	0.063	(0.087)
Regeneration and Economic Development	1.352	1.616	0.264	0.271	(0.007)		0.055	0.209	0.216	(0.007)
Corporate Strategy	0.632	0.822	0.190	0.204	(0.014)		0.093	0.097	0.132	(0.035)
Chief Executive's Office	(0.090)	(0.165)	(0.075)	(0.053)	(0.022)		0.000	(0.075)	(0.053)	(0.022)
Resources	2.781	4.062	1.281	0.416	0.865		1.052	0.229	0.230	(0.001)
Law and Governance	0.053	0.541	0.488	0.449	0.039		0.237	0.251	0.240	0.011
Central Items	16.708	(22.880)	(39.588)	(21.292)	(18.296)		(20.604)	(18.984)	(6.171)	(12.813)
Support Services	20.013	20.013	0.000	0.000	0.000		0.000	0.000	0.000	0.000
<b>Authority Sub Total</b>	<b>161.361</b>	<b>153.784</b>	<b>(7.577)</b>	<b>11.410</b>	<b>(18.987)</b>		<b>4.259</b>	<b>(11.836)</b>	<b>0.781</b>	<b>(12.617)</b>
Section 31 – Transfer to Reserves	0.000	12.719	12.719	0.000	12.719		0.000	12.719	0.000	12.719
<b>Total Authority</b>	<b>161.361</b>	<b>166.503</b>	<b>5.142</b>	<b>11.410</b>	<b>(6.268)</b>		<b>4.259</b>	<b>0.883</b>	<b>0.781</b>	<b>0.102</b>

## **SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS**

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

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

<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
2020/21	0.805
<b>Total Savings</b>	<b>127.756</b>

2.3 In addition to the £0.805m of new savings proposals approved as part of the 2020/21 budget setting process, £1.346m of savings targets were agreed in prior year budget setting processes for delivery in 2020/21. Savings targets of £1.471m within Health, Education, Care and Safeguarding (HECS) were met in 2019/20 through management actions and still require a permanent solution in 2020/21. The total amount of savings that need to be achieved in 2020/21 is therefore £3.622m.

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

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

<b>Service</b>	<b>2020/21 Target £m</b>	<b>Projected Delivery £m</b>	<b>Management Actions £m</b>	<b>Still to Achieve £m</b>
HECS	3.069	0.356	0.000	2.713
Commissioning & Asset Management	0.249	0.230	0.000	0.019
Environment Housing & Leisure	0.125	0.125	0.000	0.000
Central Items	0.179	0.179	0.000	0.000
<b>TOTAL</b>	<b>3.622</b>	<b>0.890</b>	<b>0.000</b>	<b>2.732</b>

2.6 The governance structure of the Efficiency Savings Programme includes a monthly review of progress by the Senior Leadership Team (SLT). In addition, in-year budget and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main variations in



relation to the savings which, at this stage in the year, are shown as yet to be achieved are outlined in the sections below.

#### Health, Education, Care and Safeguarding (HECS)

2.7 HECS has a target yet to be achieved of £2.713m, with £0.621m of savings identified relating to Sector Led Improvement income, public health contracts, school improvement and family gateway and the reversal of the one-year only Troubled Families saving (£0.265m) being built into the base budget and therefore achieved. This target to achieve consists of £0.978m of savings reported in 2019/20 as being met in-year through management actions but still requiring a permanent solution and £1.735m of savings identified for delivery in 2020/21. These savings targets relate to a number of areas;

- Increasing income £0.775m
- Service delivery changes £1.888m
- Staffing £0.050m

2.8 This service has been significantly impacted by the Covid-19 pandemic and due to the level of response required during the containment phase and the level of uncertainty across the remainder of the financial year, at this stage a prudent approach to forecasting has been taken. A proportion of the savings involve income generation via third parties or funding through Section 117, shared care or continuing healthcare (CHC) income. Other service delivery-based savings have been impacted due to capacity issues where placements have had to be maintained due to delays in court proceedings or the type of placement not changing as previously planned due to Covid-19 restrictions. The pressure arising within the budget due to forecasted non-delivery has been shown as part of the Covid-19 financial impact and has been adjusted out of the HECS budget position and is shown within Central Items against the Covid-19 support grants.

2.9 Whilst the project delivery figure of £0.890m is an improvement from £0.524m reported to Cabinet in September 2020, there is still a large balance to be achieved. Finance Officers continue to attend meetings with senior managers and the Head of Service across adult and children's services and individual managers have been assigned responsibility to review existing schemes for deliverability and to identify alternative proposals to mitigate any shortfalls. Further details on the delivery of these savings can be found in the Quarter 2 Efficiency Programme Report that was presented to Overview, Scrutiny and Policy Development Committee on 9 November 2020 and has been included as a background paper to this report.

#### Commissioning and Asset Management

2.10 Within Commissioning and Asset Management, the only savings targets forecast to be partially met relates to the target for increase in school meals fees of £0.082m of which £0.011m (reduced from £0.033m in July) is not likely to be achieved due to Covid-19 related school closures which have also impacted a target relating to increases in catering SLA's of £0.100m of which £0.008m (£0.033m in July) is forecasted as yet to be achieved. The value of the savings forecasted as yet to be achieved have also been adjusted out of the service's position and have been shown within Central Items as Covid-19 related costs.

### **SECTION 3 – NEW REVENUE GRANTS**

- 3.1 New revenue grants have been received or notified since the previous report at July until the publishing date for this report.

**Table 4: Grants Received or Notified since the July Monitoring Report**

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Health Education Care & Safeguarding	Education and Skills Funding Agency	KS 2 moderation and KS 1 Phonics Funding	To fund statutory duties for teacher assessment and monitoring of the phonics screening test	0.011
Health Education Care & Safeguarding	Home Office	Leaving Care	Support for young care leavers	0.025
Health Education Care & Safeguarding	Department for Education	Looked After Children Mental Health Assessment Pilot	Piloting a new mental health assessment framework for looked after children entering care	0.040
Health Education Care & Safeguarding	National Foundation of Youth Music	Standing Upright Project	Delivery of a youth music programme in North Tyneside	0.015
Health Education Care & Safeguarding	Department for Education	Extension of the role of Virtual School Head to certain previously looked after children	To support authorities to meet their duty to appoint a Virtual School Head for previously looked after children and make information and advice available	0.054
Environment Housing and Leisure	North of Tyne Combined Authority	Next Steps Accommodation	To support reduction of homelessness during Covid-19	0.048
Environment Housing and Leisure	Historic England	Street Through Time	Supporting recovering of historic high streets	0.009

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Environment Housing and Leisure	Without Walls Ltd	Without Walls	Supporting outdoor arts	0.010
Regeneration and Economic Development	European Regional Development Fund	Reopening High Streets Safely Fund	To support local authorities to develop an action plan for the reopening of local economies	0.184
Central Items	Ministry of Housing Communities and Local Government	Local Authority Compliance and Enforcement Grant	To support the Local Authority with any activity which will support compliance and enforcement of measures to prevent the spread of Covid-19	0.108
Central Items	Department of Health and Social Care	Local Authority Test and Trace - Containment	To support the Authority with any activity which will support containment to control the spread of Covid-19 (to be managed at a regional level)	0.416
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Programme Costs	Individuals are entitled to Test and Trace Support Payments of £500. This is to support people on low incomes who are unable to work from home if they are told to self isolate by NHS Test and Trace	0.090

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Discretionary Payments	Individuals are entitled to Test and Trace discretionary support payments. This is to support people on low incomes who are unable to work from home if they are told to self isolate by NHS Test and Trace	0.054
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Administration Costs	To support administration costs associated with Test and Trace support payments.	0.033
Central Items	Department for Education	Mental Health in School	To support the Wellbeing for Education Return project supporting psychological recovery for the return to full time education post lockdown	0.027
Central Items	Department for Transport	Travel Demand Management	To support the Authority with travel demand management activities linked to Covid-19 regulations	0.020
Central Items	Department for Education	Covid-19 Schools Fund 1	To support schools facing additional costs of Covid-19	0.084
Central Items	Department for Education	Covid-19 Schools Fund 2	To support schools facing additional costs of Covid-19	0.108

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Central Items	Department for Education	Schools catch up premium	To provide assistance to the Authority for maintained schools and pupils placed in independent special settings in the form of Coronavirus catch-up premium	0.514
Central Items	Ministry of Housing Communities and Local Government	Covid-19 Local Authority Support Grant	To support the Authority in funding the financial impact of Covid-19	2.061
Central Items	Department of Health and Social Care	Infection Control Grant Round 2	To provide support to care homes and other providers to fund the cost of controlling Covid-19 infection	2.207
Health Education Care and Safeguarding	Education and Skills Funding Agency	Teachers Pay Grant	Paid across to schools to support teachers' pay costs	1.071
Health Education Care and Safeguarding	Education and Skills Funding Agency	Teachers Pensions Employer Contributions Grant	Paid across to schools to support teachers' pensions costs	3.229
Health Education Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	To support the Authority to monitor performance of maintained schools and broker school improvement provision	0.168
Health Education Care and Safeguarding	Education and Skills Funding Agency	Primary PE and Sports Premium Grant	Paid across to schools to support and develop PE and sport	1.128
<b>Total</b>				<b>11.714</b>

## **SECTION 4 – SERVICE COMMENTARIES**

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

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

4.2.1 HECS is showing a forecast pressure of £6.074m at September which is an increase of £0.351m compared to the forecast variance of £5.723m reported in July. The increased variance relates mainly to additional care costs for children partially offset by reductions in care package costs for adults. This position is after adjusting for a total of £11.725m of Covid-19 related cost and income pressures which are now shown within Central Items. In July, a total of £13.699m of Covid-19 related cost pressures were forecasted. The reduced Covid-19 cost forecast relates mainly to a reduced forecast for the net cost of adult social care clients returning to the Authority from the pooled fund arrangement put in place for hospital discharges partially resulting from the new arrangements announced by the Government which came into force from 1 September 2020 which allow up to six weeks of care costs to be charged to an extended pooled fund arrangement. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

4.2.2 The HECS service continues to be heavily impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work has also been ongoing to support social care providers to maintain their vital services. In addition to cost pressures, income losses directly related to Covid-19 disruption are forecasted amounting to £0.862m. The following Covid-19 related pressures are forecasted within HECS for 2020/21.

#### **4.2.3 Table 5: Impact of Covid-19 on HECS**

<b>Service Area</b>	<b>Covid Cost Impact Sept £m</b>	<b>Covid Income Impact Sept £m</b>	<b>Total Covid Impact Sept £m</b>	<b>Total Covid Impact July £m</b>	<b>Description</b>
Mainly Wellbeing & Assessment	0.000	0.110	0.110	0.388	Lost client contributions

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Mainly Wellbeing & Assessment	0.494	0.000	0.494	2.110	Net care package costs of clients returning to the LA after NHS Covid discharge funding ends
Mainly Wellbeing & Assessment	5.403	0.000	5.403	5.533	Supporting the care market (including Infection Control Grant payments)
Mainly Integrated Services	0.346	0.000	0.346	0.691	Additional staff costs, supplies and services incl. PPE
Across the Service	1.300	0.000	1.300	1.300	Savings targets at significant risk of non-delivery due to Covid-19 issues
<b>Adults Total</b>	<b>7.543</b>	<b>0.110</b>	<b>7.653</b>	<b>10.022</b>	
Employment & Skills	0.026	0.035	0.061	0.062	Lost course fee income and equipment costs
School Improvement	0.000	0.666	0.666	0.873	Lost income from the Langdale Centre, High Borrans and school development work
Mainly Corporate Parenting & Placements	1.233	0.000	1.233	1.238	Increased costs for children in care
Integrated Disability and Additional Needs	0.000	0.051	0.051	0.051	Lost SLA income for summer term
Across the Service	1.413	0.000	1.413	1.413	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adoptions	0.051	0.000	0.051	0.040	Costs relating to adoptions
<b>Children's Total</b>	<b>2.723</b>	<b>0.752</b>	<b>3.475</b>	<b>3.677</b>	
<b>Public Health</b>	0.597	0.000	0.597	0.000	Measures to prevent infection and promote compliance with local and national restrictions
<b>Total</b>	<b>10.863</b>	<b>0.862</b>	<b>11.725</b>	<b>13.699</b>	

4.2.4 The financial impact of the Covid-19 crisis began in the last month of 2019/20 and is expected to continue throughout 2020/21. Under Government guidance which

applied from 19 March 2020, the costs of packages for residents who have been discharged from hospital (whether they have tested positive for Covid-19 or not) and any increased costs of packages which prevented admissions to hospital have been charged into a new pooled fund of £1.300bn nationally with these costs met by contributions from the Government paid via the North Tyneside Clinical Commissioning Group (NTCCG). The end date for these arrangements, as published on 25 August 2020, was 31 August 2020. At this date there were 332 clients with services commenced under these arrangements who needed to be assessed to establish their ongoing needs. The costs for clients requiring ongoing support will, after assessment, return to the Authority and these clients will also be subject to a financial assessment to establish any contribution for the costs of their care. Clients with high level needs would be assessed against the continuing healthcare framework. Ongoing costs to the Authority have been forecasted on the basis of 163 of the 332 clients who had been assessed by the end of September. This identified a cost of £0.060m per week for the remainder of the financial year. This forecast will be revised as the remainder of this cohort of clients is assessed. Client contributions for these clients have been forecasted at the average rate of all clients currently receiving services.

- 4.2.5 When the Government announced the ending of the first phase of funding arrangements relating to hospital discharges, they announced a second phase which was implemented from 1 September 2020. Under these arrangements, residents discharged from hospital who require social care services are entitled to up to six weeks of free care where the costs of these services are charged into a pooled fund to be met by contributions from the Government claimed via the NTCCG. These clients are reassessed during this six-week period once their ongoing needs have settled and can be more clearly identified. At the point of reassessment and the establishment of a longer-term service, the responsibility for the costs of the services returns to the Authority and the client is financially assessed to establish any client contributions. This second phase of funding arrangements is planned to be in place until 31 March 2021. During September, the first month of operation of these arrangements, 47 clients were discharged from hospital. Forecasts based on these initial clients indicated that £0.367m of recharges to the CCG are anticipated.
- 4.2.6 The net impact of the changes in these schemes has resulted in a reduction of the forecasted costs under Covid-19 arrangement to £0.494m from £2.110m. This includes the additional CCG recharges under the phase two arrangements, forecasted client contributions relating to the phase one clients and additional CCG income from the phase one arrangements.
- 4.2.7 The forecasted costs of supporting the care market is estimated to be £5.403m and relates to supporting care homes and other providers to meet the additional operational costs of Covid-19, for example in relation to PPE and backfilling absent staff. This includes the Infection Control Grant amount of £2.205m. All providers with operational services during the Pandemic have been paid an additional fee premium of 5% to cover Covid-19 operational costs. In addition, any provider which has been severely affected by Covid-19 can apply for reimbursement of any Covid-19 costs not funded through other sources, which have been suffered over and above the additional fee premium paid. The Authority is also working with



care home providers within the Borough to address issues relating to the future sustainability of the market especially where individual providers have high levels of vacancies. There are similar operational cost pressures for in-house services totalling £0.346m of which £0.255m relates to PPE costs with additional costs also forecasted in relation to transport for clients, additional costs of Local Authority funded funerals and additional phone and IT costs to support increased levels of agile working.

- 4.2.8 Lost income across the service has also been identified as an impact of Covid-19 disruption. This relates to client contributions (£0.110m) where reduced levels of income are forecasted at the current rate for the remainder of the financial year. This position is likely to improve as some suspended services are re-started albeit at reduced capacity. A loss of income within School Improvement of £0.666m is forecasted relating to a full year loss of income at High Borrans education centre and other fee income loss for the period April to August. Course fee income within Employment and Skills of £0.035m for the full financial year is also forecasted in addition to SLA income within Integrated Disability and Additional Needs of £0.051m relating to Educational Psychology.
- 4.2.9 A total of £1.233m of additional costs relating to children in care have been identified as a result of care provision being extended as court delays prevent children leaving care and additional operational costs within in-house settings and in externally provided care packages. A fee premium of 5% has been forecasted against all externally provided care for the full financial year.
- 4.2.10 An amount of £0.597m has been included in Public Health relating to a range of measures designed to prevent the spread of Covid-19 including additional Environmental Health capacity, Communications capacity and costs relating to the establishment and maintenance of Local Support Hubs. These costs are met by the Track and Trace Grant.
- 4.2.11 Once the impact of Covid-19 has been adjusted for, the remaining pressures broadly reflect a continuation of the position in 2019/20. Further details are shown in paragraphs 4.2.13 to 4.2.42.
- 4.2.12 **Table 6: Forecast Variation for HECS at September 2020**

	<b>Budget £m</b>	<b>Forecast Sept £m</b>	<b>Variance Sept £m</b>	<b>Of which- Covid- 19 related £m</b>	<b>Of which- Business as Usual £m</b>	<b>Business as Usual Variance July £m</b>	<b>Business as Usual Change Since July £m</b>
Corporate Parenting & Placements	16.680	23.023	6.343	1.863	4.480	3.929	0.551
RHELAC Service	0.004	0.004	0.000	0.000	0.000	0.000	0.000

	Budget £m	Forecast Sept £m	Variance Sept £m	Of which- Covid- 19 related £m	Of which- Business as Usual £m	Business as Usual Variance July £m	Business as Usual Change Since July £m
Child Protection, Independent Assurance and Review	0.673	0.708	0.035	0.000	0.035	0.015	0.020
Early Help & Vulnerable Families	1.039	1.021	(0.018)	0.121	(0.139)	(0.079)	(0.060)
Employment & Skills	0.549	0.544	(0.005)	0.061	(0.066)	(0.047)	(0.019)
Integrated Disability & Additional Needs Service	2.272	3.995	1.723	0.713	1.010	1.060	(0.050)
School Improvement	0.056	0.687	0.631	0.666	(0.035)	(0.079)	0.044
Regional Adoption Agency	(0.010)	0.042	0.052	0.051	0.001	0.000	0.001
<b>Children's Services Sub-total</b>	<b>21.263</b>	<b>30.024</b>	<b>8.761</b>	<b>3.475</b>	<b>5.286</b>	<b>4.799</b>	<b>0.487</b>
Wellbeing, Governance & Transformation	2.271	2.321	0.050	0.000	0.050	0.058	(0.008)
Disability & Mental Health	31.850	33.061	1.211	1.543	(0.332)	(0.345)	0.013
Wellbeing & Assessment	11.820	19.005	7.185	5.752	1.433	1.866	(0.433)
Integrated Services	2.568	2.347	(0.221)	0.108	(0.329)	(0.648)	0.319
Business Assurance	0.293	0.509	0.216	0.250	(0.034)	(0.007)	(0.027)
<b>Adult Services Sub-total</b>	<b>48.802</b>	<b>57.243</b>	<b>8.441</b>	<b>7.653</b>	<b>0.788</b>	<b>0.924</b>	<b>(0.136)</b>
Public Health	0.098	0.695	0.597	0.597	0.000	0.000	0.000
<b>Total HECS</b>	<b>70.163</b>	<b>87.962</b>	<b>17.799</b>	<b>11.725</b>	<b>6.074</b>	<b>5.723</b>	<b>0.351</b>

#### Main budget pressures across HECS

4.2.13 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of varied funding arrangements, pressures and national policy changes. There are continuing

upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of homes within the Borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring appropriate levels of funding contributions from the NHS for clients with health needs as the NTCCG themselves face continuing budget constraints.

- 4.2.14 The main factor behind the overall outturn position is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. Although the number of children in care rose to 321 in January 2020, the numbers dropped to 299 by the end of 2019/20 and are reported as 303 at September (see chart 3 in 4.2.31 below). Pressures within the Integrated Disability and Additional Needs service are rising due to increasing numbers of children with complex needs. In addition to third party care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs. Within adult services, cost pressures remain in relation to third party care provision especially in relation to older people.

### **Adult Services**

- 4.2.15 In Adult Services, there is a forecasted pressure of £0.788m which represents a £0.136m improvement on the July budget position.
- 4.2.16 There are on-going pressures in third party payments for care provision which is £3.261m above budget levels. There are also smaller pressures relating to premises costs, £0.165m and supplies and services, £0.136m. These are partially offset by increased client contributions and contributions from the NHS (£2.393m). There is an underspend against transport budgets of (£0.156m) and within staffing budgets of (£0.225m). The demand pressures were foreseen by Cabinet and a £1.800m contingency base budget was set up, which is currently held centrally.
- 4.2.17 Pressures within external payments for care provision total £3.261m above budget. Table 7 below shows external payments for care pressures analysed into service types.

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

Type of Service	Sept £m	July £m
Residential and Nursing Care	1.772	2.750
Homecare and Extra Care	1.943	1.493
Other Community-Based Care	(0.454)	(0.664)
<b>Total</b>	<b>3.261</b>	<b>3.579</b>

### **Residential and Nursing Care**

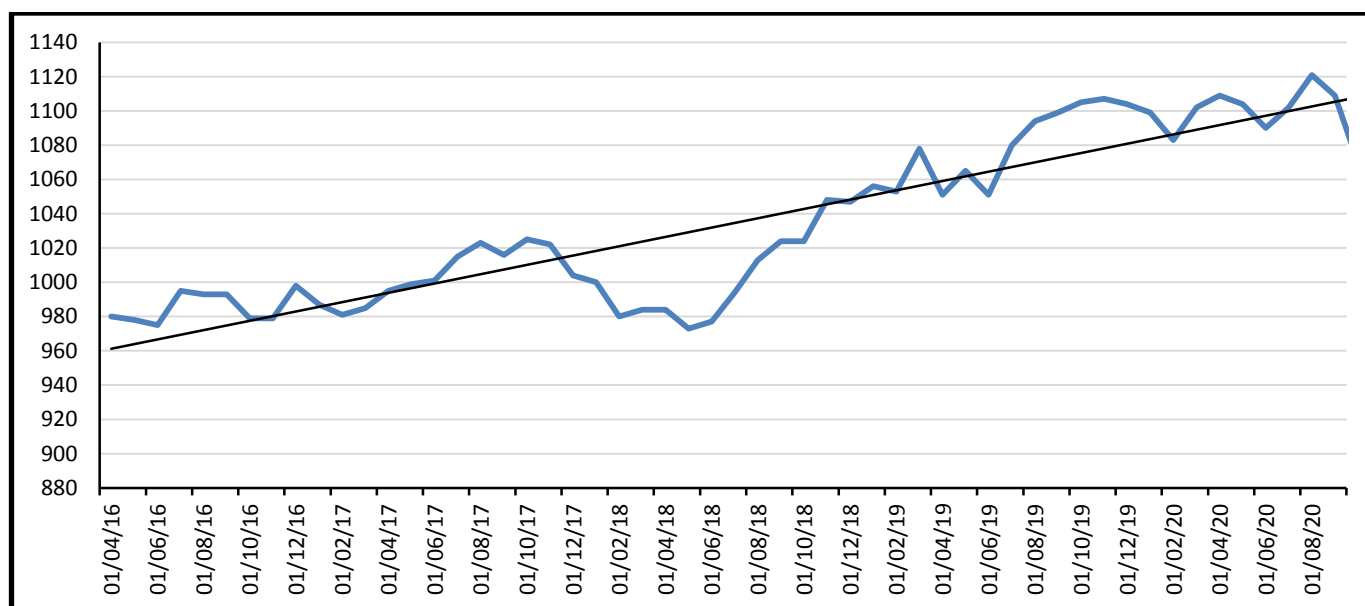
- 4.2.18 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term

placements were strengthened and numbers of placements fell in the first part of 2019/20. However, challenges remained, for example the option to move clients from short-term placements to community provision diminishes after longer lengths of stay in short-term placement as clients lose skills and family concerns increase around risks at home. The numbers of placements overall for residential and nursing care, continued in an overall upward trend since July 2019 to a total number of clients placed in care homes of 1,093 at the end of March 2020.

4.2.19 The Covid-19 pandemic initially had a significant impact on the numbers in residential and nursing care with a reduction due to a higher than normal level of deaths and a slower rate of new admissions to care however, numbers increased significantly in July to the level of 1,102 leading to an increased forecast in expenditure. There has however been a significant drop in August and September to 1,070. This reduction of 32 placements has significantly reduced the forecast pressure as shown in Table 7 above.

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

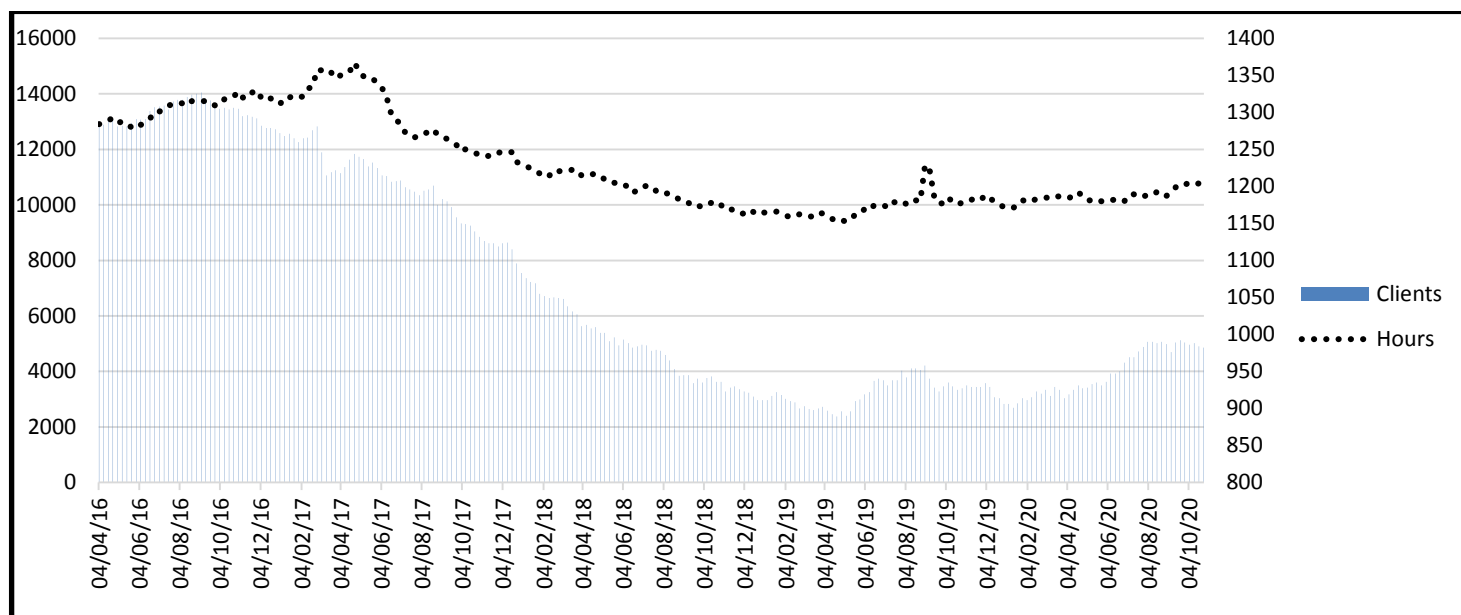
**Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016**



#### Homecare and Extra Care

4.2.21 Cabinet will recall from the 2019/20 Outturn Report that the number of clients rose by 3% during 2019/20 and the number of hours delivered increased by 8.3%. The trend during the initial months of 2020/21 has been fairly volatile with an increase in the number of clients and hours delivered as shown in Chart 2 below. The upward trend in hours delivered has continued in August and September with a further increase of 442 hours per week leading to an increased pressure of £1.943m.

#### 4.2.22 Chart 2: Trends in Homecare/Extra Care Services



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

#### Client Related Income

4.2.24 There is a forecasted pressure in NTCCG contributions for shared care of £0.925m due to a reduction in contributions for clients who have a significant health need but who do not meet the threshold for continuing healthcare often referred to as 'shared care'. Shared care is not subject to the same statutory guidance as Continuing Healthcare and funding arrangements are agreed on an individual client basis between the Authority and the NTCCG. This form of funding has been reducing since 2015/16 and there is a further reduction in 2020/21 of £0.310m mainly due to the full year impact of changes notified in 2019/20. Management within HECS are working hard to ensure that clients with significant health needs are appropriately supported by contributions from NHS funding. This reduction is offset by a surplus against budget in other areas of NHS funding to give an overall surplus of £0.219m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £2.174m, partially offsetting the pressures within payments for externally provided care.

### Premises

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

### Children's Services

- 4.2.26 In Children's Services the £5.286m forecast position (up from £4.799m in July) relates mainly to demand pressures of £4.480m in Corporate Parenting and Placements and £1.010m in Integrated Disability and Additional Needs. These pressures are partially offset by underspends in Early Help and Vulnerable Families, Employment and Skills and School Improvement. The pressures were foreseen by Cabinet and a contingency based budget of £2.616m was created, currently held centrally. This position excludes Covid-19 related pressures of £3.475m which have been transferred to Central Items.

### Corporate Parenting and Placements

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

**Table 8: Analysis of Pressures in Corporate Parenting and Placements**

Type of Service	Budget 2020/21 £m	Variance Sept £m	Variance July £m	Change Since July £m
Care provision – children in care	9.384	2.515	2.002	0.513
Care provision – other children	3.200	0.772	0.908	(0.136)
Management & Legal Fees	(0.053)	0.458	0.437	0.021
Social Work	4.105	0.730	0.577	0.153
Safeguarding Operations	0.044	0.005	0.005	0.000
<b>Total</b>	<b>16.680</b>	<b>4.480</b>	<b>3.929</b>	<b>0.551</b>

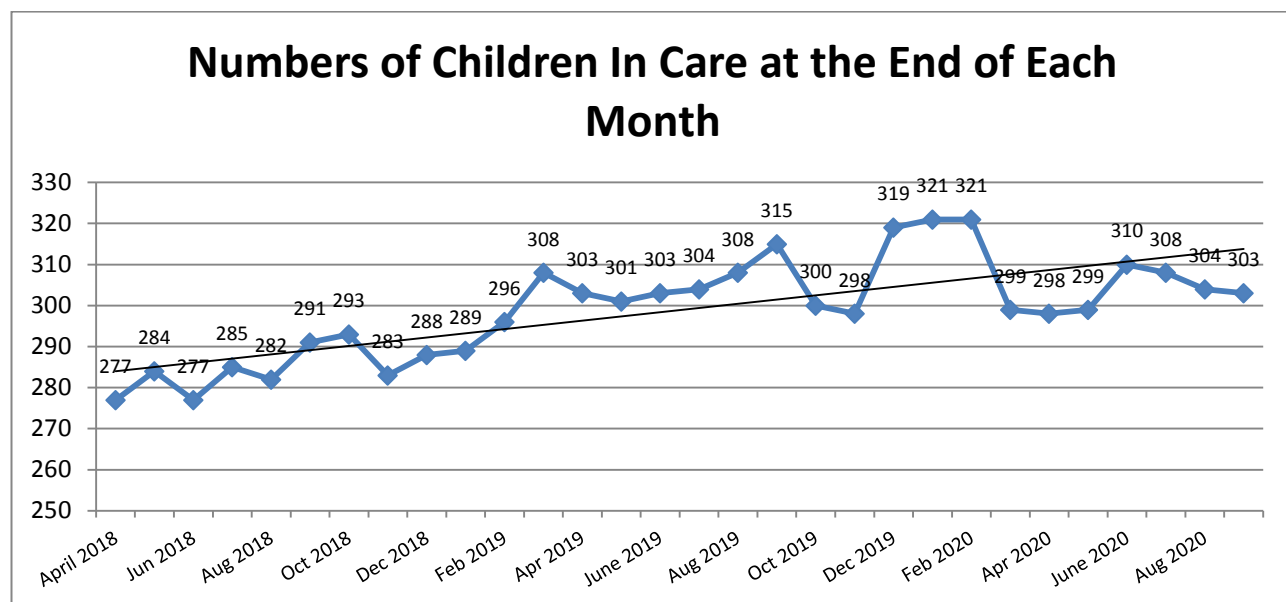
- 4.2.28 The forecast has been developed based on the children in care as at the end of September 2020. The number in care at the end of September was 303, a net decrease of 5 since the July report.

### Care Provision – Children in Care

- 4.2.29 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in government-funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases being felt nationally.
- 4.2.30 Delays within the court system have eased slightly with 19 children leaving the care system in August and September however, there is concern about the potential continuing impact of Covid-19 on court processes. The Authority

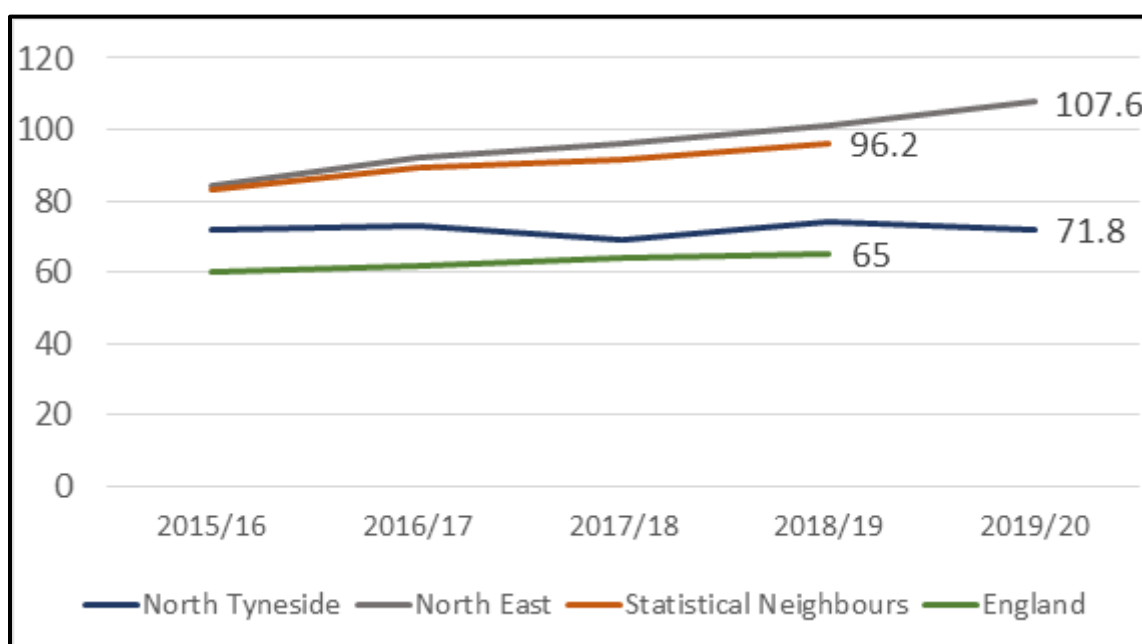
currently has 10 cases delayed either because the court cannot complete the hearings remotely or because Covid-19 has affected the availability of specialist assessments. The impact of this is that children are remaining in care for longer where otherwise an improved situation for them could have achieved in a shorter time frame. The financial impact is the ongoing cost of placements. The pattern of children entering and leaving care is shown in Chart 4 below.

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



4.2.32 Despite regular changes in the number of children in care, the rate per 10,000 is stable when compared to national and regional averages. The most recent available national comparators from 2019/20, as demonstrated by Chart 4 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

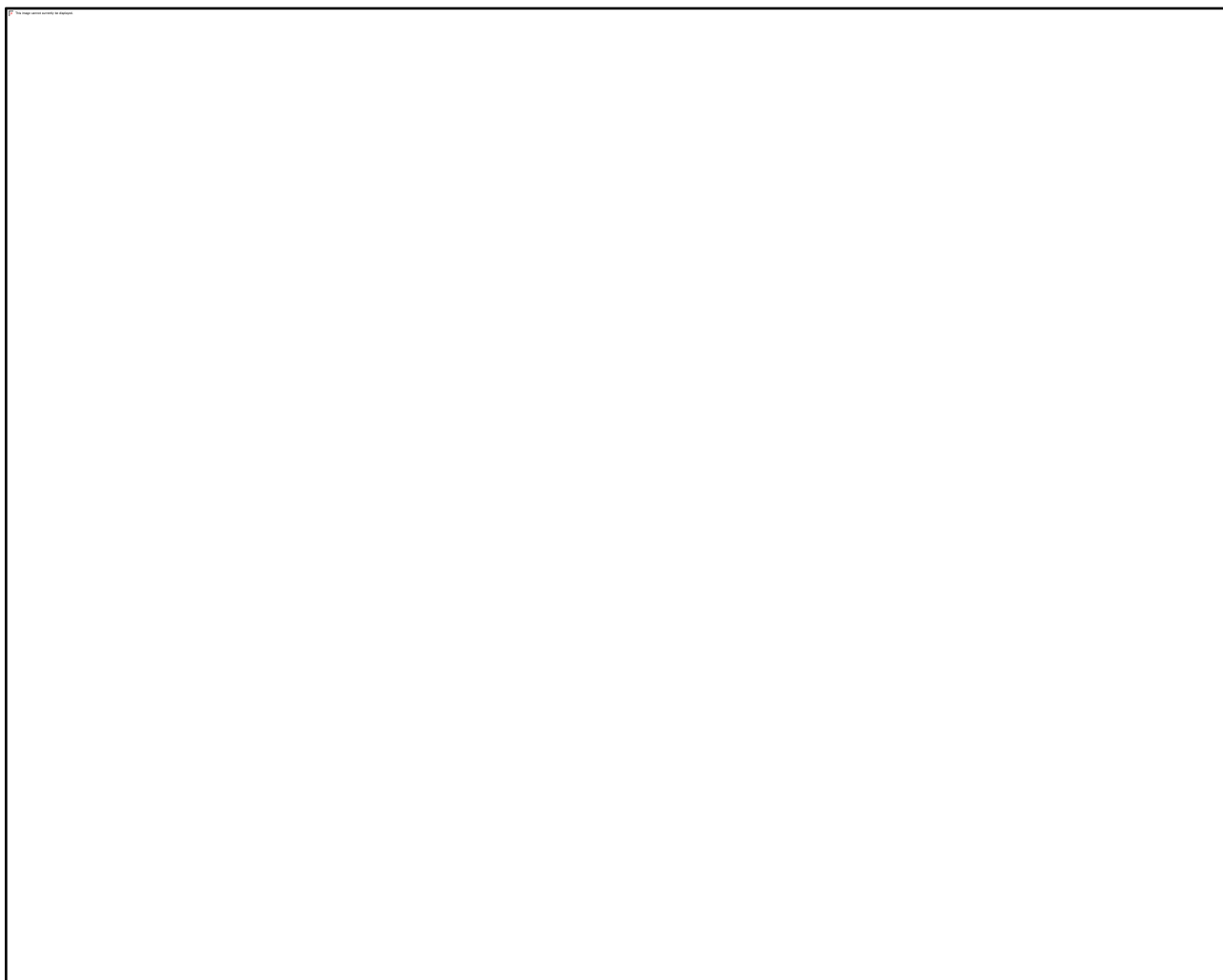
#### 4.2.33 Chart 4: Comparative Performance in Rates of Children in Care per 10,000 Children under 18



4.2.34 Placement mix in 2019/20 continued to change, moving towards the complex end of the spectrum which led to an increase in overall costs last financial year and this pattern is being sustained in 2020/21. The July forecast for the total number of care nights was 108,264 nights however, despite a reduction in the number of children in care at the end of the period, the total number of bed nights forecasted has increased slightly to 108,706 as a result of the movements of children in and out of care within August and September. This bed nights forecast continues to be a reduced forecast compared to 2019/20 levels of 112,622 and spend on children in care placements in 2020/21 is forecast to be reduced compared to 2019/20. This is in the context of long-term demand pressures on children's services in North Tyneside and nationally and whilst the impact of Covid-19 on children's social care has been felt mainly in terms of an increased number of children with a Child Protection Plan (CPP), numbers of children in care have remained stable, which is in contrast to the experience of many other local authorities who have seen sharp increases as indicated in Chart 5 below.

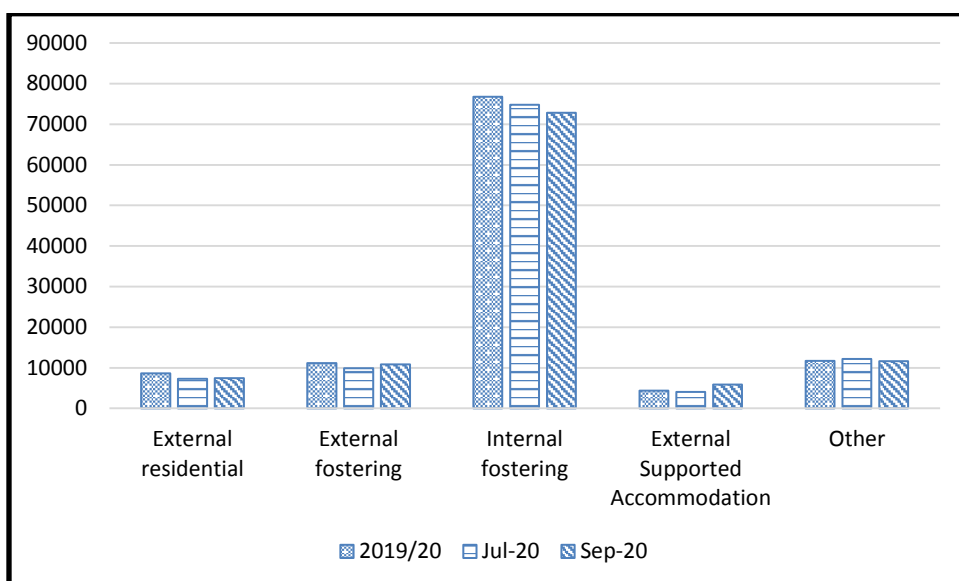


4.2.35 **Chart 5: Regional Breakdown of Rate of Children in Care per 10,000 showing rate change in Q1 of 2020/21**



4.2.36 Although there is an increase in the overall number of forecasted bed nights, the main reason behind the increase in forecast cost pressures is the reduction in bed night within less costly services notably in house fostering (reduced by 1,919 nights) and an increase in more costly service types principally external supported accommodation (increased by 1,806 nights). The number of children in care can be volatile and costs for individual children can be very high. The forecast will be increased if numbers of care nights delivered starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the economic effects of the Covid-19 crisis continues to impact on families. Details of the movement in forecasted bed days by type of service is shown at Table 9 and the movement in bed nights by service type is shown in Chart 6 below;

**Chart 6: Changes in Bed Night by Service Type**



4.2.37 Residential placements continue to be costly with a current average annual cost of £0.276m but which can be very volatile and is dependent on the individual needs of the cohort of children and young people in externally provided residential placements at any point in time. External supported accommodation can also be expensive. During 2019/20 there was a cohort of eight young people with very complex needs being supported for the majority of the year at an average cost of approximately £0.005m per week and these placements are continuing into 2020/21.

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

Placement Type	Sept Var £m	Average Annual cost £m	2020/21 Forecast Bed Nights Sept	2020/21 Forecast Bed Nights July	2019/20 Bed Nights	Placement Mix as at Sept	No. of children Sept 20	No. of children July 20
External Residential Care	0.700	0.276	7,449	7,311	8,649	7%	25	24
External Fostering	0.030	0.038	10,859	9,926	11,184	10%	28	26
In-House Fostering Service	0.442	0.023	72,845	74,764	76,731	67%	199	205
External Supported Accommodation	1.224	0.135	5,901	4,095	4,349	5%	20	19
Other*	0.119	various	11,652	12,168	11,709	11%	31	34
<b>Total</b>	<b>2.515</b>		<b>108,706</b>	<b>108,264</b>	<b>112,622</b>	<b>100%</b>	<b>303</b>	<b>308</b>

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

#### Care Provision – Children not in care

- 4.2.39 The pressure of £0.772m (July variance, £0.908m) 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 based budget of £2.616m established in 2018/19 was, in part, intended to mitigate against these costs. The reduction in forecast in this area relates mainly to leaving care services with reductions in staffing costs at Starting Point and reduced care leaver allowances.

#### Management and Legal Fees

- 4.2.40 This area has a forecast pressure of £0.458m (July, pressure of £0.437m). Pressure in this area includes management costs of £0.104m, professional fees relating to children in care £0.060m, legal costs £0.100m and other child related costs such as professional fees, DNA tests, drug and alcohol testing, asylum seeker support, counselling sessions and costs for other therapeutic interventions.

#### Social Work

- 4.2.41 Within the overall pressure of £3.929m for Corporate Parenting and Placements, there are staffing pressures of £0.730m, a rise of £0.153m from £0.577m in July. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net pressure is due to the need to establish an additional team, to enable manageable caseloads (£0.234m) and as a result of market supplement payments to support the recruitment and retention of social workers (£0.293m). There is also a pressure of £0.050m relating to apprentice posts. There are currently no agency staff in place however, a result of the increase in the number of children with a Child Protection Plan during Covid-19, caseloads for social workers have shown an increasingly high number which is above the national average although this is beginning to reduce. The movement is due to a higher forecast with the Multi Agency Safeguarding Hub and a reduction of £0.066m staff costs recharged into Covid-19 cost centres following a review of workloads.

#### Integrated Disability and Additional Needs (IDANS)

- 4.2.42 IDANS is forecasting a pressure of £1.010m which is a decrease of £0.050m from the July position of £1.060m. Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs) leading to a pressure in short break spend of £0.403m. Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to 1,811 at September 2020. The movement in month primarily relates to reduced costs relating to transitions to adult services. There are also pressures relating to operational staffing costs within in-house residential services of £0.161m and associated unachieved health income target of £0.100m. There are also forecast staffing pressures of £0.363m in Educational Psychology partly

relating to cover arrangements associated with maternity leave and partly relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. There is a pressure of £0.051m in the Statutory Assessment and Review team who assess and arrange education for children with additional needs. The IDANS service is continuing to carefully review planned provision.

### 4.3 **Commissioning and Asset Management**

4.3.1 Commissioning and Asset Management (C&AM) has a forecasted outturn pressure of £0.387m (July, pressure of £0.401m) as set out in Table 11. This is after adjusting for forecast pressures of £3.830m relating to the impact of Covid-19 on the service set out in Table 10.

4.3.2 C&AM has also been heavily impacted by the Covid-19 pandemic, particularly in relation to supporting schools and in relation to lost income. The following Covid-19 related costs have been forecasted within C&AM for 2020/21 and have been transferred to Central Items and set against the Covid-19 Local Authority Support Grant.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Catering	1.212	3.373	4.585	4.260	Lost school meals income and hospitality income and costs of providing additional free school meals services, costs of perishable stock disposal
Catering/Property	(1.986)	0.000	(1.986)	(0.861)	Savings in provisions and utilities due to non-delivery of services
Cleaning	0.333	0.000	0.333	0.333	Additional hours of cleaning and associated equipment and materials directly related to Covid-19

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Other income	0.000	0.123	0.123	0.123	Lost income for parking charges at Quadrant, Procurement rebates and school absence penalty notices
Home to school Transport	0.345	0.000	0.345	0.225	Additional costs of transport under infection control
Volunteer Scheme	0.081	0.000	0.081	0.106	Supporting vulnerable residents by additional foodbank support for the full financial year
Property	0.300	0.000	0.300	0.400	Costs in relation to public buildings and worksites
Property Services	0.000	0.049	0.049	0.195	Potential rental income reductions
<b>Total</b>	<b>0.285</b>	<b>3.545</b>	<b>3.830</b>	<b>4.781</b>	

4.3.4 In relation to paid school meals, there is a forecasted income loss of £1.637m. This assumes a 100% loss of income for the period April to July 2020 dropping to a 36% loss from September to March. Remaining Catering income losses (£0.454m) relate to staff restaurants and civic catering which are forecasted as a total loss for the whole financial year as staff facilities remain closed. Non-fee-paying income loss (£1.263m) is forecast for the period April to July 2020. A pressure of £0.747m is forecasted for the costs of packed lunches over and above grant funding for free school meals as this form of provision is more costly than normal operations with further additional costs of £0.320m relating to disposable packaging and cutlery. There is also a pressure of £0.145m relating to a loss of perishable food stock. These pressures are reduced by a saving in provisions of £1.705m. Savings of £0.023m in electricity costs have also been included.

4.3.5 Additional cost pressures of £0.333m for cleaning have been identified for the full financial year. These relate to anticipated additional cleaning hours that will be required as a result of Covid-19 with a forecasted increase in staffing costs by a third (£0.263m) for the period to March 2021 plus costs of new cleaning machinery and equipment and additional cleaning materials (£0.070m). This forecast will continue to be reviewed as the year progresses.

- 4.3.6 Anticipated losses of car parking income at Quadrant are forecasted to be £0.065m and relate to the full financial year. Salary sacrifice arrangements for staff parking are currently suspended. A loss of income of £0.028m is forecasted in relation to school non-attendance penalty notices for the full year and an amount of £0.030m in rebates relating to procurement arrangements is also affected.
- 4.3.7 Additional costs of £0.345m in relation to Home to School Transport have been forecasted from September with a need to provide more single journeys to allow for social distancing in line with guidelines. Pupils within the same 'bubble' can travel together however modelling of required journeys indicates additional costs of £0.015m per week for 23 weeks.
- 4.3.8 Additional forecasted pressures in relation to Property relate to an amount of £0.300m identified as the forecasted cost of making all council buildings Covid-19 compliant. A further amount of £0.049m has been identified as lost rental income resulting from Covid-19 related closures.

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

	Budget £m	Forecast July £m	Variance July £m	Of which – Covid- 19 £m	Of which – Business as usual £m	Variance July £m	Business as Usual Change since July £m
School Funding & Statutory Staff Costs	4.690	4.637	(0.053)	0.000	(0.053)	(0.035)	(0.018)
Commissioning Service	0.359	0.339	(0.020)	0.000	(0.020)	(0.025)	0.005
Facilities & Fair Access	0.353	4.249	3.896	3.393	0.503	0.485	0.018
Community & Voluntary Sector Liaison	0.439	0.495	0.056	0.081	(0.025)	(0.024)	(0.001)
Strategic Property & Investment	1.727	2.009	0.282	0.300	(0.018)	0.000	(0.018)
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property	(0.645)	(0.619)	0.026	0.026	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.154	0.154	0.000	0.000	0.000	0.000	0.000

	<b>Budget £m</b>	<b>Forecast July £m</b>	<b>Variance July £m</b>	<b>Of which – Covid- 19 £m</b>	<b>Of which – Business as usual £m</b>	<b>Variance July £m</b>	<b>Business as Usual Change since July £m</b>
Procurement	(0.024)	0.006	0.030	0.030	0.000	0.000	0.000
<b>Total Commissioning &amp; Asset Management</b>	<b>7.053</b>	<b>11.270</b>	<b>4.217</b>	<b>3.830</b>	<b>0.387</b>	<b>0.401</b>	<b>(0.014)</b>

4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.503m (July, pressure of £0.485m) which are largely unchanged from the 2019/20 outturn. The pressures are across Catering and Cleaning (£0.150m) and Home to School Transport (£0.322m) with a smaller pressure on Quadrant car parking income (note the impact of lost Quadrant car parking income resulting from Covid-19 building restrictions has been transferred to Central Items).

4.3.11 The issues in Catering and Cleaning relate to non-staffing cost increases and staffing pressures which have not been met by increases in income. There has been an improvement of £0.024m since July due to reduced forecasts for non-staffing costs within the service. The Home to School Transport pressures relate to the increase in children with complex needs attending special schools and has increased by £0.042m since July. Demand pressures in High Needs is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant (see paragraphs 6.9 to 6.13 for more details). National supplier relief guidelines have been followed and transport contractors were paid at usual rates during the lockdown period however, only the costs of anticipated additional routes to comply with social distancing have been included as Covid-19 costs. These main budget issues with Facilities and Fair Access are difficult to forecast and there is considerable ongoing uncertainty resulting from Covid-19 related changes in the operation of schools.

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

4.3.13 C&AM contains the Property element of the Capita North Tyneside Technical Partnership. Whilst, the Partnership is projecting to deliver a balanced managed budget by year-end, it is currently working on proposals to manage pressures linked to the Property Business Cases of £1.039m.

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

4.4.1 EHL is forecasting a saving of £0.024m against the £42.696m budget, as set out in Table 13 below. This is an improved position since July's forecast outturn pressure of £0.063m. The position includes a planned £0.671m draw-down of reserves for the street-lighting PFI contract.

4.4.2 EHL continues to be heavily impacted by the Covid-19 pandemic most notably by the initial closure then operation of a reduced service on reopening of its sports and leisure facilities and libraries. The following Covid-19 related financial impacts have been identified within EHL as outlined in Table 12 for 2020/21. These amounts have been transferred to Central Items to be set against the Covid-19 related grants received by the Authority. The increase in Covid-19 related pressures of £1.123m is mainly due to revised estimates of income loss relating to sports centres and increased enforcement costs.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Sports & Leisure	0.005	4.845	4.850	4.449	Lost income due to Covid related closures. Reduced capacity of facilities when reopened. Additional use of casual workers and additional cleaning costs
Environmental Services	0.188	0.172	0.360	0.358	Additional costs and lost income from café closures Covid-19 signage Additional PPE costs and additional staffing Increased bereavement costs.
Waste Management	0.058	0.000	0.058	0.002	Suez Management Fees for health and safety marshalling costs Increased supply costs



Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Cultural Services	0.172	0.227	0.399	0.365	Impact on Mouth of Tyne Festival (fees paid to acts, etc.) Impact on T&W Museums Lost income in libraries Loss of rental income in buildings
Planning and Development	0.000	0.129	0.129	0.130	Reduction in building control fees Reduction in planning applications
Environmental and Regulatory Services	0.057	0.169	0.226	0.054	Taxi licencing activities Enforcement Marshalls cost of additional regulatory equipment
Highways and Transport	0.000	1.810	1.810	1.351	Impact on car parking fees Lost income on engineering fees, streetworks, road permits, etc
Homelessness Additional Costs	0.034	0.000	0.034	0.034	Additional bed and breakfast costs to prevent homelessness
Street-lighting PFI	0.005	0.000	0.005	0.005	Costs to counter increased anti-social behaviour
<b>Total</b>	<b>0.519</b>	<b>7.352</b>	<b>7.871</b>	<b>6.748</b>	

4.4.4 The impact of the Covid-19 pandemic on EHL is mainly in relation to lost income. £7.352m of the £7.871m estimated impact is due to income-generating services being closed or expected to operate at a lower level than previously. For the period April to July, lost income is based on known closures and uses prior year income generation patterns to provide an estimated value. Thereafter a high-level impact assessment of ongoing income has been made based on expected operating levels.

4.4.5 The largest increase in costs relates to Highways and Transport with revision of estimates relating to loss of car parking income and associated enforcement and in relation to lost income on engineers' fees, frontline charges, Streetworks and road

permitting. There are also additional costs associated with the introduction of Covid Marshalls.

**4.4.6 Table 13: Forecast Variation in Environment Housing & Leisure**

	<b>Budget £m</b>	<b>Forecast Sept £m</b>	<b>Variance Sept £m</b>	<b>Of Which Covid- 19 £m</b>	<b>Of Which BAU £m</b>	<b>BAU July £m</b>	<b>BAU Change Since July £m</b>
Sport & Leisure	2.802	7.749	4.947	4.850	0.097	0.121	(0.024)
Cultural Services	6.802	7.382	0.580	0.399	0.181	0.176	0.005
Security & Community Safety	0.314	0.324	0.010	0.000	0.010	0.028	(0.018)
Fleet Management	1.087	1.077	(0.010)	0.000	(0.010)	(0.003)	(0.007)
Waste and Recycling Disposal	7.579	7.459	(0.120)	(0.006)	(0.114)	(0.097)	(0.017)
Waste Management	3.880	3.938	0.058	0.064	(0.006)	0.000	(0.006)
Local Environmental Services	7.210	7.432	0.222	0.360	(0.138)	(0.122)	(0.016)
Head of Service and Resilience	0.234	0.253	0.019	0.000	0.019	(0.002)	0.021
Street Lighting PFI	4.323	4.328	0.005	0.005	0.000	0.000	0.000
Consumer Protection & Building Control	1.006	1.212	0.206	0.226	(0.020)	(0.011)	(0.009)
Transport and Highways	6.405	8.196	1.791	1.810	(0.019)	(0.008)	(0.011)
Planning	0.257	0.381	0.124	0.129	(0.005)	0.000	(0.005)
General Fund Housing	0.797	0.812	0.015	0.034	(0.019)	(0.019)	0.000
<b>Total</b>	<b>42.696</b>	<b>50.543</b>	<b>7.847</b>	<b>7.871</b>	<b>(0.024)</b>	<b>0.063</b>	<b>(0.087)</b>

4.4.7 The movement since the last report is due to service leads managing costs down, including holding vacancy savings where possible.

4.4.8 The following paragraphs 4.4.9 to 4.4.25 outline the pressures in each service area;

#### Sport and Leisure

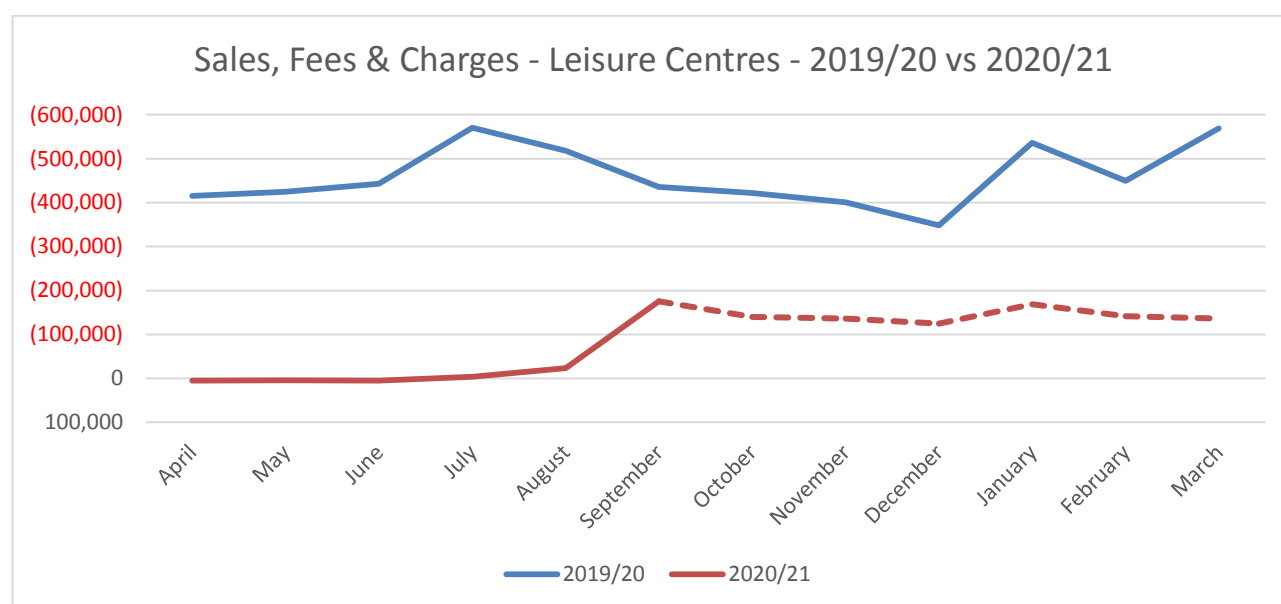
4.4.9 Sport and Leisure is predicting a reduced pressure of £0.097m, however this position is after a transfer to Central Items of £4.845m lost income and £0.068m

additional expenditure due to Covid-19, offset by £0.063m savings on repairs due to the centres being closed during lockdown.

4.4.10 The remaining pressures are due to operational costs forecasted in the leisure centres whilst open, which are showing an improved position since the last report.

4.4.11 The Covid-19 impact on lost income for leisure centres continues to be closely managed, with monthly updates of income across the multiple streams. Other budgeted costs have previously been reported as reduced or been offset by expected savings from being closed.

#### 4.4.12 **Chart 7: Sales, Fees & Charges from Leisure Centres 2019/20 vs 2020/21**



#### Cultural Services

4.4.13 Cultural Services within North Tyneside are showing a forecast pressure of £0.181m, which is net of Covid-19 related forecast transfers of £0.399m.

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

#### Security and Community Safety

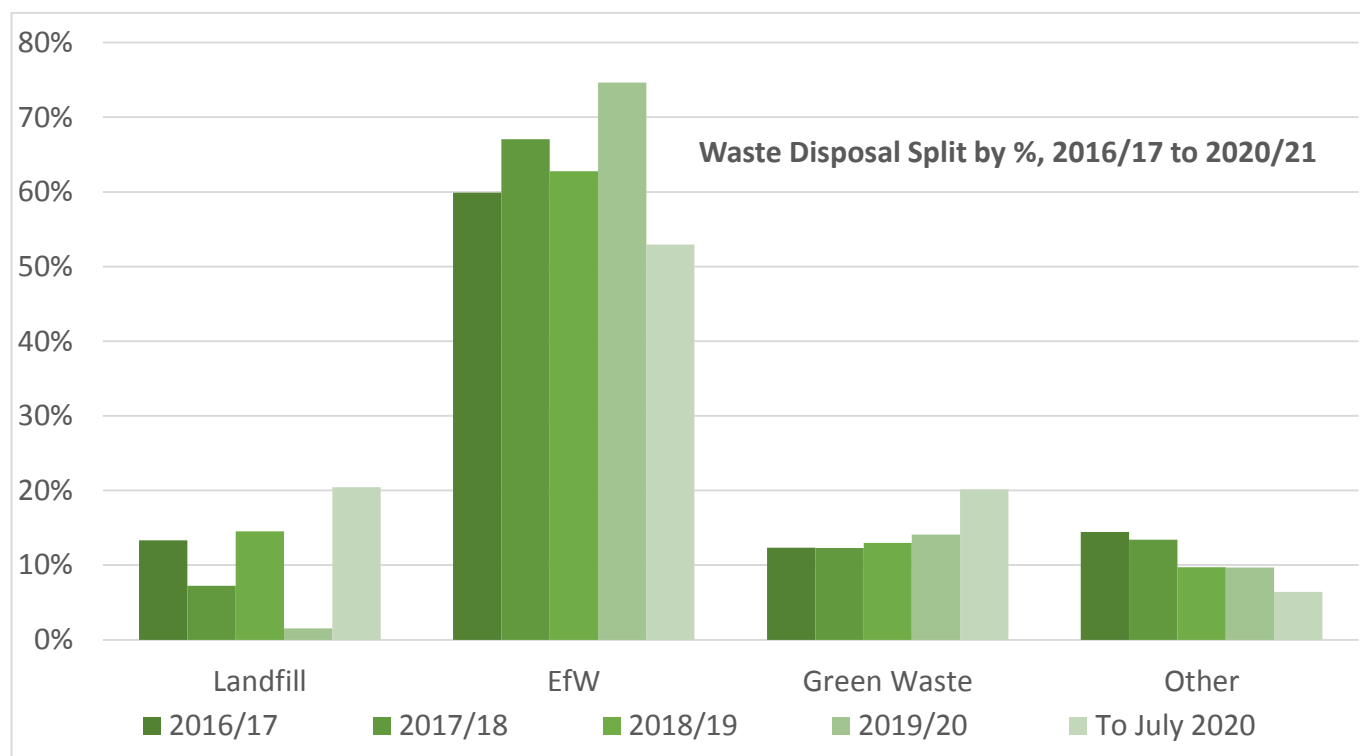
4.4.15 This service area has reviewed and realigned both structure and finances to increase its overall viability. The remaining variance is due to forecast reduced income and has reduced due to operational management of the area.

## Fleet Management

- 4.4.16 Fleet Management is now forecasting an improved saving of £0.010m, moving from the previously reported £0.003m saving. The service is assuming reduced maintenance costs and levels will continue to be reviewed.

## Waste Management including Recycling and Disposal

- 4.4.17 Waste Management is showing an improved £0.120m saving, better by £0.023m since July and fully mitigating operational pressures of £0.011m. The saving is mainly due to vacancy savings in the waste strategy team. As reported in previous cabinet reports recruitment plans to re-energise the waste strategy work have been delayed. This saving has been reduced by additional third-party costs for the waste disposal contract project.
- 4.4.18 For 2020/21, Waste Management are continuing to review the waste disposal budgets to meet the expected volumes and prices, then realigned budgets where possible to ensure the expected service costs for fleet, bin replacement, green waste and waste strategy are met. Chart 7 below shows the mix of waste disposal between collected and household recycling centre, across types of disposal and finally costs of disposal, to August 2020. Although the profile of waste collected and treatment methods has changed due to the impacts of Covid-19, EHL are expecting the costs to remain on budget.
- 4.4.19 **Chart 8: Waste Disposal Volumes and Costs Comparison 2016/17 to 2020/21 (at August)**



### Local Environmental Services

- 4.4.20 Local Environmental Services is predicting a saving of £0.138m, an improvement from the last report's forecast saving of £0.122m. The increase is due to increased savings from vacant posts not being filled as the service was not operating to full capacity during lockdown, adding to existing vacancy savings, a reduction in capital financing costs charged to revenue for the cremator replacement of £0.050m and an improved forecast on Bereavement income.
- 4.4.21 Local Environmental Services are transferring out the £0.360m estimated impact of Covid-19 on the service, which mainly relates to lost income in park cafes, additional costs of staffing, signage and PPE and our Authority's contribution towards the region's temporary body storage units in addition to installing a webcast and video/music tribute at Whitley Bay Crematorium.

### Street Lighting PFI

- 4.4.22 The street-lighting PFI contract balances to budget following a planned £0.671m draw-down from reserves, as in previous years. Historical energy cost pressures have been mitigated where possible, reducing the value of the reserve draw-down.

### Consumer Protection & Building Control

- 4.4.23 This area is predicting Covid-19 related costs of £0.226m, mainly for increased enforcement costs and the impact of taxi licencing. Transferring these costs centrally with leaves an expected small staffing saving of £0.020m.

### Transport & Highways

- 4.4.24 This area is forecasting Covid-19 related lost income from car parks of £1.179m, which is based on complete closure to mid-July then reduced ongoing pressure of 90% lost income in June for off-street parking leading to full recovery from August onwards. On-street parking is forecasting 70% lost income in June reducing to 20% from August until December, followed by full recovery from February 2021. There are also reduced engineering fees, streetworks fees and road permit income of £0.631m due to reduced works being carried out during 2020/21. Transferring out these costs to the Covid-19 central cost centres leaves a small forecast operating saving of £0.019m.

### Technical Partnership

- 4.4.25 EHL contains the Engineering, Planning, Consumer Protection and Building Control element of the Capita North Tyneside Technical Partnership. This area of the partnership has been significantly impacted Covid-19, with £2.282m of pressures identified as a result of the pandemic primarily relating to car parking income losses. With these pressures allocated to the Covid-19 codes within Central Items, the partnership is managing business as usual pressures of £0.606m. However, as in previous years, the Partnership is working to manage the pressures and as such is projecting to deliver a balanced managed budget by year-end.

## General Fund Housing

- 4.4.26 The planning service is expecting to carry additional Covid-19 related costs due to increased costs of homelessness, though transferring these costs centrally will leave a small saving of £0.019m.

### **Regeneration and Economic Development**

- 4.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.209m at September 2020, an improvement of £0.007m since July, as shown in Table 15 below. This is after moving the expected Covid-19 impact of £0.055m (Table 14) into Central Items in relation to lost income at Swan Hunters.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Regeneration	0.000	0.055	0.055	0.055	Estimated lost rental income at Swan Hunters site

#### **4.5.3 Table 15: Forecast Variation for Regeneration and Economic Development**

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
Business & Enterprise	0.734	0.733	(0.001)	0.000	(0.001)	0.023	(0.024)
Regeneration	0.421	0.639	0.218	0.055	0.163	0.140	0.023
Resources & Performance	0.197	0.244	0.047	0.000	0.047	0.053	(0.006)
<b>Total</b>	<b>1.352</b>	<b>1.616</b>	<b>0.264</b>	<b>0.055</b>	<b>0.209</b>	<b>0.216</b>	<b>(0.007)</b>

- 4.5.4 The pressures in Regeneration result mainly from a forecasted inability to achieve staff capitalisation & recharge income targets of £0.132m following the decrease in regeneration capital projects and changes to how projects are delivered. This loss of recharge income is then further impacted by combined income generation shortfalls at both Swans-related sites making up the remaining pressure.

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

### **Corporate Strategy**

- 4.6.1 Corporate Strategy is forecasting a pressure of £0.097m as set out in Table 17 below, after transferring out Covid-19 related costs totalling £0.093m (Table 16).

The position reflects an improvement of £0.035m since the last Cabinet reported pressure of £0.132m.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Marketing	0.000	0.080	0.080	0.060	Marketing income lost
Marketing	0.013	0.000	0.013	0.011	Production of Covid-19 leaflets and guidance
Policy, Performance & Research	0.001	0.000	0.001	0.001	SMAP report
<b>Total</b>	<b>0.013</b>	<b>0.080</b>	<b>0.093</b>	<b>0.072</b>	

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

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
Children's Participation & Advocacy	0.243	0.240	(0.003)	0.000	(0.003)	0.000	(0.003)
Corporate Strategy Management	0.000	0.108	0.108	0.000	0.108	0.107	0.001
Elected Mayor & Executive Support	0.013	0.019	0.006	0.000	0.006	0.007	(0.001)
Marketing	0.272	0.354	0.082	0.092	(0.010)	0.016	(0.026)
Policy Performance and Research	0.104	0.101	(0.003)	0.001	(0.004)	0.002	(0.006)
<b>Total</b>	<b>0.632</b>	<b>0.822</b>	<b>0.190</b>	<b>0.093</b>	<b>0.097</b>	<b>0.132</b>	<b>(0.035)</b>

4.6.4 The remaining pressures in the service are due to shortfall of £0.100m against income targets, plus small staffing and operational pressures across the service. The improvement from the previous report reflects reduced operational expenditure and improved income forecasts.

## 4.7 **Resources and Chief Executive Office**

4.7.1 The forecast pressure of £0.154m within Resources and Chief Executive Office, is after an adjustment of £1.052m for Covid-19 revenue costs (Table 18). In addition, the service has identified £0.200m of capital Covid-19 costs due to purchase of IT equipment. The service budget pressures, as set out in Table 19 below, mainly relate to additional licence costs within ICT Retained Services, IT Customer Journey costs plus an increased staffing pressure in HR, which are mitigated by savings in Finance (Revenues & Benefits) and the Chief Executive's office.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Corporate ICT	0.003	0.000	0.003	0.003	Purchase of IT equipment
Corporate HR	0.005	0.000	0.005	0.005	Additional resource to support HR for Covid-19 issues
Corporate Finance (Benefits)	0.076	0.000	0.076	0.000	Additional costs of homelessness
Corporate Finance (Revenues)	0.000	0.968	0.968	0.178	Lost enforcement income due to courts being closed
<b>Total</b>	<b>0.084</b>	<b>0.968</b>	<b>1.052</b>	<b>0.186</b>	

### 4.7.3 **Table 19: Forecast Variation Resources**

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
ICT	2.825	3.019	0.194	0.003	0.191	0.192	(0.001)
Finance	(0.029)	0.959	0.988	1.044	(0.056)	(0.056)	(0.000)
HR & Organisational Development	(0.015)	0.084	0.099	0.005	0.094	0.094	0.000
Chief Executive	(0.090)	(0.165)	(0.075)	0.000	(0.075)	(0.053)	(0.022)
<b>Total</b>	<b>2.691</b>	<b>3.897</b>	<b>1.206</b>	<b>1.052</b>	<b>0.154</b>	<b>0.177</b>	<b>(0.023)</b>

4.7.4 Within ICT, the main pressures relate to continuing pressures associated with the Customer Journey project running to August, plus on-going pressures relating to various new software development and licence costs.



4.7.5 Within the Finance service, Revenues & Benefits is showing an overall saving of £0.056m, which is made up of these factors:

- Enforcement cost and income are no longer showing a pressure of due to lost enforcement income of £1.044m as it has been identified that the pressure is in relation to Covid-19, with this now being forecast in the central Covid-19 cost centre;
- Bank Charges are expected to be £0.030m over budget due to increased costs;
- Overpayments income is forecasting a worsening pressure of £0.369m in month (£1.018m overall) due to the number of overpayments generated during lockdown. Overpayments income is extremely low so far as there have been reduced changes in circumstances and house moves. There have been less fluctuations in wages as people are either in employment or on fixed furlough amounts. As the stages of lockdown ease and recovery progress, these changes are picking up again and this is expected to accelerate as the furlough scheme ends in October. There are a series of reviews planned for the rest of the year for higher risk claims for self-employed, trust and protect claims, main wage earners, and claims below applicable amounts. This is likely to generate additional overpayments and improve the potential to close the gap on the overpayment income target, although it is unlikely to get back to pre Covid-19 and budget levels;
- Subsidy is showing an improved surplus of £0.072m in month (£0.595m overall variance against budget) due to reducing overpayments which increases subsidy yield for North Tyneside Council. As per Overpayments income, throughout the rest of the year, the Authority is likely to see this figure return closer to budget levels as pro-active action takes place to check benefit claims; and,
- Debt is being transferred to the Payment Deduction Programme for recovery by the Department for Work and Pensions which is resulting in a decrease in the bad debt provision by a further £0.099m (£0.497m overall) and as lower numbers of overpayments are being created, the bad debt provision has also been reduced. As with Overpayment income, if targeted action planned for later this year produces more overpayments, then the bad debt provision will have to be adjusted accordingly.

4.7.6 Human Resources (HR) & Organisational Development is showing a pressure of £0.094m due to the full year impact of the restructure, which is offset by small operational savings of £0.010m and increased income (£0.062m) from work on the Step-Up Grant and Health and Safety Insurance recharges. This position does not yet include any impact of the Health & Safety team returning to the control of the Authority.

4.7.7 The Chief Executive's office is showing a saving of £0.075m. The saving is due to an underspend on staffing (£0.023m) and reduced spend on supplies and services (£0.052m). The £0.023m improvement is mainly due to savings from the reduction in planned corporate events for the rest of the year.

## 4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a net pressure of £0.251m, a movement of £0.011m since the July report. The pressure reported is after transfer of £0.357m identified Covid-19 costs and £0.120m Covid-19 related savings (see Table 20).

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Customer, Governance and Registration	0.000	0.170	0.170	0.110	Registrars – lost income due to reduction in numbers of weddings / civil ceremonies / citizenship ceremonies / duplicate certificate requests (April - September 2020)
	0.000	0.025	0.025	0.019	Registrars – lost income due to reduction in venue usage for weddings (April - September 2020)
Legal Services	0.000	0.070	0.070	0.063	Legal Services (Non-Contract) lost income due to lower property/business transactions
Information Governance	0.000	0.092	0.092	0.077	Land Charges - lost income due to lower property transactions in conjunction with market forces
Democratic and Electoral Services	(0.120)	0.000	(0.120)	(0.060)	Election Expenses - Expenditure underspend forecast due to no elections taking place
<b>Total</b>	<b>(0.120)</b>	<b>0.357</b>	<b>0.237</b>	<b>0.209</b>	

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

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
Customer, Governance and Registration	(0.076)	0.151	0.227	0.195	0.032	0.018	0.014
Democratic and Electoral Services	(0.064)	(0.221)	(0.157)	(0.120)	(0.037)	(0.010)	(0.027)
Information Governance	0.034	0.097	0.063	0.092	(0.029)	(0.038)	0.009
Legal Services	(0.135)	0.119	0.254	0.070	0.184	0.172	0.012
North Tyneside Coroner	0.294	0.395	0.101	0.000	0.101	0.098	0.003
<b>Total</b>	<b>0.053</b>	<b>0.541</b>	<b>0.488</b>	<b>0.237</b>	<b>0.251</b>	<b>0.240</b>	<b>0.011</b>

4.8.4 Alongside the forecast staffing pressures arising from within Legal Service (£0.179m) and the increased costs of the Coroner Service (£0.101m), there are smaller pressures within Customer, Governance and Registration relating to a forecast shortfall against income targets not related to Covid-19. These are partially mitigated by net operational savings across all parts of the service.

#### 4.9 **Central Items**

4.9.1 The September 2020 business as usual forecast for Central Items is a surplus of £6.265m, an improvement of £0.094m from the July report. This position is after a £12.719m forecasted transfer to reserves relating to a surplus S31 balance generated following additional payments being received from Government as compensation for the increased Retail and nursery reliefs offered to Business Rates in response to the Covid-19 pandemic. The surplus on S31 will be used to partially offset the Collection Fund deficit that will be carried into 2021/22 as a result of the additional reliefs being offered to rate payers. Further details can be found in Section 5.

4.9.2 As described in sections 4.1 to 4.8, the income and expenditure pressures relating to Covid-19 within each service area have been transferred into Central Items to be shown against the Covid-19 Local Authority Support Grant. Total pressures of £24.863m have been identified across the rest of the General Fund as shown in Table 22 below.

#### 4.9.3 Table 22: Summary of Covid-19 Pressures by Service

Service	Total Forecasted Covid-19 Pressure £m
Health, Education, Care and Safeguarding	11.725
Commissioning and Asset Management	3.830
Environment, Housing and Leisure	7.871
Regeneration and Economic Development	0.055
Corporate Strategy	0.093
Chief Executive's Office	0.000
Resources	1.052
Law and Governance	0.237
<b>Total Covid-19 pressures transferred to Central Items</b>	<b>24.863</b>
Covid-19 Pressure within Central Items – bad debts	0.300
Covid-19 Pressure within Central Items – items normally recharged to General Fund from HRA	0.387
Covid-19 Pressure within Central Items - PPE	0.153
Allocation of Local Authority Support Grant and specific grants	(21.444)
<b>Central Items Covid-19 Pressure</b>	<b>4.259</b>

4.9.4 As reported in the July monitoring report, the total Local Support Grant received from Government at that point was £12.531m of which £0.733m was required to offset Covid-19 issues in 2019/20. The remaining £11.798m has been carried forward into 2020/21. A further sum of £1.777m of Local Authority Support Grant was announced in July and a fourth tranche was announced in October of £2.061m. In addition, amounts of £2.205m for Infection Control, £1.140m for Track and Trace and £2.463m for compensation for losses to Sales Fees and Charges between April 2020 and July 2020 have also been included in the reported position to offset some of the Covid-19 pressures identified. The total of grants available is therefore £21.444m and is being applied against the forecasted pressures leaving an amount of £4.259m over and above current grant funding. This compares favourably with a gap of £10.629m at July. This pressure is being partially offset by underspends within Central Items outlined in paragraph 4.9.7 below. Table 23 summarises the position within Central Items.

4.9.5 Note that the Authority's claim of £2.463m (for April 2020 to July 2020) relating to the Government's compensation scheme for sales fees and charges has been submitted and included in the position but is still pending confirmation from Government.

#### 4.9.6 Table 23: Outturn Variation Central Budgets and Contingencies

	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	Change in BAU since July £m
Corporate & Democratic Core	1.729	1.734	0.005	0.000	0.005	0.000	0.005
Other Central Items	14.979	(24.614)	(39.593)	(20.604)	(18.989)	(6.171)	(12.818)
<b>Central Items Sub Total</b>	<b>16.708</b>	<b>(22.880)</b>	<b>(39.588)</b>	<b>(20.604)</b>	<b>(18.984)</b>	<b>(6.171)</b>	<b>(12.813)</b>
S31 – Transfer to Reserves	0.000	12.719	12.719	0.000	12.719	0.000	12.719
<b>Total Central Items</b>	<b>16.708</b>	<b>(10.161)</b>	<b>(26.869)</b>	<b>(20.604)</b>	<b>(6.265)</b>	<b>(6.171)</b>	<b>(0.094)</b>

4.9.7 Within Other Central Items there are several budget areas which are partially offsetting the Covid-19 pressures. Continuing from 2019/20, there are contingency budgets totalling £4.416m held for adult and children's social care. Continued savings have been identified in 2020/21 resulting from the application of the Authority's Treasury Management Strategy. There is a forecasted underspend of £1.314m due to interest savings resulting from higher than forecasted cash balances, reduced interest rates and Investment Plan reprogramming. In addition, reprogramming is also forecasted to deliver a credit against Minimum Revenue Provision of £0.279m. The movement of (£0.094m) relates to a procurement rebate of £0.227m partially offset by a reduction in contingency balances following a reconciliation.

## **SECTION 5 – THE COLLECTION FUND**

- 5.1 This section has been added to the report due to the impact of Covid-19 on the Collection Fund. Whilst the impact is anticipated to be felt in 2020/21, the nature of the Collection Fund means it is important to consider the impact Covid-19 will have on future years with regards to budget setting in 2021/22 and medium-term financial planning.

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

### **Council Tax**

- 5.2 Cabinet are aware that the Council Tax Base is a key figure used in setting the budget and this is affected by the number of domestic properties in the borough, the level of collection rate expected and the number of households claiming Local Council Tax Support (LCTS). For the 2020/21 Budget, the Council Tax Base was agreed by Cabinet on 20 January 2020. This calculation is based on the number of domestic properties as at the end of November before considering the impact of future housing growth, collection rates and LCTS.
- 5.3 The Covid-19 pandemic has already begun to have a number of impacts on the Council Tax position, most notably through the levels of collection (a 0.98% reduction by August 2020 and 0.81% drop by Sept 2020) and increase in LCTS. Recovery action was restarted, although with a softer approach in August so this position is expected to improve. Table 24 below shows the position of the key statistics through the last seven financial years leading up the budget position set for 2020/21. The statistics show a strong record of growth in the borough combined with a strong collection performance. However, for September 2020, following the impact of Covid-19, the tax base figure is 61,648 which is lower than the budgeted figure of 61,870. The main cause of this has been the increase in the number of LCTS claimants (outlined in 5.4 below). Despite the net collectable debit being higher, increased pressures on collection and increasing LCTS claimants suggest less resources will be generated by the Authority.
- 5.4 Table 25 shows the number of LCTS claimants over a seven-year period. This shows a year on year reduction in the number of claimants in the borough prior to the impact of Covid-19. This impact is shown in the increase seen from the end of 2019/20 to the September position in 2020/21, where the Authority has had an additional 430 claimants, with further claimants expected. A reduced collection rate of 97.5% is now being assumed due to the increased financial difficulties Covid-19 may have had on residents.

**Table 24: Council Tax – Performance through the years**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 Budget	2020/21 End Sept
No of Domestic Properties	95,059	95,563	96,243	96,752	97,698	98,626	99,558	99,407	99,795
Council Tax Base	53,034	55,400	56,424	56,948	58,202	59,048	60,167	61,870	61,648
Net Collectable Debit £m	81.404	82.842	84.868	89.961	97.737	104.048	110.511	114.558	114.036
In year Collection Rate %	96.5	96.4	96.6	96.5	96.2	95.4	95.0	n/a	n/a
Assumed Collection Rate %	98.5	98.5	98.5	98.5	98.5	98.5	98.5	98.5	n/a

**Table 25: Local Council Tax Support Claimants**

Financial Year	Working Age	Pensionable Age	Total Claimants
2013/14	11,551	10,656	22,207
2014/15	11,290	10,032	21,322
2015/16	10,937	9,435	20,372
2016/17	10,434	8,891	19,325
2017/18	10,289	8,435	18,724
2018/19	9,633	8,098	17,731
2019/20	9,372	7,800	17,172
2020/21 – End Sept	9,938	7,664	17,602

- 5.5 The impact of these factors on the Collection Fund position has the potential to push the Council Tax Collection Fund into deficit for 2020/21, which will have a direct impact on available resources for 2021/22.
- 5.6 The Authority has received £2.023m of discretionary funding from Government to support residents who are in financial hardship through Covid-19. This funding came with a clear instruction that Government expected local authorities to provide £150.00 additional Council Tax discount to working age claimants who were in receipt of LCTS. Some claimants did not have that amount of liability which meant that they had nothing to pay in 2020/21, once the discount was awarded. The hardship discount has been paid to 10,067 LCTS recipients at a cost to date of £1.526m.

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

The Authority has allocated £0.100m to Housing to support tenants who are in financial difficulties and require support. Forecasts at this stage suggest that approximately £0.400m of the grant may be left after all the hardship payments are allocated as the Authority's Recovery Group workstream on Welfare Support is currently looking at criteria and processes for utilisation of the remaining hardship funding.

## Business Rates

- 5.7 Significant changes have been made by Government to Business Rates in response to the Covid-19 pandemic, in an effort to help support businesses during the crisis. One such measure was the introduction of a grant aimed at supporting businesses in the retail, hospitality and leisure sectors, small businesses in receipt of small business rate relief and other organisations such as community associations and sporting clubs during the pandemic. Using records held in the Northgate system, initial estimates were that 3,014 business premises would be eligible to apply for this grant at a cost of £34.270m. At the end of September 2020, the Authority had made payments to 2,849 (94.53%) of the eligible businesses, totalling £32.825m.
- 5.8 Two further discretionary reliefs were introduced, as a response to Covid-19, for Retail Discount and Nursery Discount. At the end of September 2020, these reliefs totalled £27.946m and £0.219m respectively for North Tyneside.
- 5.9 The implications of these reliefs are that the Authority's net rateable value is reduced, resulting in lower income than budgeted for being generated through Business Rates. Government is compensating Authorities for this through additional Section 31 grants. Section 31 grants are received into the General Fund whereas business rates income retained would be received into the Collection Fund. These extra reliefs will impact the Collection Fund, leaving a greater deficit than expected but a greater S31 surplus will be achieved in the General Fund. The forecasted position for S31 is shown in table 26 below.

**Table 26: Section 31 grants in 2020/21**

	<b>Budget £m</b>	<b>Sept Forecast £m</b>	<b>Difference £m</b>
S31 Grant	(4.916)	(17.635)	(12.719)

- 5.10 Other considerations, resulting from the impact of Covid-19, are not only the ability for businesses to recover and continue to operate in the borough but whether demand for premises will change as businesses adjust to increase levels of home working. With large business parks in the borough, such as Cobalt, Quorum and



Balliol this is a particular concern for North Tyneside. Whilst it is currently very difficult to forecast the implications on the Rates payable by the impacts on business across the borough for illustrative purposes at this early stage a 10% reduction to the overall nets rate payable has been assumed. A further consideration will be the impact of collection rates which have fallen towards the end of 19/20 and into 20/21.

**5.11 Table 27: Rateable Value and Net Rates Payable by Business Type (September)**

Type	Current Rateable Value £m	Nets Rate Payable (100%) £m	Nets Rates Payable (90%) £m
Shop/Retail	60.564	1.209	1.092
Offices	30.803	12.425	11.197
Industrial	35.600	14.291	12.870
Hospitality	1.733	0.014	0.012
Club/Community/Sports	5.042	1.166	1.054
Others	16.369	4.769	4.292
<b>Total</b>	<b>150.111</b>	<b>33.874</b>	<b>30.517</b>

**5.12 Table 28: Business Rates Collection Rates**

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

5.13 The overall implications are that the Collection fund could move into significant deficit for 21/22, some of which will be met by the S31 grant for the reliefs issued in 20/21 and is illustrated in Table 29 below.

**Table 29: Summary position for Business Rates**

	Difference £m
Additional S31 Grant (table 26)	(12.719)
North Tyneside Projected Deficit	14.433
<b>Additional Deficit</b>	<b>1.714</b>

## **SECTION 6 - SCHOOLS FINANCE**

### **Update on School Monitoring**

- 6.1 Cabinet will recall that in July it was reported that schools submitted initial budgets for 2020/21 reflecting a total forecast deficit of £6.689m. These budgets were revised, mainly following discussions with schools showing deficit balances, to an expected deficit of £6.681m. This compared to a 2019/20 budget plan forecasting £4.661m deficit, whilst school balances carried forward from 2019/20 totalled a £0.165m surplus balance.
- 6.2 Schools are normally required to carry out formal monitoring at least twice a year, normally in Autumn then again early in the new year. All maintained schools have now completed the first monitoring, supported by Finance, with the results by phase shown in Table 30 below. Forecast results across all school phases now reflect a forecast deficit of £5.734m, which is an improvement against budget of £1.022m.

6.3 **Table 30: School Summary Positions at First Monitoring**

PHASE	BUDGET 2019/20 OUTTURN £m	ACTUAL OUTTURN 2019/20 £m	BUDGET 2020/21 OUTTURN £m	MONITORING 1 2020/21 £m	Variance £m
Nursery	0.002	0.127	0.053	0.086	0.034
First	0.412	0.746	0.665	0.624	(0.042)
Primary	2.346	3.497	2.271	2.630	0.359
Middle	0.369	0.437	0.276	0.338	0.063
Secondary	(8.028)	(5.549)	(9.679)	(9.766)	(0.087)
Special/PRU	0.238	0.907	(0.267)	0.353	0.695
<b>TOTAL</b>	<b>(4.661)</b>	<b>0.165</b>	<b>(6.681)</b>	<b>(5.734)</b>	<b>1.022</b>

### **Covid-19 Impact on Schools**

- 6.4 Cabinet will recall schools across North Tyneside initially identified an impact of additional costs relating to Covid-19 of £0.797m for March to September. In April, the Department for Education (DfE) issued advice that they would be providing additional funding to support these costs in schools, limiting the initial funding around additional cleaning for Covid-19 cases, keeping schools open outside normal hours and costs of providing meals outside the normal schemes.
- 6.5 DfE have now identified two tranches of funding in relation to costs incurred between March and August, the first for £0.081m which is included in the first monitoring forecasts, in addition a further £0.108m which was received after the monitoring process was completed. The DfE are still reviewing outstanding claims for other additional costs and are planning to provide a further opportunity to update claims for the period up to the start of term in September. The Finance service will be working with schools to reassess the total expected impact of Covid-19, to report back to Cabinet in due course.

## School Deficits

6.5 In July twelve schools were identified to cabinet as expecting to be in deficit during 2020/21, including two schools that were in structural deficit. Following the allocation of falling rolls and headroom funding in July, another school has now moved out of deficit and another three schools are being considered for Schools in Financial Difficulty funding, to be agreed in November at Schools Forum. Before any adjustments relating to this agreement, the total balances of these deficit schools are expected to total £12.516m with individual school deficit values shown in Table 31 below.

6.6 **Table 31: Schools in an expected deficit position 2020/21**

School	BUDGET PLAN 2020/21 £m	MONITORING 1 2020/21 £m	VARIANCE 2020/21 £m	Status
Beacon Hill	(0.699)	(0.679)	0.020	In Deficit
Forest Hall Primary	(0.014)	(0.015)	(0.000)	In Deficit
Holystone Primary	(0.032)	0.020	0.052	Out of Deficit
Ivy Road Primary	(0.300)	(0.245)	0.055	In Deficit
Marden High	(0.494)	(0.475)	0.018	In Deficit
Monkseaton High	(5.164)	(5.090)	0.073	Structural Deficit
Norham High	(3.193)	(3.189)	0.004	Structural Deficit
Longbenton High	(2.610)	(2.586)	0.024	In Deficit
Benton Dene Primary	(0.022)	(0.010)	0.012	New Deficit
Greenfields Primary	(0.120)	(0.178)	(0.058)	New Deficit
St Marys RC Primary N/S	(0.033)	(0.039)	(0.005)	New Deficit
Marden Bridge Middle	(0.067)	(0.042)	0.025	New Deficit
Burradon Primary	0.017	(0.016)	(0.033)	New Forecast
Rockcliffe First	0.003	(0.007)	(0.010)	New Forecast
Western Primary	0.061	(0.045)	(0.106)	New Forecast
<b>TOTAL</b>	<b>(12.667)</b>	<b>(12.516)</b>	<b>0.151</b>	

6.7 Most of the schools in deficit have managed to improve their forecast position. Where schools have not improved their position, the impact of Covid-19 has been identified as the reason for their worsening forecasts. In addition, there are three schools with emerging forecast deficits following the first monitoring: Burradon Primary, Western Primary and Rockcliffe First School. These schools had not submitted a request for deficit approval at budget setting and have highlighted additional costs of Covid-19 as a factor in the downturn. Further work continues with all these schools to support and challenge their leadership teams with the target of moving them out of deficit as soon as possible.

## Early Years Block

- 6.8 The Early Years block outturn for 2019/20 was a surplus of £0.432m. Initial indications for 2020/21 show that services can be delivered within the budget available.

## High Needs Block

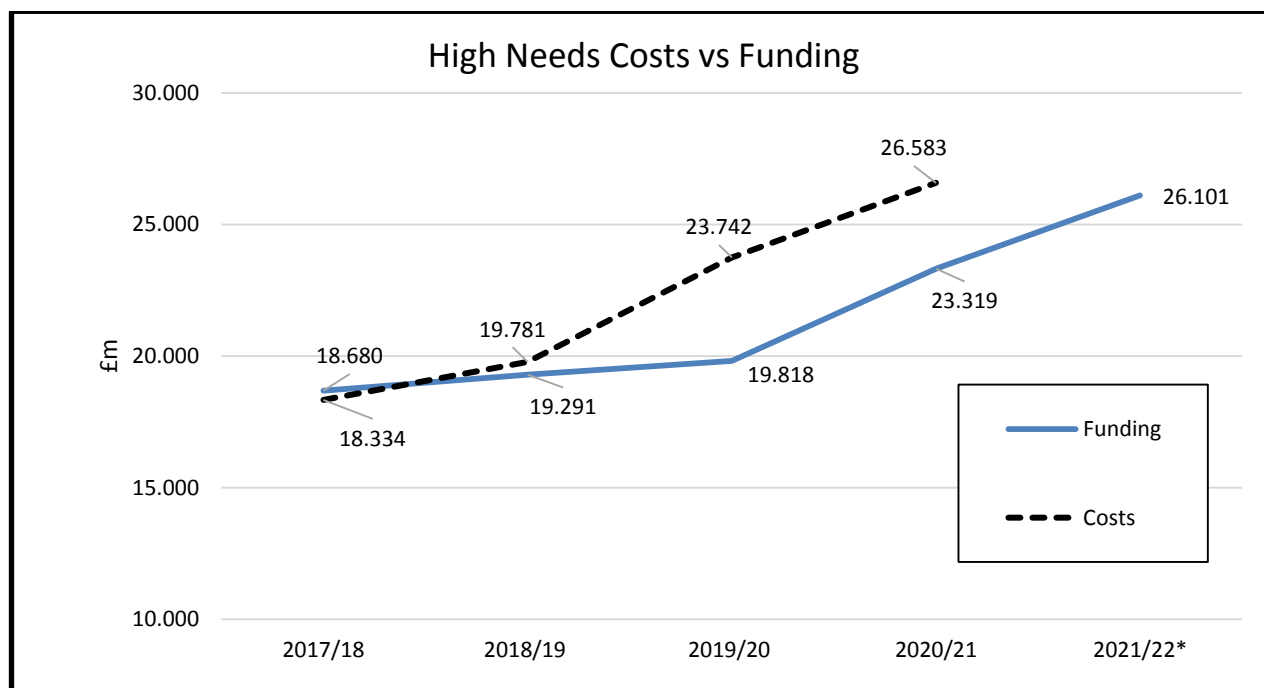
- 6.9 Cabinet will recall at July that the High Needs block reported an expected in-year pressure of £2.470m, a cumulative pressure of £7.012m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund.
- 6.10 The forecast for the High Needs Block is now an anticipated in-year pressure of £3.457m reflecting an upswing in numbers of children with Education Health and Care Plans (EHCP) identified when schools returned. This will give a £7.999m cumulative balance at the end of the year. A breakdown of the revised in-year pressure is shown in Table 32 below:

6.11 **Table 32: Breakdown of High Needs Pressures at September 2020**

Provision	Budget	Forecast September	Variance	Comment	Variance July
	£m	£m	£m		£m
Special schools and PRU	13.000	14.866	1.866	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	1.627
ARPs/Top ups	4.005	4.996	0.991	Pressures in pre 16 top ups e.g. Norham ARP, Melrose ARP	0.507
Out of Borough	2.165	2.730	0.565	Increased number of children placed outside North Tyneside Schools	0.301
Commissioned services	3.957	3.991	0.035		0.035
<b>Subtotal</b>	<b>23.127</b>	<b>26.583</b>	<b>3.457</b>		<b>2.470</b>
2019/20 b/f			4.542		4.542
<b>Subtotal</b>			<b>7.999</b>		<b>7.012</b>

- 6.12 Chart 8 below shows the relative increases in costs versus funding for the High Needs Block since 2017/18. Costs are forecast to increase by 45% since 2017/18, whereas funding has increased by only 25% in the same period. The expected funding increase for next year will bring the increased funding up to 40%, which is still below the expected costs for this year.

### 6.13 Chart 9: High Needs Funding versus costs 2017/18 to 2020/21



### Autumn Term School Finance Plan

- 6.14 The Authority is continuing to work with schools and the Schools Forum to review the modelling of the conversion of the Authority's Local Funding Formula towards the National Funding Formula. In addition, Schools Forum have been asked to consider the introduction of a Growth Fund Policy to support schools with increasing pupil numbers due to bulge classes or increases in pupil published admission numbers (PAN) as approved by the Authority. The process will continue in line with the key milestones outlined in Table 33 below:

6.15 **Table 33: Process to Agree the Schools Allocation Formula and Growth Policy for 2020/21**

<b>Date</b>	<b>Activity</b>
July 2020	Department for Education (DfE) guidance issued for 2021/22
October / November 2020	Local consultation documents issued to stakeholders
20 November 2020	Consultation returns received and reviewed
26 November 2020	Schools Forum considers consultation response and agrees proposals for local funding allocation formula to individual schools, de-delegated and centrally retained budgets and any transfers between funding blocks
December 2020 / January 2021	Local Government Finance Settlement announced including school funding amounts
January 2021	Additional Schools Forum meeting (if required)
21 January 2021	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2021	Deadline for confirmation of schools budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

## **SECTION 7 - HOUSING REVENUE ACCOUNT**

### **Forecast Outturn**

7.1 The forecast set out in Table 34 below is based on the results to September 2020. Currently the HRA is forecasting a saving against budget of £1.361m before the impact of identified HRA Covid-19 costs and a £0.259m pressure after including Covid-19 costs. Throughout the year costs will be monitored closely across all areas, but with additional focus on Rent Arrears and the related impact on the bad debt provision, rental income, Council Tax voids and staffing vacancies, which could lead to further improvements in the forecast position.

7.2 **Table 34: Forecast Variance Housing Revenue Account**

	<b>Budget £m</b>	<b>Current Forecast £m</b>	<b>Current Variance £m</b>	<b>Last cabinet report £m</b>
HRA Management Costs	10.227	10.098	(0.129)	(0.151)
HRA Repairs	12.247	11.320	(0.927)	(0.713)
HRA Other Costs	40.415	40.665	0.250	0.000
HRA - Rental Income	(60.299)	(60.854)	(0.555)	(0.450)
<b>Total before Covid-19 pressures</b>	<b>2.590</b>	<b>1.229</b>	<b>(1.361)</b>	<b>(1.314)</b>
HRA Covid-19 pressures	0.000	1.620	1.620	1.916
<b>Total after HRA Covid-19 pressures</b>	<b>2.590</b>	<b>2.849</b>	<b>0.259</b>	<b>0.602</b>

7.3 The £1.620m Covid-19 costs for HRA mainly relate to unproductive workforce costs resulting from restrictions during lockdown, but also include costs of PPE. In addition, HRA services have identified costs relating to the general fund. The reduction in Covid-19 pressures since the July report is mainly due to a reduction in the forecast impact of non-productive time following an updated timesheet analysis.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
HRA – PPE	0.033	0.000	0.033	0.085	HRA PPE and Staff involved in procuring, receiving, packaging and delivering PPE for the entire authority being acquired as a direct result of the Covid-19 Pandemic - HPC Stores staff, Procurement staff and staff driving vans for delivery.
HRA – Workforce	1.587	0.000	1.587	1.514	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
HRA - Other	0.000	0.000	0.000	0.167	Rental income has mitigated early lost income due to slow turnaround of empty properties
HRA – Other	0.000	0.000	0.000	0.150	No longer reflecting increased Bad Debt Provision
<b>Total</b>	<b>1.620</b>	<b>0.000</b>	<b>1.620</b>	<b>1.916</b>	

- 7.5 Rental income is currently performing well ahead of target. Dwellings rent figures are forecasted to perform ahead of budget (£0.352m) due to an improvement in the empty homes position across both general needs and sheltered accommodation; service charge income is currently forecasted to also perform ahead of budget (£0.109m) due to the improved income in Sheltered Accommodation resulting from the lower than forecast empty homes position. There was a slight rise in the number of empty homes early in the period due to the suspension of works resulting from Covid-19 restrictions, but these works have now recommenced, and work has been accelerated. Therefore, the current rental forecasts may well improve as the year progresses. Although the Authority strives to try and minimise the continuing impact of the implementation of Universal Credit, the actual level of arrears has not increased at the rate initially witnessed



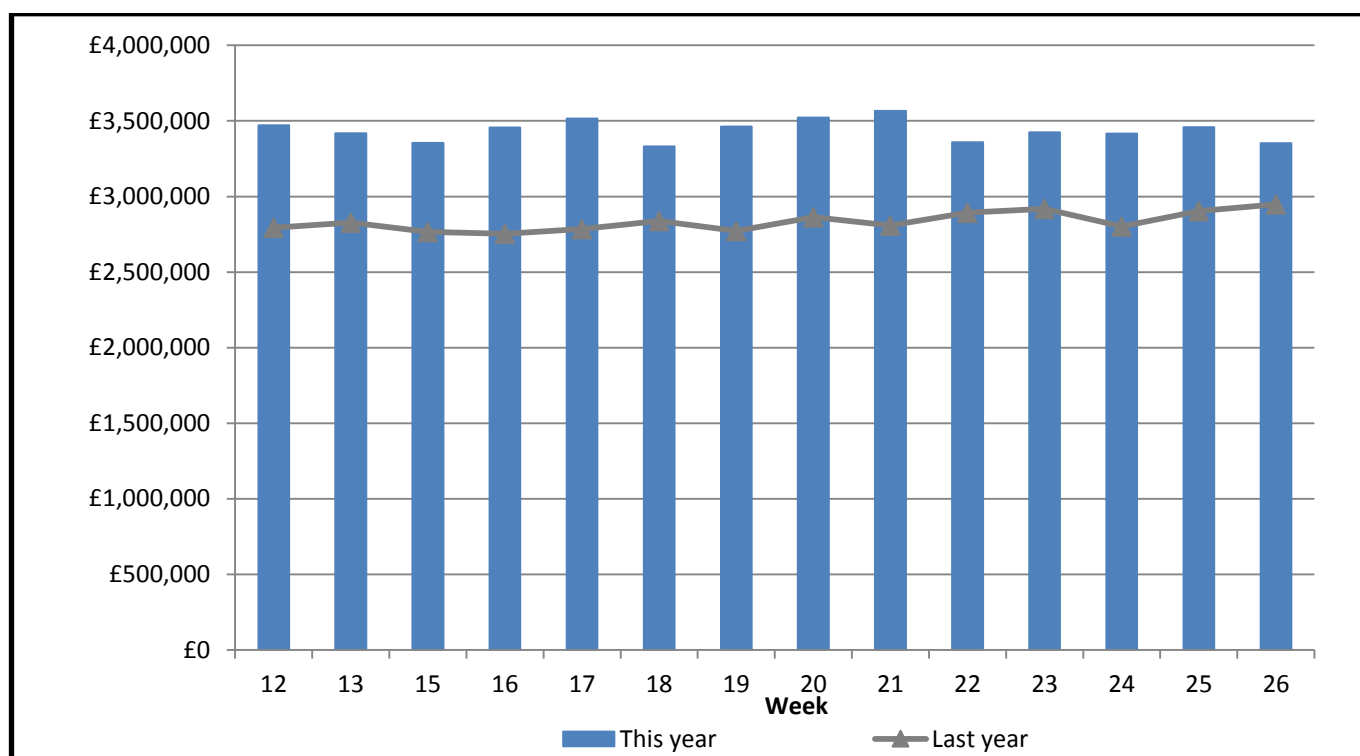
at the start of the Coronavirus pandemic, this has seen a reduction in the forecast impact on the in-year Bad Debt Provision which has been brought back in line with budget. There has also been an estimated increase in Council Tax void costs (£0.021m) due to the initial rise in empty properties along with the budgeted empty property assumptions for the remainder of 2020/21. All of these will continue to be closely monitored throughout the year.

- 7.6 It is anticipated that savings in management costs will be realised due to delays in recruitment to several vacancies as a result of the Covid-19 pandemic (£0.129m). The recruitment to these vacancies could result in further savings if posts are recruited internally within the HRA. The Repairs budget is showing an over-spend of £0.695m currently, this is because all of the anticipated Covid-19 impact within the Housing Property and Construction Service is shown against this line, so it incorporates the impact of staff across revenue repairs, and those teams delivering Capital works within the Decent Homes programme as well as Adaptations. The costs mainly represent the impact of Covid-19 and the fact that most areas of the in-house construction service were stood down during the initial months of 2020/21 and as a result, have not been recovering their costs against delivered works.
- 7.7 A number of delegated decisions have been made over the past few years to utilise PFI Reserve funds to support other areas of the HRA, namely, the purchase of the new fleet for the Housing Property and Construction Service, and payment of a settlement agreement with PFI Contractors S4NT and Galliford Try. These were accompanied with plans to restore the balance on the reserve over the following seven years. However, the opportunity was taken last year to make additional contributions into the reserve to bring that timeline down and reduce the risk to the reserve. An additional contribution to the reserve of £0.250m has been identified this year in line with the same principle applied last year, and this should reduce the time taken to bring the reserve back into balance by at least a further year.

### **Rent Arrears**

- 7.7 The first half of the year has seen rent arrears rise however, the overall rate of increase does not appear to be sharper than the previous year, prior to the Coronavirus pandemic. There was an initial spike in the first few months which seemed to indicate that the virus might have a significant impact, but this has not materialised as the year progresses. Chart 9 below shows the value of rent arrears in 2020/21 compared to the same period in 2019/20. A team is working proactively with tenants to minimise arrears, and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. For the past two years there has been a pressure on the bad debt provision (the prior 15 years had seen no such pressure), which was mainly in relation to changes caused by Universal Credit, but currently we are now predicting that bad debt provision will be contained within budget.

## 7.8 **Chart 10: Rent Arrears in Weeks 12-26 (July-Sept) 2020/21 compared to 2019/20**

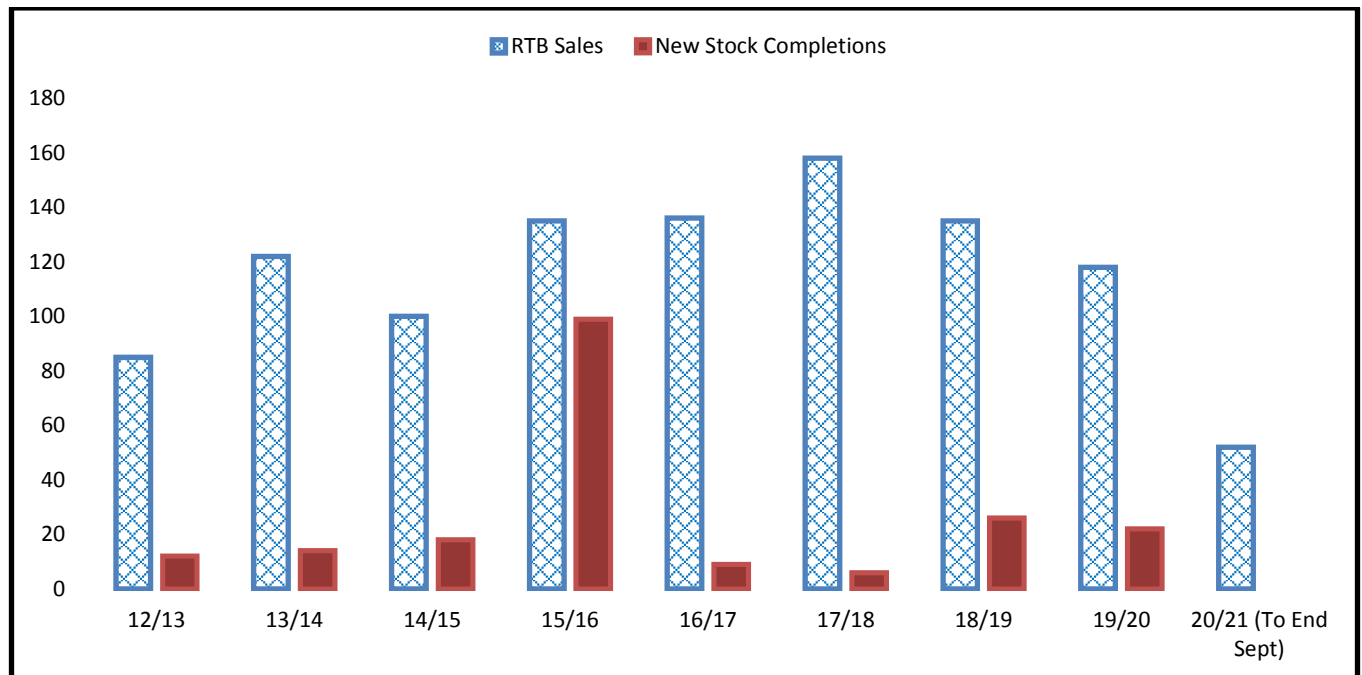


7.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 30 September 2020, there were 2,972 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.525m. This is up by 398 and £0.315m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, but actually is down from the end of August when there were 3,011 tenants on Universal Credit (reduction of 39 tenants) with related arrears of £2.529m (reduction of £0.004m).

### **Right to Buy (RTB) Trends**

7.10 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 10 below shows the trend in RTB sales since that time.

## 7.11 Chart 11: Trend in Right to Buy Sales



## **SECTION 8 - INVESTMENT PLAN**

### **Review of Investment Plan - Position Statement**

- 8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers will continue to plan the delivery of those key projects included within the 2020/21 Investment Plan and regularly review the impact of Covid-19. The variations shown in paragraphs 8.8 through to 8.10 below include the expected impact of Covid-19 on the delivery and financing of the Investment Plan at this stage. This position is being regularly reviewed and any further changes will continue to be reported through the budget monitoring process.

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

### **Affordable Homes New Build and Conversion Works**

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

### **Housing Investment Work**

- 8.3 The Housing Capital delivery programme will see the following works delivered across the borough during 2020/21:
- Kitchens and bathrooms to 195 homes;
  - Heating upgrades to 461 homes;
  - Electrical upgrades to 50 homes;
  - Boundary improvements to 1,601 homes;
  - Roof replacements to 398 homes;
  - External Brickwork Repairs to 337 homes;
  - External refurbishment works to 9 non-traditional homes;
  - Damp Proof Course restoration works to 18 homes;
  - Footpath repairs throughout the borough; and,
  - Fire door replacement to 344 flats within communal blocks.

### **Education Investment Works**

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

## **Asset Investment works**

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

## **Highways and Infrastructure Works**

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

## **Regeneration Works**

- 8.7 Regeneration Works for 2020/21 include:
- Swans – the next phase consists of:
    - CFI Phase 2 – completion of works; and,
    - Sale of the Swans site.
  - North Shields – a grant from Historic England for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street. The scheme will have a total project value of £1.900m. The consultation draft masterplan was approved by Cabinet on 3 August 2020. Engagement will conclude on 16 October 2020.

## **Variations to the 2020-2025 Investment Plan**

- 8.8 Variations of £6.923m credit to the Investment Plan and reprogramming of £0.260m from 2020/21 have been identified and are included in tables 36 and 37 below. Further details are provided in paragraph 8.9:

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

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
<b>Approved Investment Plan – Council 3 February 2020</b>	<b>67.307</b>	<b>50.773</b>	<b>41.303</b>	<b>84.937</b>	<b>244.320</b>
<b>Previously Approved Reprogramming/Variations</b>					
2019/20 Monitoring	8.866	4.000	0.000	0.000	12.866
2019/20 Outturn	6.751	0.000	0.000	0.000	6.751
August 20 Cabinet	(8.828)	12.089	0.738	0.272	4.271
September 20 Cabinet	2.699	0.089	0.028	0.056	2.872
<b>Approved Investment Plan</b>	<b>76.795</b>	<b>66.951</b>	<b>42.069</b>	<b>85.265</b>	<b>271.080</b>
<b>Aug/Sep 20 Monitoring Variations</b>	(1.660)	(5.263)	0.000	0.000	(6.923)
Reprogramming	(0.260)	1.094	(0.460)	(0.374)	0.000
<b>Total Variations</b>	<b>(1.920)</b>	<b>(4.169)</b>	<b>(0.460)</b>	<b>(0.374)</b>	<b>(6.923)</b>
<b>Revised Investment Plan</b>	<b>74.875</b>	<b>62.782</b>	<b>41.609</b>	<b>84.891</b>	<b>264.157</b>

8.9 Details of the variations and reprogramming are shown below:

- (a) **DV066 Investment in North Tyneside Trading Company £3.377m** – Section 106 affordable housing monies to be transferred to the Trading Company in the form of share capital which will allow the purchase of properties for letting at affordable rents. It anticipated that £0.840m of this money will be spent in the 2020/21 financial year, with the remaining £2.537m spent in 2021/22;
- (b) **DV072 Royal Quays Enterprise Park £10.300m credit** – The Authority was approached by the NELEP to provide a capital loan to facilitate a North East Growth and Infrastructure Fund grant for the provision of improved infrastructure on and to the site. Following discussions with Port of Tyne, given the current economic climate, it is no longer considered appropriate to continue with this project at present. Therefore, it is requested to remove this scheme from the Investment plan; and,
- (c) **DV074 North Shields Heritage Action Zone £0.260m reprogramming** – To reflect the expected delivery of the project the funding has been reprofiled over four financial years with the majority of the budget now allocated to 2021/22.

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

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

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
<b>Approved Investment Plan</b>	<b>76.795</b>	<b>66.951</b>	<b>42.069</b>	<b>85.265</b>	<b>271.080</b>
Council Contribution	(2.631)	(7.251)	(0.230)	(0.188)	(10.300)
Grants and Contributions	0.711	3.082	(0.230)	(0.186)	3.377
HRA Capital Receipts	0.000	0.000	0.000	0.000	0.000
HRA Revenue Contribution	0.000	0.000	0.000	0.000	0.000
<b>Total Financing Variations</b>	<b>(1.920)</b>	<b>(4.169)</b>	<b>(0.460)</b>	<b>(0.374)</b>	<b>(6.923)</b>
<b>Revised Investment Plan</b>	<b>74.875</b>	<b>62.782</b>	<b>41.609</b>	<b>84.891</b>	<b>264.157</b>

#### Capital Receipts – General Fund

- 8.11 General Fund Capital Receipts brought forward at 1 April 2020 were £1.773m. The capital receipts requirement for 2020/21, approved by Council on 3 February 2020, was £0.423m (2020-25 £1.100m). To date, £0.673m capital receipts have been received in 2020/21, of which £0.356m will be used to repay capital loans. The receipts position is shown in table 38 below.

#### 8.11.1 Table 38: Capital Receipt Requirement – General Fund

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	2020-25 Total £m
Requirement reported to February 2020 Council	0.423	0.423	0.254	0.000	1.100
Receipts Brought Forward	(1.773)	(1.667)	(1.244)	(0.990)	(1.773)
Total Receipts received 2020/21	(0.673)	0.000	0.000	0.000	(0.673)
Receipts used to repay capital loans	0.356	0.000	0.000	0.000	0.356
<b>Net Useable Receipts</b>	<b>(0.317)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.317)</b>
<b>Surplus Receipts</b>	<b>(1.667)</b>	<b>(1.244)</b>	<b>(0.990)</b>	<b>(0.990)</b>	<b>(0.990)</b>

#### Capital receipts – Housing Revenue Account

- 8.12 Housing Capital Receipts brought forward at 1 April 2020 were £8.313m. The housing receipts are committed against projects included in the 2020-2025 Investment Plan. The approved Capital Receipt requirement for 2020/21 was £3.117m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £0.727m. To date, receipts of £2.529m have been received in 2020/21 of which £0.469m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £9.646m to be carried forward to fund future years.

### 8.12.1 Table 39: Capital Receipt Requirement - Housing Revenue Account

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	2020-25 £m
Requirement reported to February 2020 Council	3.117	3.329	2.970	6.990	16.406
Reprogramming 2019/20 Outturn	0.167	0.000	0.000	0.000	0.167
Reprogramming 2020/21	(1.702)	1.702	0.000	0.000	0.000
Variation 2020/21	(0.855)	(0.855)	(0.855)	0.000	(2.565)
<b>Revised Requirement</b>	<b>0.727</b>	<b>4.176</b>	<b>2.115</b>	<b>6.990</b>	<b>14.008</b>
Receipts Brought Forward	(8.313)	(9.646)	(5.470)	(3.355)	(8.313)
Receipts Received 2020/21	(2.529)	0.000	0.000	0.000	(2.529)
Receipts Pooled Central Government	0.469	0.000	0.000	0.000	0.469
<b>(Surplus)/ Balance To be generated to fund future years (subject to further pooling)</b>	<b>(9.646)</b>	<b>(5.470)</b>	<b>(3.355)</b>	<b>3.635</b>	<b>3.635</b>

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

### Investment Plan Monitoring Position to 30 September 2020

- 8.13 Actual expenditure for 2020/21 in the General Ledger was £15.220m; 20.33% of the total revised Investment Plan at 30 September 2020. This is after adjusting for £0.184m of accruals relating to 2019/20 expenditure.

### 8.13.1 Table 40: Total Investment Plan Budget & Expenditure to 30 September 2020

	2020/21 Revised Investment Plan £m	Actual Spend to 30 Sept 2020 £m	Spend as % of revised Investment Plan %
General Fund	49.648	11.218	22.60%
Housing	25.227	4.002	15.86%
<b>TOTAL</b>	<b>74.875</b>	<b>15.220</b>	<b>20.33%</b>



## **SECTION 9 – TREASURY MANAGEMENT, CASH POSITION & MID-YEAR UPDATE**

### **Current Cash Position**

9.1 As at 30 September 2020 the Authority had £20.000m placed with the DMO, and £5.000m invested on an instant access basis with Lloyds Bank and with £40.500m invested externally with other UK Local Authorities.

#### **9.2 Table 41: Investment Position as at 30/09/2020**

<b>Counterparty</b>	<b>Type</b>	<b>Amount (£m)</b>	<b>Maturity</b>
DMO	Term	20.000	n/a
Lloyds Bank	Call	5.000	Call
Barclays Bank	Current	3.916	n/a
Inter – LA	Fixed	40.500	21 June 2021*

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

9.3 Short-term cash investment rates are amongst all-time lows and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions. As a result, the Authority has locked in £0.159m in interest income to be received by year end.

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

#### **9.5 Table 42: Summary of Borrowing Levels**

<b>Temporary Market</b>		<b>PWLB</b>	
<b>Tenor</b>	<b>Level</b>	<b>Tenor</b>	<b>Level</b>
1 week	0.01%	2 years	1.94%
1 month	0.01%	5 years	1.94%
3 months	0.03%	10 years	2.22%
6 months	0.15%	20 years	2.71%
9 months	0.25%	30 years	2.75%
12 months	0.35%	50 years	2.60%

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

## Borrowing Position

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

**Table 43: Debt Position 2020/21**

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	358.443	20.000	68.610	487.053
Debt Maturing 2020/21	1.000	10.000	53.470	64.470

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

## Covid-19 Impact on Cash

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

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

## Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21

- 9.9 In line with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) a Treasury Management mid-year report detailing the requirements as laid out within the Code are set out and addressed in Appendix 3.

## Municipal Bonds Agency (MBA)

- 9.10 The MBA have since the last mid-year update have undertaken two bond issuances with Lancashire County Council (LCC). The first bond issuance undertaken in February 2020. A £350m inaugural five-year floating rate bond which is linked to SONIA was successfully issued. The second issuance was a £250m ultralong maturity (40 year) fixed rate bond. As noted by the bond denominations bond issuances are particularly useful for raising large amounts of capital, and whilst the return of bond issuances is a favourable development for Local Authorities the

application in particular to North Tyneside Council is limited. Nonetheless, the development of UK Local Authority bond market will be watched closely.

## **Development of Derivatives in the Local Authority Space**

- 9.11 A recent development in the Local Authority Treasury space has been Plymouth City Council who have undertaken the first interest swap deal since a high court ruling in 1991 banned Local Authorities from undertaking such transactions. That ruling declared that local authorities had no power to engage in interest rate swap agreements because they were beyond the council's borrowing powers.

Plymouth Council undertook a £75m swap citing the Localism Act 2011 gave councils in England a "general power of competence". Section 1 of the act says: "A local authority has power to do anything that individuals generally may do." The legislation has enabled Plymouth to go through with the swap transaction.

CIPFA and Link Asset Services, advisors to North Tyneside Council are under the view that the derivative is ultra vires and is not something Local Authorities should be undertaking.

## **Negative investment rates**

- 9.12 While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid-19 crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.
- 9.13 As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the Debt Management Account Deposit Facility, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.
- 9.14 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

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				2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
<b>General Fund</b>									
<b>Maintaining Our Assets</b>									
BS026 Asset Planned Maintenance									
		Council Contribution		1,691	1,500	1,500	1,500	1,500	7,691
		Football Foundation Grant		17	0	0	0	0	17
		Section 106		12	0	0	0	0	12
		Contribution from Reserves (Insurance)		367	0	0	0	0	367
		Contribution from Reserves (Leisure)		251	0	0	0	0	251
BS026 Asset Planned Maintenance Total				2,338	1,500	1,500	1,500	1,500	8,338
BS029 Wallsend Customer First Centre									
		Council Contribution		488	0	0	0	0	488
		Public Health England		384	0	0	0	0	384
		Northumbria Violence Reduction Unit Intervener		76	0	0	0	0	76
BS029 Wallsend Customer First Centre Total				948	0	0	0	0	948
CO076 Lockey Park Environmental and Play Improvements									
		Section 106		23	0	0	0	0	23
CO076 Lockey Park Environmental and Play Improvements Total				23	0	0	0	0	23
CO080 Burradon Recreation Ground									
		Council Contribution		336	0	0	0	0	336
		Section 106		171	0	0	0	0	171
CO080 Burradon Recreation Ground Total				507	0	0	0	0	507
CO082 Sport and Leisure Facility Improvements									
		Contribution from Reserves (Leisure)		80	0	0	0	0	80
CO082 Sport and Leisure Facility Improvements Total				80	0	0	0	0	80
CO083 Whitley Bay Crematoria									
		Council Contribution		366	1,175	0	0	0	1,541
CO083 Whitley Bay Crematoria Total				366	1,175	0	0	0	1,541
CO084 Rising Sun Sports Ground2									
		Section 106		22	0	0	0	0	22
CO084 Rising Sun Sports Ground2 Total				22	0	0	0	0	22
ED075 Devolved Formula Capital									
		Education Funding Agency (Devolved)		1,463	1,079	579	579	579	4,279
		Education Funding Agency (30 Hours)		60	0	0	0	0	60
ED075 Devolved Formula Capital Total				1,523	1,079	579	579	579	4,339
ED120 Basic Need									
		Education Funding Agency (Basic Need)		277	2,014	113	113	113	2,630
ED120 Basic Need Total				277	2,014	113	113	113	2,630
ED132 School Capital Allocation									
		Education Funding Agency (SCA)		3,535	5,171	3,534	3,534	3,534	19,308
ED132 School Capital Allocation Total				3,535	5,171	3,534	3,534	3,534	19,308
ED186 Backworth Park Primary									
		Council Contribution		-800	0	0	0	0	-800
		Section 106		800	0	0	0	0	800
ED186 Backworth Park Primary Total				0	0	0	0	0	0
EV034 Local Transport Plan									
		Dept for Transport LTP ITA		958	958	958	958	958	4,790
		Dept for Transport LTP Maint		2,427	2,000	2,000	2,000	2,000	10,427
		Section 106		650	90	0	0	0	740
		Public Transport Funding		28	28	28	28	28	140
EV034 Local Transport Plan Total				4,063	3,076	2,986	2,986	2,986	16,097
EV055 Surface Water Improvements									
		Environment Agency Grant		364	0	0	0	0	364
		NWL Contribution		40	0	0	0	0	40
EV055 Surface Water Improvements Total				404	0	0	0	0	404
EV056 Additional Highways Maintenance									
		Council Contribution		2,101	2,000	2,000	2,000	2,000	10,101
EV056 Additional Highways Maintenance Total				2,101	2,000	2,000	2,000	2,000	10,101
EV069 Vehicle Replacement									
		Council Contribution		895	1,274	762	1,248	0	4,179

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
<b>Gei Mair</b>	<b>EV069 Vehicle Replacement Total</b>	895	1,274	762	1,248	0	4,179
	EV095 Emergency Active Travel Tranche 1						
	Dept for Transport Covid19 Emergency Travel	306	0	0	0	0	306
	<b>EV095 Emergency Active Travel Tranche 1 Total</b>	<b>306</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>306</b>
	IT020 ICT Strategy						
	Council Contribution	1,102	1,000	1,000	1,000	1,000	5,102
	<b>IT020 ICT Strategy Total</b>	<b>1,102</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>5,102</b>
	<b>Maintaining Our Assets Total</b>	<b>18,490</b>	<b>18,289</b>	<b>12,474</b>	<b>12,960</b>	<b>11,712</b>	<b>73,925</b>
	Corporate						
	EV076 Operational Depot Accommodation Review						
	Council Contribution	3,909	551	0	0	0	4,460
	ERDF	2,089	551	0	0	0	2,640
	<b>EV076 Operational Depot Accommodation Review Total</b>	<b>5,998</b>	<b>1,102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,100</b>
	GEN03 Contingencies						
	Council Contribution	5,276	500	500	500	500	7,276
	<b>GEN03 Contingencies Total</b>	<b>5,276</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>7,276</b>
	<b>Corporate Total</b>	<b>11,274</b>	<b>1,602</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>14,376</b>
	Education						
	ED189 School Nursery Capital Fund						
	Education Funding Agency (Devolved)	25	0	0	0	0	25
	Education Funding Agency (SNCF)	77	0	0	0	0	77
	<b>ED189 School Nursery Capital Fund Total</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102</b>
	<b>Education Total</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102</b>
	Housing General Fund						
	DV064 Council Property Investment						
	Council Contribution	1,678	60	0	0	0	1,738
	<b>DV064 Council Property Investment Total</b>	<b>1,678</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,738</b>
	HS004 Disabled Facilities Grant						
	Better Care Fund	810	2,281	0	0	0	3,091
	<b>HS004 Disabled Facilities Grant Total</b>	<b>810</b>	<b>2,281</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,091</b>
	HS051 Private Sector Empty Homes						
	Council Contribution	106	393	393	0	0	892
	Homes & Communities Grant	258	0	0	0	0	258
	<b>HS051 Private Sector Empty Homes Total</b>	<b>364</b>	<b>393</b>	<b>393</b>	<b>0</b>	<b>0</b>	<b>1,150</b>
	<b>Housing General Fund Total</b>	<b>2,852</b>	<b>2,734</b>	<b>393</b>	<b>0</b>	<b>0</b>	<b>5,979</b>
	Investments						
	DV066 Investment in North Tyneside Trading Co						
	Council Contribution	2,934	1,074	0	0	0	4,008
	Section 106	1,460	2,537	0	0	0	3,997
	<b>DV066 Investment in North Tyneside Trading Co Total</b>	<b>4,394</b>	<b>3,611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,005</b>
	<b>Investments Total</b>	<b>4,394</b>	<b>3,611</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,005</b>
	Regeneration						
	CO079 Playsites 2019/20						
	Section 106	50	0	0	0	0	50
	<b>CO079 Playsites 2019/20 Total</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50</b>
	DV054 Spanish City Dome						
	Council Contribution	2	0	0	0	0	2
	<b>DV054 Spanish City Dome Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	DV058 Swan Hunters Redevelopment						
	Council Contribution	232	0	0	0	0	232
	<b>DV058 Swan Hunters Redevelopment Total</b>	<b>232</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>232</b>
	DV067 Northern Promenade						
	Council Contribution	340	0	0	0	0	340
	Section 106	334	0	0	0	0	334
	Capital Receipts	350	0	0	0	0	350
	<b>DV067 Northern Promenade Total</b>	<b>1,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,024</b>
	DV068 Southern Promenade						

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
Gei	Rege						
	DV068 Southern Promenade	626	0	0	0	0	626
	Environment Agency Grant						
	DV068 Southern Promenade Total	626	0	0	0	0	626
	DV072 Royal Quays Enterprise Park						
	Council Contribution	0	0	0	0	0	0
	DV072 Royal Quays Enterprise Park Total	0	0	0	0	0	0
	DV073 Ambition for North Tyneside						
	Council Contribution	849	864	654	1,225	2,000	5,592
	Capital Receipts	73	423	254	0	0	750
	Revenue Contribution (??)	577	577	746	500	0	2,400
	Historic England - Heritage Action Zone	0	0	0	0	0	0
	DV073 Ambition for North Tyneside Total	1,499	1,864	1,654	1,725	2,000	8,742
	DV074 North Shields Heritage Action Zone (Ambition)						
	Council Contribution	20	685	116	87	0	908
	Historic England - Heritage Action Zone	20	679	115	86	0	900
	DV074 North Shields Heritage Action Zone (Ambition) Total	40	1,364	231	173	0	1,808
	DV075 Town & Neighbourhood Centres (Ambition)						
	ERDF	101	0	0	0	0	101
	DV075 Town & Neighbourhood Centres (Ambition) Total	101	0	0	0	0	101
	EV084 A189 Improvements Haddricks Mill to West Moor						
	DFT National Productivity Fund	302	0	0	0	0	302
	Section 278	1,554	0	0	0	0	1,554
	EV084 A189 Improvements Haddricks Mill to West Moor Total	1,856	0	0	0	0	1,856
	EV087 Air Quality Early Measures Fund						
	Transforming Cities Fund	7	0	0	0	0	7
	EV087 Air Quality Early Measures Fund Total	7	0	0	0	0	7
	EV088 Tyne View Terrace Cycleway						
	Transforming Cities Fund	8	0	0	0	0	8
	EV088 Tyne View Terrace Cycleway Total	8	0	0	0	0	8
	EV090 S278 Avant Homes at Killingworth Village						
	Section 278	66	0	0	0	0	66
	EV090 S278 Avant Homes at Killingworth Village Total	66	0	0	0	0	66
	EV094 Transforming Cities Tranche 22						
	Transforming Cities Fund	200	0	0	0	0	200
	EV094 Transforming Cities Tranche 22 Total	200	0	0	0	0	200
	GEN12 Local Infrastructure						
	Council Contribution	176	100	100	100	100	576
	GEN12 Local Infrastructure Total	176	100	100	100	100	576
	HS052 Killingworth Moor Infrastructure						
	Housing Infrastructure Fund	6,000	4,000	0	0	0	10,000
	HS052 Killingworth Moor Infrastructure Total	6,000	4,000	0	0	0	10,000
	Regeneration Total	11,887	7,328	1,985	1,998	2,100	25,298
	Climate Emergengy						
	EV083 Street Lighting LED						
	Council Contribution	500	0	0	0	0	500
	EV083 Street Lighting LED Total	500	0	0	0	0	500
	EV091 Other Initiatives Climate Change						
	Council Contribution	73	74	0	0	0	147
	EV091 Other Initiatives Climate Change Total	73	74	0	0	0	147
	EV092 E-Cargo Bikes2						
	DFT E-Cargo Grant	76	0	0	0	0	76
	EV092 E-Cargo Bikes2 Total	76	0	0	0	0	76
	Climate Emergengy Total	649	74	0	0	0	723
	General Fund Total	49,648	33,638	15,352	15,458	14,312	128,408
	HRA						
	Housing						
	HS015 Refurbishment / Decent Homes Improvements						
	See HRA Financing	20,473	20,893	20,183	21,003	21,491	104,043
	HS015 Refurbishment / Decent Homes Improvements Total	20,473	20,893	20,183	21,003	21,491	104,043

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
HR/ Housing							
HS017 Disabled Adaptations							
	See HRA Financing	880	1,233	1,072	1,083	1,094	5,362
HS017 Disabled Adaptations Total		880	1,233	1,072	1,083	1,094	5,362
HS039 ICT Infrastructure Works							
	See HRA Financing	192	108	109	109	110	628
HS039 ICT Infrastructure Works Total		192	108	109	109	110	628
HS041 Housing PFI							
	See HRA Financing	154	0	0	0	0	154
HS041 Housing PFI Total		154	0	0	0	0	154
HS044 HRA New Build							
	See HRA Financing	3,528	6,910	4,893	5,040	5,191	25,562
HS044 HRA New Build Total		3,528	6,910	4,893	5,040	5,191	25,562
Housing Total		25,227	29,144	26,257	27,235	27,886	135,749
HRA Total		25,227	29,144	26,257	27,235	27,886	135,749
Total £000		74,875	62,782	41,609	42,693	42,198	264,157

#### Investment Plan Financing

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
General Fund							
	Council Contribution	22,274	11,250	7,025	7,660	7,100	55,309
	Council Contribution - Capital Receipts	423	423	254	0	0	1,100
	Grants & Contributions	25,676	21,388	7,327	7,298	7,212	68,901
	Revenue Contribution	577	577	746	500	0	2,400
	Contribution from Reserves	698	0	0	0	0	698
General Fund Total		49,648	33,638	15,352	15,458	14,312	128,408
HRA Financing							
	HRA Capital Receipts	727	4,176	2,115	3,922	3,068	14,008
	HRA Revenue Contribution	10,470	10,092	10,403	9,093	10,100	50,158
	HRA MRR	12,826	14,876	13,739	14,220	14,718	70,379
	HRA House Building Fund Reserve	1,204	0	0	0	0	1,204
	HRA PFI Reserve	0	0	0	0	0	0
HRA Financing Total		25,227	29,144	26,257	27,235	27,886	135,749
Total£000		74,875	62,782	41,609	42,693	42,198	264,157



## 1. Prudential and treasury indicators

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2020, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2020. The Head of Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

1. PRUDENTIAL INDICATORS	2020/21	2020/21
	budget	estimate
	£m	£m
<b>Capital Expenditure</b>		
Non – HRA (General Fund)	£40.445	£49.648
HRA	£26.862	£25.227
<b>TOTAL</b>	<b>£67.307</b>	<b>£74.875</b>
<b>Ratio of financing costs to net revenue stream</b>		
Non – HRA (General Fund)	23.62%	17.09%
HRA	29.24%	28.91%
<b>Ratio of financing costs for Prudential Borrowing to net revenue stream</b>		
Non – HRA (General Fund)	12.52%	11.60%
HRA	7.07%	6.88%
<b>Gross borrowing requirement General Fund (CFR excluding PFI)</b>		
brought forward 1 April	£276.399	£274.967
carried forward 31 March	£284.934	£278.935
<b>in year borrowing requirement</b>	<b>£8.535</b>	<b>£3.968</b>
<b>Gross borrowing requirement HRA (CFR excluding PFI)</b>		
brought forward 1 April	£252.129	£249.600
carried forward 31 March	£247.537	£245.008
<b>in year borrowing requirement</b>	<b>(£4.592)</b>	<b>(£4.592)</b>
<b>Gross borrowing requirement (CFR excluding PFI)</b>	<b>£532.471</b>	<b>£523.943</b>

<b>Capital Financing Requirement (including PFI)</b>		
Non – HRA	£400.587	£319.454
HRA	£318.733	£315.730
<b>TOTAL</b>	<b>£719.320</b>	<b>£635.184</b>
<b>Annual change in Capital Financing Requirement</b>		
Non – HRA	£81.830	£2.263
HRA	(£6.042)	(£6.042)
<b>TOTAL</b>	<b>£75.788</b>	<b>(£3.779)</b>
<b>2. TREASURY MANAGEMENT INDICATORS</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>budget</b>	<b>estimate</b>
	<b>£m</b>	<b>£m</b>
<b>Authorised Limit for external debt -</b>		
borrowing	£1,080.000	£1,080.000
other long term liabilities	£270.000	£150.000
<b>TOTAL</b>	<b>£1,350.000</b>	<b>£1,230.000</b>
<b>Operational Boundary for external debt -</b>		
borrowing	£540.000	£540.000
other long term liabilities	£220.000	£130.000
<b>TOTAL</b>	<b>£760.000</b>	<b>£670.000</b>
<b>Actual external debt</b>	£480.721	£460.901

<b>Maturity structure of fixed rate borrowing during 2020/21</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%

**Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2020/21**

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management stipulates that the Chief Finance Officer should set out in advance the Treasury Management Strategy for the forthcoming financial year, and subsequently report the treasury management activities during that year.
- 1.2 The primary requirements of the Code are as follows:
- (a) forecast the likely activity for the forthcoming year (in the Annual Treasury Management Strategy Report);
  - (b) a mid-year review report; and,
  - (c) review actual activity for the preceding year, including a summary of performance.
- 1.3 This section of the document contains the required mid-year review report for 2020/21. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first six months of 2020/21;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21;
  - A review of the Authority's investment portfolio for 2020/21;
  - A review of the Authority's borrowing strategy for 2020/21; and,
  - A review of compliance with Treasury and Prudential Limits for 2020/21 (detailed in Reference to appendix 2).

**Economic Performance and Outlook Summary**

- 2.1 Economic performance has been driven by Covid-19 and the continued fallout for this worldwide pandemic. The Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10% and has remained at this level since. The Bank of England has committed to quantitative easing (QE) of £745bn. The fall in GDP in the first half of 2020 was revised from 28% to 23% and then subsequently to (21.8%), one of the largest falls in output in any developed nation. Peak unemployment has been revised down from 9% in Q2 to 7.5% by Q4 2020. It is currently forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022.
- 2.2 Any possibility of negative rates has been reduced in at the least the next six months of so, negative interest rates will be less effective when other methods are available.

## Interest Rate Forecast

- 3.1 Link Asset services currently forecast Bank of England base rate to remain unchanged for the immediate future. The sentiment driven by continued weighing of the Coronavirus pandemic.

**Table 1: Link Asset Services BoE base rate forecast**

Month	Dec-20	Dec-21	Dec-22
BBR Rate	0.10%	0.10%	0.10%

The Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6 August 2020 (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary

## Bond Yields and Increase in the cost of borrowing from the PWLB

- 4.1 Conditions for low bond yields are driven by the growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.
- 4.2 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30 September 2020, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.
- 4.3 From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9 October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11 March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4 June 2020, but that date was subsequently put back to 31 July 2020. It is clear HM Treasury will no longer

allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

- 4.4 North Tyneside Council has previously relied on the PWLB as its main source of long-term funding; it now must consider alternative sources of borrowing as necessary. At the current time, this area is still currently developing. The market has seen financial institutions entering the long-term borrowing market and make borrowing products available; however, this remains suitable for larger capital drawdowns in and around £50m+. Therefore, whilst this has limited appeal to North Tyneside Council, we continue to watch this space for future developments.
- 4.5 The MBA have, since the last mid-year update, undertaken two bond issuances with Lancashire County Council (LCC). The first bond issuance undertaken in February 2020. A £350m inaugural five-year floating rate bond which is linked to SONIA was successfully issued. The second issuance was a £250m ultralong maturity (40 year) fixed rate bond. As noted by the bond denominations bond issuances are particularly useful for raising large amounts of capital, and whilst the return of bond issuances is a favourable development for Local Authorities the application in particular to North Tyneside Council is limited. Nonetheless, the development of UK Local Authority bond market will be watched closely.
- 4.6 A detailed interest rate and PWLB rate forecast is available as a background paper to this report.

### **Balance of Risk to the UK**

- 5.1 The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus. There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

A background paper 'Risks to UK Economy' is available detailing upside and downside risk to the UK economy as detailed by Link, our treasury advisors.

### **Annual Investment Strategy**

- 6.1 The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 20 February 2020. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.
- 6.2 The 20 February 2020 Council approved TMSS sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

- 6.3 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions.
- 6.4 The approved limits within the Annual Investment Strategy were not breached during the period to 30 September 2020.
- 6.5 During the six months of the financial year, Treasury Management activities have predominantly been to manage the large surplus cash balances which has been generated by the front loading of government grants in response to Covid-19 as well as borrowing the Authority undertook in March 2020 which was to reduce the liquidity risk as Covid-19 took priority across the world.

**Table 2: Investment performance at 30 September 2020**

Investments	30/09/2020 £m	Average rate of Return %	Interest Earned period to 30/09/2020
Debt Management Office	20.000	0.02%*	£3,100
Other Local Authority	40.500	0.59%	£69,723
Bank Deposits	5.000	0.05%	£623

\* Average rate for DMO investments since 01 Apr 2020

- 6.6 As shown by the interest rate forecasts in background paper 'LINK Interest rate forecasts', it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31 March 2023, investment returns are expected to remain low.
- 6.7 Short-term cash investment rates remain at all-time lows and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions. As a result, the Authority has locked in £0.159m in interest income to be received by year end.

## Borrowing

- 7.1 The Authority's total capital financing requirement (CFR) including PFI for 2020/21 is £635.200m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing) or from internal balances on a

temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The summary table provided below provides the borrowing position as at 30 September 2020. Total external debt including PFI's is £568.166m.

- 7.2 There was net increase in borrowing during the quarter ended 30 September 2020.

**Table 3: Total External Debt 30 September 2020**

<b>Principal £m</b>	
<b>External Borrowing</b>	
358.443	Public Works Loan Board (PWLB)
20.000	Lender Option Borrower Option (LOBO)
45.300	Other Local Authorities
423.743	<b>Total</b>
<b>Other External Debt</b>	
113.899	PFI & Finance Lease (as at 01 Apr 20)
568.166	<b>Total External Debt</b>
<b>Split of External Borrowing</b>	
263.506	Housing Revenue Account
180.237	General Fund
443.743	<b>Total</b>

- 7.3 Following introduction of self-financing for the Housing Revenue Account, from 1 April 2012, loans were split between General Fund and Housing. However, decisions on borrowing for both General Fund and Housing will continue to be made within the overall Treasury Management Strategy and will be reported jointly.
- 7.4 The difference between the CFR and external borrowing is known as internal borrowing. The level of internal borrowing is determined within the Treasury Management Strategy, by a number of factors including market conditions for investments and the level of the Authority's reserves and balances.
- 7.5 The Authority's borrowing strategy has been to borrow short term due to the relatively low interest rate levels. Short term temporary borrowing remains pertinent to the strategy due to the ongoing PWLB consultation.

## **Debt Rescheduling**

- 8.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields

which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

## **Compliance with Treasury and Prudential Limits**

- 9.1 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2020, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2020. All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.



## North Tyneside Council Report to Cabinet 25 January 2021

### Title: 2020/21 Financial Management Report to 30 November 2020

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

#### **PART 1**

##### **1.1 Executive Summary:**

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

Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic. However, when “business as usual” is considered services are performing favourably when compared to this stage in previous financial years. The forecast overall pressure is estimated at £1.510m against the approved net budget. This is made up of a forecasted pressure of £0.127m on normal activities and £1.383m relating to the impact of Covid-19. The Authority continues to face financial pressures across areas of Social Care and demand-led services that have been reported over a number of years. In considering the financial outlook for 2020/21, Services have considered the financial pressures they will face in 2020/21 and how they will mitigate these.

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

The financial impact of the pandemic continues to have a significant effect on the projected 2020/21 outturn position. The Authority has received four payments of Local Authority Support Grant funding from the Government (total of £16.369m), of which £0.733m was allocated due to Covid-19 pressures arising in March 2020.

On 2 July 2020, the Government also announced support will be provided in relation to pressures on sales, fees and charges. The Authority has now received its initial payment, covering the period April 2020 – July 2020, to the value of £2.463m and has submitted the second claim covering August 2020 – November 2020 to a value of £1.786m. This second amount has not yet been received but is included in the forecasted position reported. The Cabinet Member for Finance and Resources is being kept up to date with the impact of all grant funding relating to Covid-19 and any further grant funding will be reported to Cabinet in the next report.

The impact of pressures arising from Covid-19 in 2020/21 are forecasted to be significant and the November position contains Covid-19 pressures over and above the level of grant funding received to date. Due to the level of uncertainty of how service delivery will continue to be impacted by Covid-19, it is expected the reported position will change over the remaining months to year end as the response and recovery continue. Like all authorities North Tyneside is seeing a clear financial impact as a result of the pandemic and current indications are that the Covid-19 funding received to date does not cover all anticipated costs/loss of income. Discussions are on-going at both local and national level around the financing of the residual pressures expected as a result of Covid-19. Further measures were outlined by the Chancellor in his Spending Review announced on 25 November 2020. Further details of these measures can be found in the 2021-2025 Financial Planning and Budget Process: Cabinet's Initial Budget proposals report presented to Cabinet on 30 November 2020.

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

The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2020/21 Schools budgets, planning for 2021/22, Schools funding and the forecast outturn for the Housing Revenue Account as at 30 November 2020.

The update on the 2020/21 Investment Plan sets out delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval as well as an update on Treasury Management and the cash flow position.

## **1.2 Recommendations:**

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Collection Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 30 November 2020 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £14.178m new revenue grants (as outlined in Annex section 3);

- (c) notes the Authority's Investment Plan spend of £24.505m to 30 November 2020 and the financing of the Plan to the end of the year (Annex Section 8); and
- (d) approves variations of (£6.239m) and reprogramming of £3.000m for 2020/21 within the 2020 – 2025 Investment Plan (Annex Section 8).

### **1.3 Forward Plan:**

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 4 September 2020.

### **1.4 Authority plan and policy framework:**

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

### **1.5 Information:**

#### **1.5.1 Financial Position**

This report is the fourth monitoring report presented to Members on the Authority's 2020/21 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2021. The reported position is expected to change over the coming months as the response and recovery to Covid-19 continues.

The report covers:

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

#### **1.5.2 General Fund Revenue Account**

The budget for 2020/21 was approved by full Council at its meeting on the 20 February 2020. The net General Fund revenue budget was set at £161.361m. This included £3.622m of savings to be achieved (£0.805m relating to 2020/21).

The forecast overall pressure is estimated at £1.510m against the approved net budget. This is made up of a forecasted pressure of £0.127m on normal activities and £1.383m relating to the impact of Covid-19. This is after a forecasted transfer to reserves of a £12.719m surplus relating to Section 31 grants. A surplus is forecasted as a result of the compensation provided by Government for the losses being felt by the Authority on Business Rates following the changes Government made to retail and nursery reliefs in their response to the Covid-19 pandemic. The surplus will be held in reserve and utilised to support the Collection Fund deficit that will be faced in 2021/22 due to these measures. An additional £1.841m is also forecast to be transferred to reserves relating to growth received from the North of Tyne Combined Authority following the Authority's participation in a business rates pool in 2019/20. At this stage

it is anticipated that this funding will be held in reserve to support businesses and residents from the impact of Covid-19 during 2021/22 and in future years.

The £0.127m pressure in the services is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £5.761m and Adult Services of £0.768m. This is before inclusion of the contingency based budgets, which are held and reported with Central Items, that were created by Cabinet as part of the 2018/19 budget setting process to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £4.862m of pressures in Corporate Parenting and Placements, £1.311m in Wellbeing and Assessment and £1.135m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2019/20 and arise from:

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

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

With regards to the impact of Covid-19, the main drivers behind the £1.383m shortfall are also within Health, Education, Care and Safeguarding where £13.107m is for increased costs to the Authority of supporting the market (£7.195m), impact on savings targets (£1.877m), increased costs for children in care (£1.496m), lost income within School Improvement (£0.830m), Public Health (£0.597m), additional demand (£0.494m), additional staffing costs, PPE, and supplies and services within Integrated Services (£0.346m) and other miscellaneous losses (£0.272m).

Significant Covid-19 related pressures exist in Environment, Housing and Leisure, (£8.208m) due to loss of income in areas such as Sport & Leisure and Highways & Transport and in Commissioning & Asset Management through income lost within Catering (£3.404m).

### 1.5.3 New Revenue Grants

The following revenue grants have been received during October and November 2020:

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Commissioning and Asset Management	Ministry of Housing Communities and Local Government	Supporting the Clinically Extremely Vulnerable Individuals	Supporting the Clinically Extremely Vulnerable Individuals to stay safe	0.142
Commissioning and Asset Management	Department for Education	Additional Funding for Home to School Transport	To provide additional journeys while social distancing is required	0.110
Health Education Care & Safeguarding	Ministry of Housing Communities and Local Government	Domestic abuse Duty Capacity Building Fund	Support for the delivery of new duties	0.050
Health Education Care & Safeguarding	Department for Education	Partners in Practice – Covid-19 response Programme	Understanding and investigating the impact of Covid-19 on practice issues for children's social care	0.296
Health Education Care & Safeguarding	Youth Justice Board	Youth Justice Good Practice Grant (top up)	Reducing Youth Offending	0.005
Health Education Care & Safeguarding	North of Tyne Combined Authority	Sector Based Work Academy Programme	Delivery of adult education	0.060
Environment Housing and Leisure	National Foundation for Youth Music	Bigfoot Beats	To support youth music programme	0.010
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Local Restrictions Support Grant (Closed)	To support local businesses forced to close during restrictions	3.052
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Local Restrictions Support Grant (Open)	To support local businesses during tier 2 restrictions	0.983
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Additional Restrictions Grant	To support local businesses until March 2022	4.158

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Central Items	Ministry of Housing Communities and Local Government	Income Compensation Grant for Sales Fees and Charges	To provide income compensation for lost sales fees and charges resulting from Covid-19	2.463
Central Items	Ministry of Housing Communities and Local Government	S31 Grant Export Health Certificate Support Fund Grant	To support English coastal Local Authorities to strengthen their certifier capacity	0.030
Central Items	Ministry of Housing Communities and Local Government	Additional EU Transition Funding for Ports and Borders	Additional funding to support English coastal Local Authorities to strengthen their certifier capacity	0.086
Central Items	Ministry of Housing Communities and Local Government	Rough Sleepers Additional Grant	To assist Local Authorities in supporting rough sleepers during Covid-19	0.006
Central Items	Department of Work and Pensions	Winter Grant Scheme	To support vulnerable households and families with children particularly affected by the pandemic including some families who normally have access to free school meals during term time	0.645
Central Items	Department of Work and Pensions	New Burdens Funding – Administration of Housing Benefit (Severe Disability Premium)	To meet the final costs for the administration of the Housing Benefit (Severe Disability Premium) gateway changes	0.003

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department of Health and Social Care	Local Authority Test and Trace – Contain Grant	To support the Authority with any activity which will help to contain Covid-19 (note initial tranche of £0.416m was reported to Cabinet in Sept)	2.079
<b>Total</b>				<b>14.178</b>

#### 1.5.4 School Funding

Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2020/21 was £6.689m. These budgets were revised, mainly following discussions with schools showing deficit balances, to an expected deficit of £6.681m. After the first monitoring period of the year, this position was forecast to be £5.734m, an improvement of £1.022m. The next monitoring reports will be prepared in January and February 2021. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2019/20 was the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside and the overall projected balances for 2020/21 continues this trend.

In July twelve schools were identified to cabinet as expecting to be in deficit during 2020/21, including two schools that were in structural deficit. Following the allocation of falling rolls and headroom funding in July, another school has now moved out of deficit and another three schools are being considered for this funding, to be agreed in November at Schools Forum. Before any adjustments relating to this agreement, the total balances of these deficit schools are expected to total £12.516m.

Cabinet will recall that the High Needs Block ended 2019/20 with a pressure of £4.542m. The forecast of the budget position for 2020/21 indicates an anticipated in-year pressure of £3.625m reflecting a further rise in demand for special school places.

#### 1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2021 of £4.955m, assuming that all identified Covid-19 related PPE costs and General Fund-related services delivered through the HRA are covered. These balances are £0.048m lower than budget which was set at £5.003m. The lower than forecast balances relate to a combination of factors: firstly, there were higher opening balances being brought forward due to the impact of the previous year's financial performance (£0.211m); this was off-set by an in-year overspend against budget of £0.259m, again due to a number of factors: an additional in-year contribution to the PFI Reserve of £0.250m to mitigate the risks attached to delegated use of reserves decisions, a range of Covid-related costs mainly across the in-house Construction service that are not eligible to be set against Government grants (totalling £1.524m), which when set against an

underspend in business-as-usual costs result in a forecast overspend of £0.674m against the Repairs budget. This has been mainly offset by increased forecast rent and service charge income (£0.555m) and forecast vacancy savings of (£0.110m) due to delays in vacant posts being filled.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. At 30 November 2020, there were 3,199 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.683m. This is up by 625 and £0.473m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, and up from the end of September when there were 2,972 tenants on Universal Credit (increase of 227 tenants) with related arrears of £2.525m (increase of £0.158m). A team is working proactively with tenants to minimise arrears and this position will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

#### 1.5.6 Investment Plan

The approved 2020-2025 Investment Plan totals £264.157m (£74.875m 2020/21) and is detailed in table 38 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2020/21, reprogramming and other variations identified through the Investment Programme Governance process.

Regular monthly monitoring of the Investment Plan has resulted in proposals for reprogramming of £3.000m in 2020/21 and variations of (£6.239m) across the life of the plan, of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £68.816m for 2020/21 and to the end of November 2020 spend of £24.505m had been incurred which represents 35.61% of the revised plan.

#### 1.5.7 Performance against Council Plan

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

##### **Our People will:**

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

##### **Our Places will:**

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.



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

### **Our Economy will:**

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

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

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

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

Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Data for LAC levels suggest that, whilst fluctuating, there is a general trend of a steady increase in numbers (as per Section 4.2 in the Annex) but there are a wide range of

levels of care provided, with more complex cases now being faced.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

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

### Option 2

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

## **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

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

## **1.8 Appendices:**

Annex : Financial Management Report to 30 November 2020

Appendix 1: 2020 – 2025 Investment Plan

## **1.9 Contact officers:**

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701

Claire Emmerson – Corporate Finance and School matters – Tel. (0191) 643 8109

David Dunford – General Fund and Collection Fund matters – Tel. (0191) 643 7027

Cathy Davison – Investment Plan matters – Tel. (0191) 643 5727

Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

Amar Hassan – Treasury Management matters – Tel. (0191) 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 2020/21

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>

- (b) Investment Plan 2020-25

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix D(i))

- (c) Reserves and Balances Policy

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix G)

- (d) Overview, Scrutiny and Policy Development Performance Report  
<https://democracy.northtyneside.gov.uk/documents/s2657/Our%20North%20Tyn%20side%20Performance%20Report%20Cover%20March%202020.pdf>
- (e) Quarter 2 Efficiency Savings Programme Report  
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=138&MId=525&Ver=4>

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 9 February 2021.

### **2.2 Legal**

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

### **2.3 Consultation/community engagement**

#### **2.3.1 Internal Consultation**

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

#### **2.3.2 External Consultation / Engagement**

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

### **2.4 Human rights**

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

### **2.5 Equalities and diversity**

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

### **2.6 Risk management**

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

### **2.7 Crime and disorder**

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

**2.8 Environment and sustainability**

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

**PART 3 - SIGN OFF**

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

# 2020/21 Financial Management Report Annex

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## **SECTION 1 – EXECUTIVE SUMMARY**

### **General Fund Summary**

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

Like all local authorities, North Tyneside Council is in a significant period of financial uncertainty with the impact of the Covid-19 pandemic increasing the challenge of being able to forecast the financial impact across the Authority. The Authority is considering the financial impacts of the pandemic and revising its financial modelling accordingly with the latest central government guidance and expects the forecast position to change over time as the Authority see the impacts evolve and change. The Authority continues to see areas of pressure across Adults and Social Care, but there are significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

- 1.2 The Authority's approved net revenue budget of £161.361m is forecast to outturn with a pressure of £1.510m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.9 below sets out the variation summary across the General Fund. Included in figures reported in Table 1 is a forecasted movement to reserves relating to a Section 31 (S31) payment the Authority will receive from

Government and a growth element to be received from the North of Tyne Combined Authority for North Tyneside Council's participation in a Business Rates Pool in 2019/20. At this stage it is anticipated that this funding will be held in reserve to support businesses and residents from the impact of Covid-19 during 2021/22 and in future years. Further details can be found within the Central Items section on this report (Section 4.9).

- 1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to identifying the impact of Covid-19 which currently is forecast to add pressures of £27.072m to the General Fund in 2020/21. The Authority has received to date £25.689m of grant funding which is being applied against these pressures. Further detail of these grants is included in table 23 in paragraph 4.9.5. After allocation there is an amount of £1.383m over and above current grant funding. Therefore from the total £1.510m pressure reported, the pressures relating to normal business activities across the Authority are £0.127m and compare favourably with this stage of recent financial years.
- 1.4 The Authority has also received and/or been notified of other sources of government funding related to Covid-19 since the last report. Further details of these can be found in section 3 of this annex. The Cabinet Member for Finance and Resources will be kept up to date with the impact of the grant funding and an update will be provided to Cabinet in the next report in March.
- 1.5 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.
- 1.6 Through close monitoring of Covid-19 implications the forecast position will change through the remainder of the year. Whilst some of the impact of additional cost and lost income are captured, work is in progress to ensure transparency with regard to some of the savings that changes to operations will drive out. For example, savings on car mileage and potentially energy costs as a result of many office-based staff working from home. The Authority has seen a reduction in printing across all services and are working to understand with Engie how the Authority will see the financial benefit that accrues from that.

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

### **Housing Revenue Account**

- 1.7 The Authority had previously identified a risk relating to compensation payments for water rates billing in relation to council house tenants, following a court decision against Southwark Council in 2016. In October 2020 the Court of Appeal upheld the High Court ruling in favour of the council tenant, which has potential financial consequences for all social landlords with similar water rate agreements.

- 1.8 The Authority has already amended contracts and procedures from 1 April 2017 to prevent ongoing claims and is reviewing the potential impact of liabilities prior to this amendment.



**1.9 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 30 November 2020**

Services	Budget	Forecast Nov	Variance Nov	Variance Sept	Variance Change since Sept		Of which - Covid-19	Of which - Business as Usual	Business as Usual Sept Variance	Business as Usual Change since Sept
	£m	£m	£m	£m	£m		£m	£m	£m	£m
Health, Education, Care and Safeguarding	71.518	91.154	19.636	17.799	1.837		13.107	6.529	6.074	0.455
Commissioning and Asset Management	7.429	11.194	3.765	4.217	(0.452)		3.404	0.361	0.387	(0.026)
Environment, Housing and Leisure	43.459	51.411	7.952	7.847	0.105		8.208	(0.256)	(0.024)	(0.232)
Regeneration and Economic Development	1.392	1.639	0.247	0.264	(0.017)		0.055	0.192	0.209	(0.017)
Corporate Strategy	0.701	0.883	0.182	0.190	(0.008)		0.093	0.089	0.097	(0.008)
Chief Executive's Office	(0.078)	(0.147)	(0.069)	(0.075)	0.006		0.000	(0.069)	(0.075)	0.006
Resources	2.877	4.080	1.203	1.281	(0.078)		1.152	0.051	0.229	(0.178)
Law and Governance	0.133	0.620	0.487	0.488	(0.001)		0.222	0.265	0.251	0.014
Central Items	13.917	(17.976)	(31.893)	(26.869)	(5.024)		(24.858)	(7.035)	(6.265)	(0.770)
Support Services	20.013	20.013	0.000	0.000	0.000		0.000	0.000	0.000	0.000
<b>Total Authority</b>	<b>161.361</b>	<b>162.871</b>	<b>1.510</b>	<b>5.142</b>	<b>(3.632)</b>		<b>1.383</b>	<b>0.127</b>	<b>0.883</b>	<b>(0.756)</b>

## **SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS**

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

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

<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
2020/21	0.805
<b>Total Savings</b>	<b>127.756</b>

2.3 In addition to the £0.805m of new savings proposals approved as part of the 2020/21 budget setting process, £1.346m of savings targets were agreed in prior year budget setting processes for delivery in 2020/21. Savings targets of £1.471m within Health, Education, Care and Safeguarding (HECS) were met in 2019/20 through management actions and still require a permanent solution in 2020/21. The total amount of savings that need to be achieved in 2020/21 is therefore £3.622m.

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

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

<b>Service</b>	<b>2020/21 Target £m</b>	<b>Projected Delivery £m</b>	<b>Management Actions £m</b>	<b>Still to Achieve £m</b>
HECS	3.069	1.062	0.130	1.877
Commissioning & Asset Management	0.249	0.235	0.000	0.014
Environment Housing & Leisure	0.125	0.125	0.000	0.000
Central Items	0.179	0.179	0.000	0.000
<b>TOTAL</b>	<b>3.622</b>	<b>1.601</b>	<b>0.130</b>	<b>1.891</b>

2.6 The governance structure of the Efficiency Savings Programme includes a monthly review of progress by the Senior Leadership Team (SLT). In addition, in-year budget and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main variations in

relation to the savings which, at this stage in the year, are shown as yet to be achieved are outlined in the sections below.

#### Health, Education, Care and Safeguarding (HECS)

- 2.7 HECS has a target yet to be achieved of £1.877m, with £1.457m of savings already identified and forecast to be achieved relating to Sector Led Improvement income, public health contracts, school improvement, NHS income and family gateway and the reversal of the one-year only Troubled Families saving (£0.265m) was been built into the base budget. An in-year saving of £0.130m has been identified through management actions of retaining vacancies. Since the September report, management have identified the delivery of savings relating to NHS income targets within adult services (£0.250m) as continuing healthcare assessments were brought back into operation following the ending of the first phase of Discharge Requirements arrangements on 31 August 2020, in addition to the staffing savings of £0.130m. Savings of £0.300m of Sector Led income and £0.155m of NHS income in relation to children's services have also been identified.
- 2.8 This service has been significantly impacted by the Covid-19 pandemic and due to the level of response required during the containment phase and the level of uncertainty across the remainder of the financial year, a prudent approach to forecasting has been taken. A proportion of the savings involve income generation via third parties. Other service delivery-based savings have been impacted due to capacity issues where placements have had to be maintained due to delays in court proceedings or the type of placement not changing as previously planned due to Covid-19 restrictions. The pressure arising within the budget due to forecasted non-delivery has been shown as part of the Covid-19 financial impact and has been adjusted out of the HECS budget position and is shown within Central Items against the Covid-19 support grants.
- 2.9 Whilst the project delivery figure is an improvement of £0.836m compared to the value reported to Cabinet in the September position, there is still a large balance to be achieved. Finance Officers continue to attend meetings with senior managers and the Head of Service across adult and children's services and individual managers have assigned responsibilities to review existing schemes for deliverability and to identify alternative proposals to mitigate any shortfalls.

#### Commissioning and Asset Management

- 2.10 Within Commissioning and Asset Management, the only savings target forecast to be partially met relates to the target for increase in school meals fees of £0.082m of which £0.014m (increased from £0.011m in September) is not likely to be achieved due to Covid-19 related school closures and restrictions. This value has been adjusted out of the service's position and has been shown within Central Items as Covid-19 related costs. All other targets are now forecasted to be achieved.

### **SECTION 3 – NEW REVENUE GRANTS**

- 3.1 New revenue grants have been received or notified since the previous report at September until the publishing date for this report.

**Table 4: Grants Received or Notified since the September Monitoring Report**

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Commissioning and Asset Management	Ministry of Housing Communities and Local Government	Supporting the Clinically Extremely Vulnerable Individuals	Supporting the Clinically Extremely Vulnerable Individuals to stay safe	0.142
Commissioning and Asset Management	Department for Education	Additional Funding for Home to School Transport	To provide additional journeys while social distancing is required	0.110
Health Education Care & Safeguarding	Ministry of Housing Communities and Local Government	Domestic abuse Duty Capacity Building Fund	Support for the delivery of new duties	0.050
Health Education Care & Safeguarding	Department for Education	Partners in Practice – Covid-19 response Programme	Understanding and investigating the impact of Covid-19 on practice issues for children's social care	0.296
Health Education Care & Safeguarding	Youth Justice Board	Youth Justice Good Practice Grant (top up)	Reducing Youth Offending	0.005
Health Education Care & Safeguarding	North of Tyne Combined Authority	Sector Based Work Academy Programme	Delivery of adult education	0.060
Environment Housing and Leisure	National Foundation for Youth Music	Bigfoot Beats	To support youth music programme	0.010
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Local Restrictions Support Grant (Closed)	To support local businesses forced to close during restrictions	3.052

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2020/21 value £m</b>
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Local Restrictions Support Grant (Open)	To support local businesses during tier 2 restrictions	0.983
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Additional Restrictions Grant	To support local businesses until March 2022	4.158
Central Items	Ministry of Housing Communities and Local Government	Income Compensation Grant for Sales Fees and Charges	To provide income compensation for lost sales fees and charges resulting from Covid-19	2.463
Central Items	Ministry of Housing Communities and Local Government	S31 Grant Export Health Certificate Support Fund Grant	To support English coastal Local Authorities to strengthen their certifier capacity	0.030
Central Items	Ministry of Housing Communities and Local Government	Additional EU Transition Funding for Ports and Borders	Additional funding to support English coastal Local Authorities to strengthen their certifier capacity	0.086
Central Items	Ministry of Housing Communities and Local Government	Rough Sleepers Additional Grant	To assist Local Authorities in supporting rough sleepers during Covid-19	0.006
Central Items	Department of Work and Pensions	Winter Grant Scheme	To support vulnerable households and families with children particularly affected by the pandemic	0.645

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department of Work and Pensions	New Burdens Funding – Administration of Housing Benefit (Severe Disability Premium)	To meet the final costs for the administration of the Housing Benefit (Severe Disability Premium) gateway changes	0.003
Central Items	Department of Health and Social Care	Local Authority Test and Trace – Contain Grant	To support the Authority with any activity which will help to contain Covid-19 (note initial tranche of £0.416m was reported to Cabinet in Sept)	2.079
<b>Total</b>				<b>14.178</b>

## **SECTION 4 – SERVICE COMMENTARIES**

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

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

4.2.1 HECS is showing a forecast pressure of £6.529m at November which is an increase of £0.455m compared to the forecast variance of £6.074m reported in September. The increased variance relates mainly to additional care costs for children partially offset by reductions in costs relating to adults. This position is after adjusting for a total of £13.107m of Covid-19 related cost and income pressures which are now shown within Central Items. In September, a total of £11.725m of Covid-19 related cost pressures were forecasted. The increased Covid-19 cost forecast relates mainly to the expenditure associated with making payments from the second round of the Infection Control Fund (£2.207m) to support care homes and other care providers within the Borough. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

4.2.2 The HECS service continues to be heavily impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work has also been ongoing to support social care providers to maintain their vital services. In addition to cost pressures, income losses directly related to Covid-19 disruption are forecasted amounting to £1.033m. The following Covid-19 related pressures are forecasted within HECS for 2020/21.

#### **4.2.3 Table 5: Impact of Covid-19 on HECS**

<b>Service Area</b>	<b>Covid Cost Impact Nov £m</b>	<b>Covid Income Impact Nov £m</b>	<b>Total Covid Impact Nov £m</b>	<b>Total Covid Impact Sept £m</b>	<b>Description</b>
Mainly Wellbeing & Assessment	0.000	0.110	0.110	0.110	Lost client contributions
Mainly Wellbeing & Assessment	0.494	0.000	0.494	0.494	Net care package costs relating to Covid (net of pooled fund contributions)

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Mainly Wellbeing & Assessment	7.195	0.000	7.195	5.403	Supporting the care market (including Infection Control Grant payments rounds 1 and 2)
Mainly Integrated Services	0.346	0.000	0.346	0.346	Additional staff costs, supplies and services incl. PPE
Across the Service	0.920	0.000	0.920	1.300	Savings targets at significant risk of non-delivery due to Covid-19 issues
<b>Adults Total</b>	<b>8.955</b>	<b>0.110</b>	<b>9.065</b>	<b>7.653</b>	
Employment & Skills	0.018	0.042	0.060	0.061	Lost course fee income and equipment costs
School Improvement	0.000	0.830	0.830	0.666	Lost income from the Langdale Centre, High Borrans and school development work
Mainly Corporate Parenting & Placements	1.496	0.000	1.496	1.233	Increased costs for children in care
Integrated Disability and Additional Needs	0.000	0.051	0.051	0.051	Lost SLA income for summer term
Across the Service	0.957	0.000	0.957	1.413	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adoptions	0.051	0.000	0.051	0.051	Costs relating to adoptions
<b>Children's Total</b>	<b>2.522</b>	<b>0.923</b>	<b>3.445</b>	<b>3.475</b>	
<b>Public Health</b>	0.597	0.000	0.597	0.597	Measures to prevent infection and promote compliance with local and national regulations
<b>Total</b>	<b>12.074</b>	<b>1.033</b>	<b>13.107</b>	<b>11.725</b>	

4.2.4 The financial impact of the Covid-19 crisis began in the last month of 2019/20 and is expected to continue throughout 2020/21. Under Government guidance which applied from 19 March 2020, the costs of packages for residents who have been discharged from hospital (whether they have tested positive for Covid-19 or not) and any increased costs of packages which prevented admissions to hospital have been charged into a new pooled fund of £1.300bn nationally with these costs met



by contributions from the Government paid via the North Tyneside Clinical Commissioning Group (NTCCG). The end date for these arrangements, as published on 25 August 2020, was 31 August 2020. At this date there were 332 clients with services commenced under these arrangements who needed to be assessed to establish their ongoing needs. The costs for clients requiring ongoing support will, after assessment, return to the Authority and these clients will also be subject to a financial assessment to establish any contribution for the costs of their care. Clients with high level needs would be assessed against the continuing healthcare framework. At the end of November 2020 only 16 clients were awaiting reassessment from the initial group discharged under these guidelines. The costs of these clients continue to be forecasted within Covid cost centres while the costs of reassessed clients with ongoing services are shown within Adult Services cost centres as business as usual.

- 4.2.5 When the Government announced the ending of the first phase of funding arrangements relating to hospital discharges, they announced a second phase which was implemented from 1 September 2020. Under these arrangements, residents discharged from hospital who require social care services are entitled to up to six weeks of free care where the costs of these services are charged into a pooled fund to be met by contributions from the Government claimed via the NTCCG. These clients are reassessed during this six-week period once their ongoing needs have settled and can be more clearly identified. At the point of reassessment and the establishment of a longer-term service, the responsibility for the costs of the services returns to the Authority and the client is financially assessed to establish any client contributions. This second phase of funding arrangements is planned to be in place until 31 March 2021. During September and October, 196 clients were discharged from hospital and supported through these arrangements.
- 4.2.6 There is a net cost of care packages shown against Covid cost centres after contributions from the pooled fund of £0.494m which relates mainly to care packages resulting from Covid but which did not meet the criteria of charging to the pooled fund.
- 4.2.7 The forecasted costs of supporting the care market is estimated to be £7.195m (September, £5.403m) and relates to supporting care homes and other providers to meet the additional operational costs of Covid-19, for example in relation to PPE and backfilling absent staff. This includes the Infection Control Grant Round 1 amount of £2.205m. An amount of £2.207m for the Infection Control Grant Round 2 has now been added and is the main reason for the increase in this forecast. The income for the grant is held within Central Items. There has also been some offsetting reductions in the forecast for excess cost claims by care providers on the basis of claims received to date. All providers with operational services funded by the Authority during the Pandemic have been paid an additional fee premium of 5% to cover Covid-19 operational costs. In addition, any provider which has been severely affected by Covid-19 can apply for reimbursement of any Covid-19 costs not funded through other sources, which have been suffered over and above the additional fee premium and grants paid. The Authority is also working with care home providers within the Borough to address issues relating to the future sustainability of the market especially where individual providers have high levels

of vacancies. There are similar operational cost pressures for in-house services totalling £0.346m of which £0.255m relates to PPE costs with additional costs also forecasted in relation to transport for clients, additional costs of Local Authority funded funerals and additional phone and IT costs to support increased levels of agile working.

- 4.2.8 Lost income across the service has also been identified as an impact of Covid-19 disruption. This relates to client contributions (£0.110m) where reduced levels of income are forecasted at the current rate for the remainder of the financial year. A loss of income within School Improvement of £0.830m is forecasted relating to a full year loss of income at High Borrans education centre and other fee income loss for the period April to August. Course fee income within Employment and Skills of £0.042m for the full financial year is also forecasted in addition to SLA income within Integrated Disability and Additional Needs of £0.051m relating to Educational Psychology.
- 4.2.9 A total of £1.496m of additional costs relating to children in care have been identified as a result of care provision being extended as court delays prevent children leaving care and additional operational costs within in-house settings and in externally provided care packages. A fee premium of 5% has been forecasted against all externally provided care for the full financial year.
- 4.2.10 An amount of £0.597m has been included in Public Health relating to a range of measures designed to prevent the spread of Covid-19 including additional Environmental Health capacity, Communications capacity and costs relating to the establishment and maintenance of Local Support Hubs. These costs are met by the Track and Trace Grant.
- 4.2.11 Once the impact of Covid-19 has been adjusted for, the remaining pressures broadly reflect a continuation of the position in 2019/20. Further details are shown in paragraphs 4.2.13 to 4.2.42.

4.2.12 **Table 6: Forecast Variation for HECS at November 2020**

	<b>Budget £m</b>	<b>Forecast Nov £m</b>	<b>Variance Nov £m</b>	<b>Of which- Covid- 19 related £m</b>	<b>Of which- Business as Usual £m</b>	<b>Business as Usual Variance Sept £m</b>	<b>Business as Usual Change Since Sept £m</b>
Corporate Parenting & Placements	16.951	23.502	6.551	1.689	4.862	4.480	0.382
RHELAC Service	0.008	0.008	0.000	0.000	0.000	0.000	0.000

	Budget £m	Forecast Nov £m	Variance Nov £m	Of which- Covid- 19 related £m	Of which- Business as Usual £m	Business as Usual Variance Sept £m	Business as Usual Change Since Sept £m
Child Protection, Independent Assurance and Review	0.695	0.717	0.022	0.000	0.022	0.035	(0.013)
Early Help & Vulnerable Families	1.146	1.095	(0.051)	0.136	(0.187)	(0.139)	(0.048)
Employment & Skills	0.590	0.612	0.022	0.064	(0.042)	(0.066)	0.024
Integrated Disability & Additional Needs Service	2.366	4.125	1.759	0.624	1.135	1.010	0.125
School Improvement	0.143	0.916	0.773	0.802	(0.029)	(0.035)	0.006
Regional Adoption Agency	(0.010)	0.120	0.130	0.130	0.000	0.001	(0.001)
<b>Children's Services Sub-total</b>	<b>21.889</b>	<b>31.095</b>	<b>9.206</b>	<b>3.445</b>	<b>5.761</b>	<b>5.286</b>	<b>0.475</b>
Wellbeing, Governance & Transformation	2.305	2.345	0.040	0.000	0.040	0.050	(0.010)
Disability & Mental Health	32.082	33.342	1.260	1.391	(0.131)	(0.332)	0.201
Wellbeing & Assessment	11.876	20.753	8.877	7.566	1.311	1.433	(0.122)
Integrated Services	2.844	2.487	(0.357)	0.108	(0.465)	(0.329)	(0.136)
Business Assurance	0.288	0.301	0.013	0.000	0.013	(0.034)	0.047
<b>Adult Services Sub-total</b>	<b>49.395</b>	<b>59.228</b>	<b>9.833</b>	<b>9.065</b>	<b>0.768</b>	<b>0.788</b>	<b>(0.020)</b>
Public Health	0.234	0.831	0.597	0.597	0.000	0.000	0.000
<b>Total HECS</b>	<b>71.518</b>	<b>91.154</b>	<b>19.636</b>	<b>13.107</b>	<b>6.529</b>	<b>6.074</b>	<b>0.455</b>

### Main budget pressures across HECS

4.2.13 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of varied funding arrangements, pressures and national policy changes. There are continuing

upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of homes within the Borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring appropriate levels of funding contributions from the NHS for clients with health needs as the NTCCG themselves face continuing budget constraints.

- 4.2.14 The main factor behind the overall outturn position is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. Although the number of children in care rose to 321 in January 2020, the numbers dropped to 299 by the end of 2019/20 and are reported as 300 at November (see Chart 3 in 4.2.31 below). Pressures within the Integrated Disability and Additional Needs service are rising due to increasing numbers of children with complex needs. In addition to third party care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs. Within adult services, cost pressures remain in relation to third party care provision especially in relation to older people.

### **Adult Services**

- 4.2.15 In Adult Services, there is a forecasted pressure of £0.768m which represents a £0.020m improvement on the September budget position.
- 4.2.16 There are on-going pressures in third party payments for care provision which is £3.640m above budget levels. There are also smaller pressures relating to premises costs, £0.165m and supplies and services, £0.130m. These are partially offset by increased client contributions and contributions from the NHS (£2.526m). There is an underspend against transport budgets of (£0.162m) and within staffing budgets of (£0.479m). The demand pressures were foreseen by Cabinet and a £1.800m contingency base budget was set up, which is currently held centrally.
- 4.2.17 Pressures within external payments for care provision total £3.640m above budget. Table 7 below shows external payments for care pressures analysed into service types.

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

Type of Service	Nov £m	Sept £m
Residential and Nursing Care	2.217	1.772
Homecare and Extra Care	1.390	1.943
Other Community-Based Care	0.033	(0.454)
<b>Total</b>	<b>3.640</b>	<b>3.261</b>

### **Residential and Nursing Care**

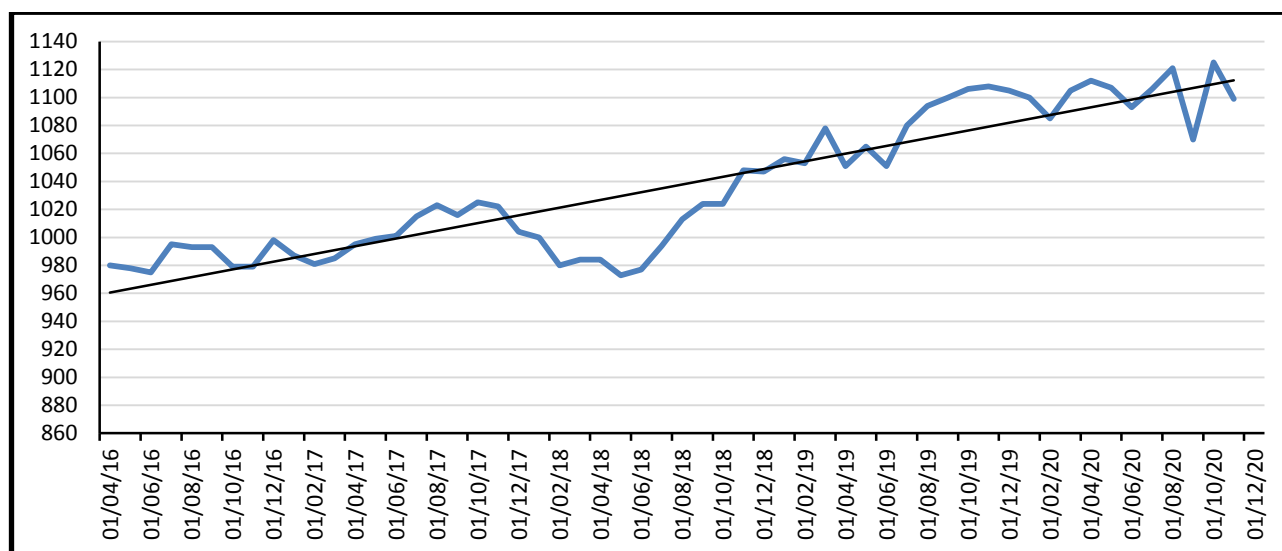
- 4.2.18 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term

placements were strengthened and numbers of placements fell in the first part of 2019/20. However, challenges remained, for example the option to move clients from short-term placements to community provision diminishes after longer lengths of stay in short-term placement as clients lose skills and family concerns increase around risks at home. The numbers of placements overall for residential and nursing care, continued in an overall upward trend since July 2019 to a total number of clients placed in care homes of 1,093 at the end of March 2020.

4.2.19 The Covid-19 pandemic initially had a significant impact on the numbers in residential and nursing care with a reduction due to a higher than normal level of deaths and a slower rate of new admissions to care however, numbers increased over the summer. Since the September level of 1,070 there has been a rise in October to 1,125 followed by a fall in November to 1,099. This has lead to an overall increase in variance to £2.217m as shown in Table 7 above.

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

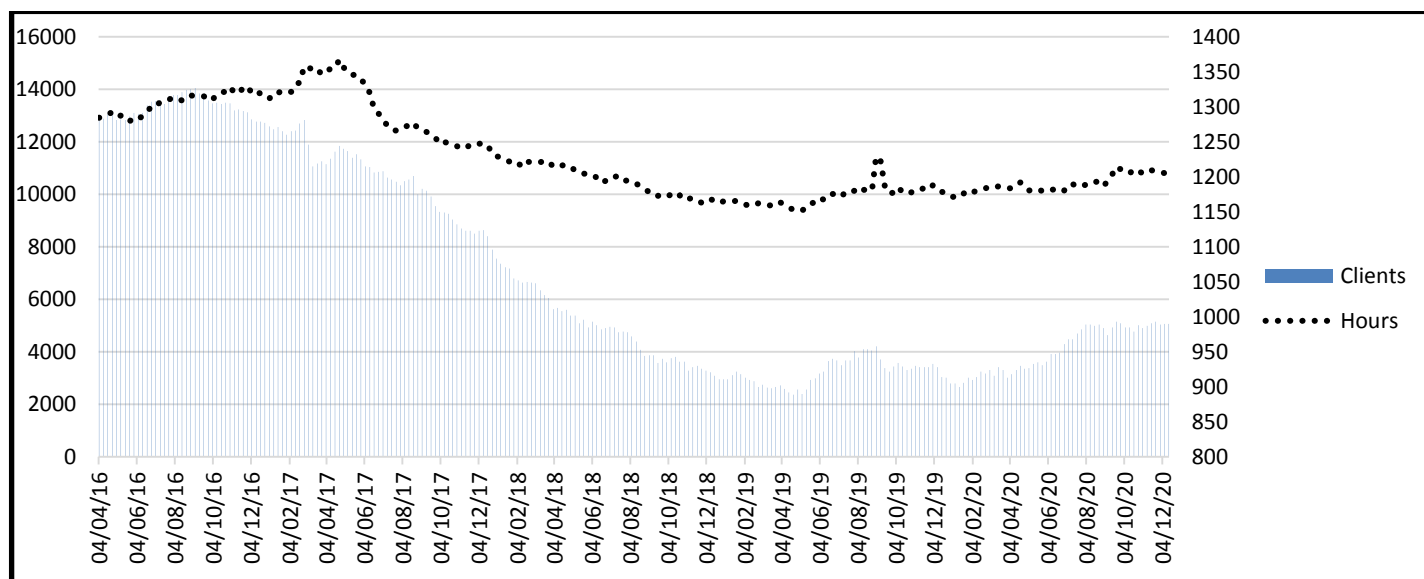
**Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016**



#### Homecare and Extra Care

4.2.21 Cabinet will recall from the 2019/20 Outturn Report that the number of clients rose by 3% during 2019/20 and the number of hours delivered increased by 8.3%. The trend during the initial months of 2020/21 has been fairly volatile with an increase in the number of clients and hours delivered as shown in Chart 2 below. The upward trend in hours delivered continued in August and September but has reduced in October and November by 154 hours per week leading to a reduced pressure of £1.390m.

#### 4.2.22 Chart 2: Trends in Homecare/Extra Care Services



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

#### Client Related Income

4.2.24 There is a forecasted pressure in NTCCG contributions for shared care of £0.925m due to a reduction in contributions for clients who have a significant health need but who do not meet the threshold for continuing healthcare often referred to as 'shared care'. Shared care is not subject to the same statutory guidance as Continuing Healthcare and funding arrangements are agreed on an individual client basis between the Authority and the NTCCG. This form of funding has been reducing since 2015/16 and there is a further reduction in 2020/21 of £0.310m mainly due to the full year impact of changes notified in 2019/20. Management within HECS are working hard to ensure that clients with significant health needs are appropriately supported by contributions from NHS funding. This reduction is offset by a surplus against budget in other areas of NHS funding to give an overall surplus of £0.470m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £2.056m, partially offsetting the pressures within payments for externally provided care.

### Staffing

- 4.2.25 There is an improved staffing position since the September report (September, underspend of £0.225) due to ongoing vacancies across several teams. The service is currently actively recruiting and expects new starters to be in place early in the new year. This in year saving is partially mitigating the delivery of savings targets of £0.130m.

### Premises

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

### Children's Services

- 4.2.27 In Children's Services the £5.761m forecast position (up from £5.286m in September) relates mainly to demand pressures of £4.862m in Corporate Parenting and Placements and £1.135m in Integrated Disability and Additional Needs. These pressures are partially offset by underspends in Early Help and Vulnerable Families, Employment and Skills and School Improvement. The pressures were foreseen by Cabinet and a contingency based budget of £2.616m was created, currently held centrally. This position excludes Covid-19 related pressures of £3.445m which have been transferred to Central Items.

### Corporate Parenting and Placements

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

**Table 8: Analysis of Pressures in Corporate Parenting and Placements**

Type of Service	Budget 2020/21 £m	Variance Nov £m	Variance Sept £m	Change Since Sept £m
Care provision – children in care	9.447	2.829	2.515	0.314
Care provision – other children	3.247	0.803	0.772	0.031
Management & Legal Fees	(0.039)	0.454	0.458	(0.004)
Social Work	4.250	0.771	0.730	0.041
Safeguarding Operations	0.046	0.005	0.005	0.000
<b>Total</b>	<b>16.951</b>	<b>4.862</b>	<b>4.480</b>	<b>0.382</b>

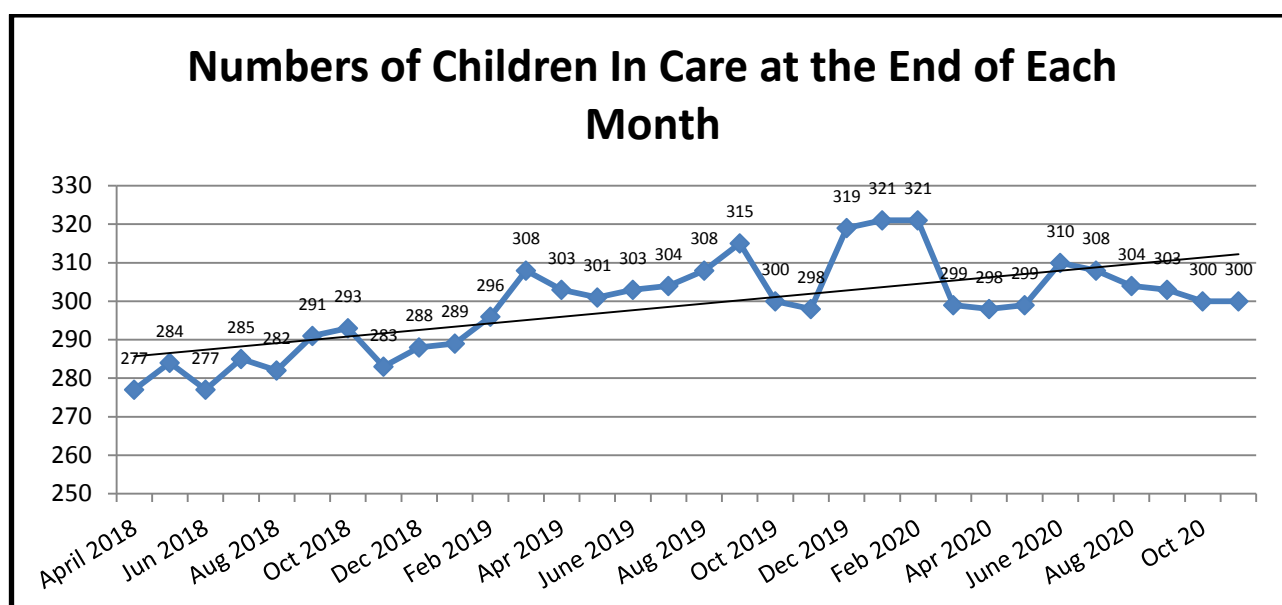
- 4.2.29 The forecast has been developed based on the children in care as at the end of November 2020. The number in care at the end of November was 300, a net decrease of 3 since the September report.

## Care Provision – Children in Care

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

4.2.31 Delays within the court system have eased slightly with 14 children leaving the care system in October and November however, there is concern about the potential continuing impact of Covid-19 on court processes. The Authority currently has 10 cases delayed either because the court cannot complete the hearings remotely or because Covid-19 has affected the availability of specialist assessments. The impact of this is that children are remaining in care for longer where otherwise an improved situation for them could have achieved in a shorter time frame. The financial impact is the ongoing cost of placements.

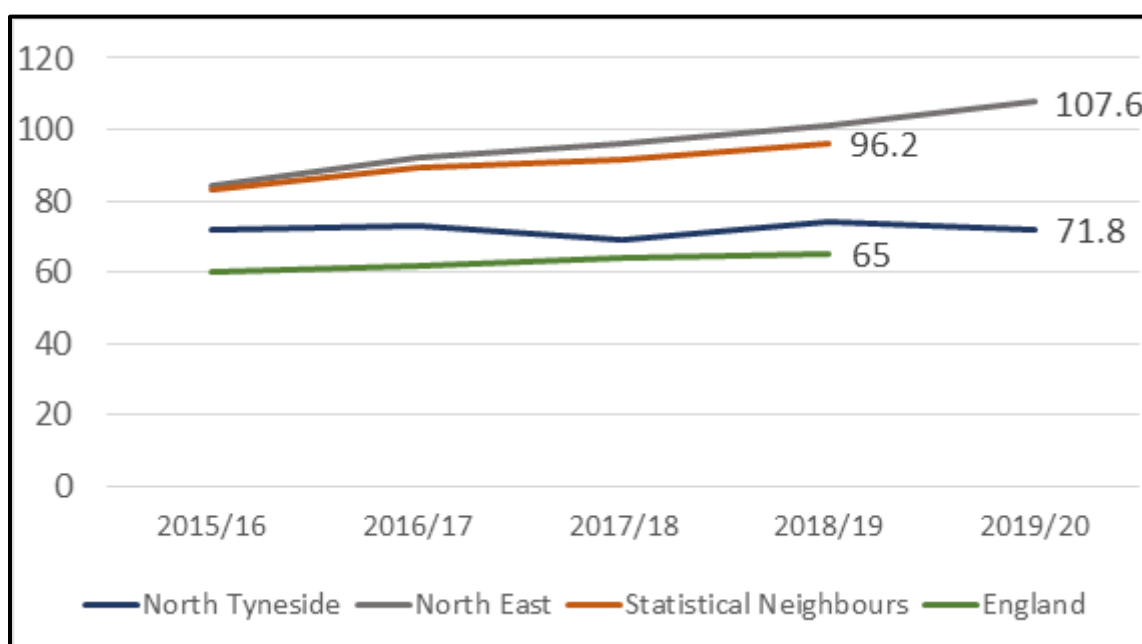
### 4.2.32 Chart 3: Children in Care at the End of Each Month



4.2.33 The rate of children in care per 10,000 is stable when compared to national and regional averages. The most recent available national comparators from 2019/20, as demonstrated by Chart 4 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

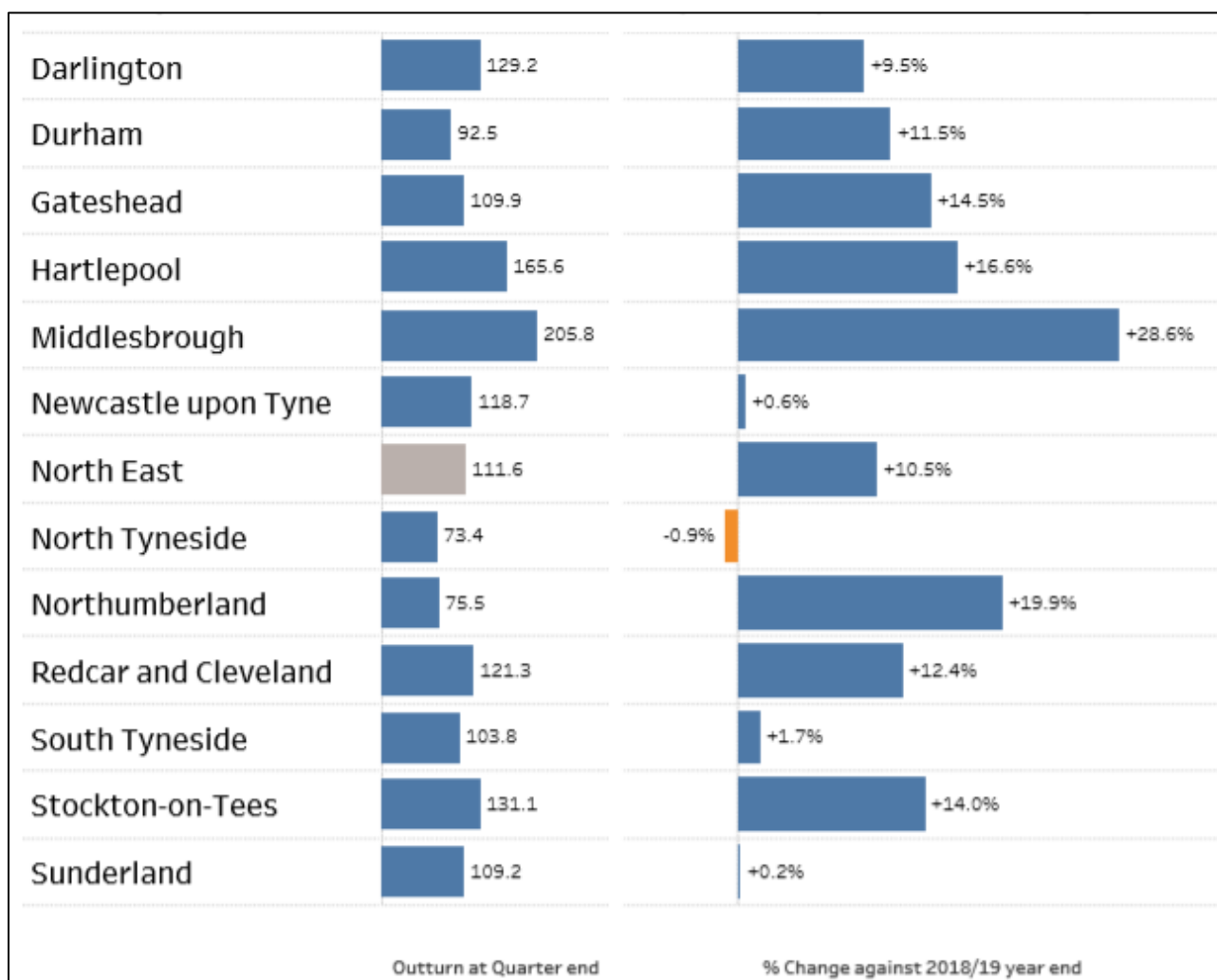


#### 4.2.34 Chart 4: Comparative Performance in Rates of Children in Care per 10,000 Children under 18



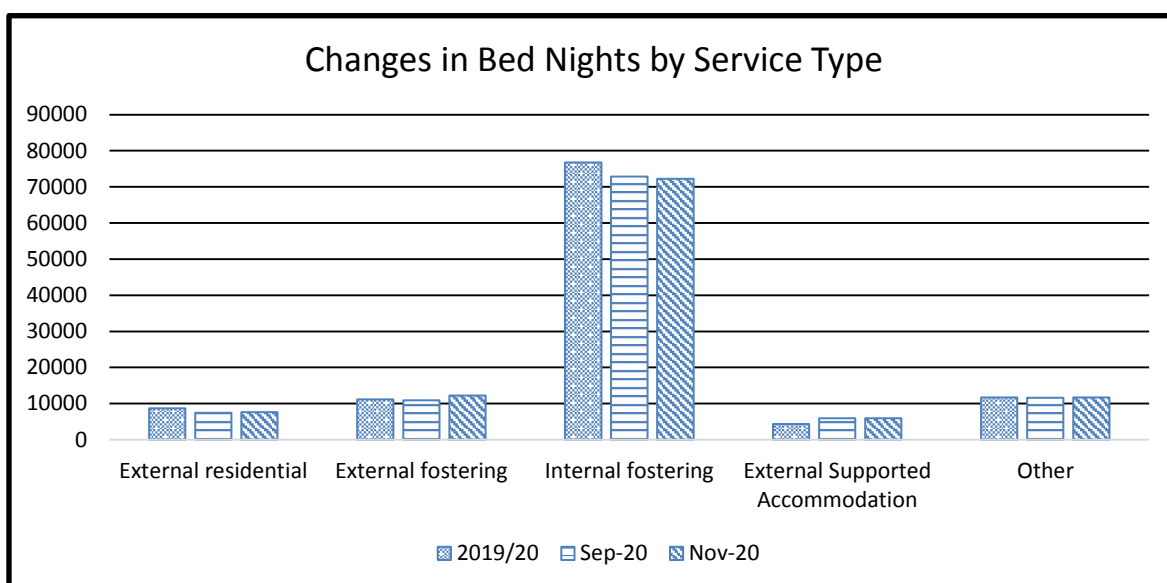
4.2.35 Placement mix in 2019/20 continued to change, moving towards the complex end of the spectrum which led to an increase in overall costs last financial year and this pattern is being sustained in 2020/21. The September forecast for the total number of care nights was 108,706 nights however, despite a reduction in the number of children in care at the end of the period, the total number of bed nights forecasted has increased to 109,825 as a result of the movements of children in and out of care within October and November. This bed nights forecast continues to be a reduced forecast compared to 2019/20 levels of 112,622 and spend on children in care placements in 2020/21 is forecast to be reduced compared to 2019/20. This is in the context of long-term demand pressures on children's services in North Tyneside and nationally and whilst the impact of Covid-19 on children's social care has been felt mainly in terms of an increased number of children with a Child Protection Plan (CPP), numbers of children in care have remained stable, which is in contrast to the experience of many other local authorities who have seen sharp increases as indicated in Chart 5 below.

4.2.36 **Chart 5: Regional Breakdown of Rate of Children in Care per 10,000 showing rate change in Q1 of 2020/21**



4.2.37 The increased forecast in November is explained by the increased overall number of forecasted bed nights. There has been a reduction in bed night within in house fostering which is a less costly service (reduced by 578 nights) and an increase in more costly service types principally external fostering (increased by 1,407 nights), external residential (increased by 178 nights) and supported accommodation (increased by 50 nights). The number of children in care can be volatile and costs for individual children can be very high. The forecast will be increased if numbers of care nights delivered starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the economic effects of the Covid-19 crisis continues to impact on families. Details of the movement in forecasted bed days by type of service is shown at Table 9 and the movement in bed nights by service type is shown in Chart 6 below;

**Chart 6: Changes in Bed Night by Service Type**



4.2.38 Residential placements continue to be costly with a current average annual cost of £0.294m but which can be very volatile and is dependent on the individual needs of the cohort of children and young people in externally provided residential placements at any point in time. External supported accommodation can also be expensive. During 2019/20 there was a cohort of eight young people with very complex needs being supported for the majority of the year at an average cost of approximately £0.005m per week and these placements are continuing into 2020/21.

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

Placement Type	Nov Var £m	Average Annual cost £m	2020/21 Forecast Bed Nights Nov	2020/21 Forecast Bed Nights Sept	2019/20 Bed Nights	Placement Mix as at Nov	No. of children Nov 20	No. of children Sept 20
External Residential Care	0.791	0.294	7,627	7,449	8,649	7%	27	25
External Fostering	0.113	0.039	12,266	10,859	11,184	11%	29	28
In-House Fostering Service	0.446	0.023	72,267	72,845	76,731	66%	198	199
External Supported Accommodation	1.349	0.134	5,951	5,901	4,349	5%	15	20
Other*	0.130	various	11,714	11,652	11,709	11%	31	31
<b>Total</b>	<b>2.829</b>		<b>109,825</b>	<b>108,706</b>	<b>112,622</b>	<b>100%</b>	<b>300</b>	<b>303</b>

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

#### Care Provision – Children not in care

- 4.2.40 The pressure of £0.803m (September variance, £0.772m) 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 based budget of £2.616m established in 2018/19 was, in part, intended to mitigate against these costs.

#### Management and Legal Fees

- 4.2.41 This area has a forecast pressure of £0.454m (September, pressure of £0.458m). Pressure in this area includes management costs of £0.104m, professional fees relating to children in care £0.060m, legal costs £0.100m and other child related costs such as professional fees, DNA tests, drug and alcohol testing, asylum seeker support, counselling sessions and costs for other therapeutic interventions.

#### Social Work

- 4.2.42 Within the overall pressure of £4.862m for Corporate Parenting and Placements, there are staffing pressures of £0.771m, a rise of £0.041m from £0.730m in September. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net pressure is due to the need to establish an additional team, to enable manageable caseloads (£0.234m) and as a result of market supplement payments to support the recruitment and retention of social workers. There is also a pressure of £0.050m relating to apprentice posts. There are currently no agency staff in place however, a result of the increase in the number of children with a Child Protection Plan during Covid-19, caseloads for social workers have shown an increasingly high number which is above the national average although this is beginning to reduce.

#### Integrated Disability and Additional Needs (IDANS)

- 4.2.43 IDANS is forecasting a pressure of £1.135m which is an increase of £0.024m from the September position of £1.010m. Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs) leading to a pressure in short break spend of £0.401m. Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to in excess of 1,800 at November 2020. There are also pressures relating to operational staffing costs within in-house residential services of £0.131m and associated unachieved health income target of £0.100m. There are also forecast staffing pressures of £0.228m in Educational Psychology partly relating to cover arrangements associated with maternity leave and partly relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. There is a pressure of £0.076m in the Statutory Assessment and Review team who assess and arrange education for children with additional needs. The IDANS service is continuing to carefully review planned provision.

### 4.3 **Commissioning and Asset Management**

4.3.1 Commissioning and Asset Management (C&AM) has a forecasted outturn pressure of £0.361m (September, pressure of £0.387m) as set out in Table 11. This is after adjusting for forecast pressures of £3.404m relating to the impact of Covid-19 on the service set out in Table 10.

4.3.2 C&AM has also been heavily impacted by the Covid-19 pandemic, particularly in relation to supporting schools and in relation to lost income. The following Covid-19 related costs have been forecasted within C&AM for 2020/21 and have been transferred to Central Items and set against the Covid-19 Local Authority Support Grant.

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Catering	1.212	2.489	3.701	4.585	Lost school meals income and hospitality income and costs of providing additional free school meals services, costs of perishable stock disposal
Catering/Property	(1.570)	0.000	(1.570)	(1.986)	Savings in provisions and utilities due to non-delivery of services
Cleaning	0.207	0.000	0.207	0.333	Additional hours of cleaning and associated equipment and materials directly related to Covid-19
Other income	0.000	0.129	0.129	0.123	Lost income for parking charges at Quadrant, Procurement rebates and school absence penalty notices

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Home to school Transport	0.366	0.000	0.366	0.345	Additional costs of transport under infection control
Volunteer Scheme	0.229	0.000	0.229	0.081	Supporting residents by additional foodbank support for the full financial year and support arrangements for Extremely Clinically Vulnerable residents
Property	0.300	0.000	0.300	0.300	Costs in relation to public buildings and worksites
Property Services	0.008	0.034	0.042	0.049	Potential rental income reductions
<b>Total</b>	<b>0.752</b>	<b>2.652</b>	<b>3.404</b>	<b>3.830</b>	

- 4.3.4 In relation to paid school meals, there is a forecasted income loss of £1.864m. This is based on actual levels of income received to October 2020 and forecasted forward at current levels. Remaining Catering income losses of £0.625m relate to staff restaurants and civic catering which are forecasted as a total loss for the whole financial year as staff facilities remain closed. A non-fee-paying income loss is now not forecasted. A pressure of £0.747m is forecasted for the costs of packed lunches over and above grant funding for free school meals as this form of provision is more costly than normal operations with further additional costs of £0.320m relating to disposable packaging and cutlery. There is also a pressure of £0.145m relating to a loss of perishable food stock. These pressures are reduced by a saving in provisions of £1.545m. Savings of £0.025m in electricity costs have also been included.
- 4.3.5 Additional cost pressures of £0.207m for cleaning have been identified for the full financial year. These relate to anticipated additional cleaning within schools that will be required as a result of Covid-19 for the period to March 2021 plus costs of new cleaning machinery and equipment and additional cleaning materials (£0.087m). This forecast will continue to be reviewed as the year progresses.
- 4.3.6 Anticipated losses of car parking income at Quadrant are forecasted to be £0.065m and relate to the full financial year. Salary sacrifice arrangements for

staff parking are currently suspended. A loss of income of £0.043m is forecasted in relation to school non-attendance penalty notices for the full year and an amount of £0.021m in rebates relating to procurement arrangements is also affected.

- 4.3.7 Additional costs of £0.366m in relation to Home to School Transport have been forecasted from September with a need to provide more single journeys to allow for social distancing in line with guidelines. Pupils within the same 'bubble' can travel together however modelling of required journeys indicates additional costs of £0.016m per week for 23 weeks.
- 4.3.8 Additional forecasted pressures in relation to Property relate to an amount of £0.300m identified as the forecasted cost of making all council buildings Covid-19 compliant. A further amount of £0.034m has been identified as lost rental income resulting from Covid-19 related closures with £0.008m of NNDR costs relating to empty properties.

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

	Budget £m	Forecast Nov £m	Variance Nov £m	Of which – Covid- 19 £m	Of which – Business as usual £m	Variance Sept £m	Business as Usual Change since Sept £m
School Funding & Statutory Staff Costs	4.689	4.636	(0.053)	0.000	(0.053)	(0.053)	0.000
Commissioning Service	0.406	0.373	(0.033)	0.000	(0.033)	(0.020)	(0.013)
Facilities & Fair Access	0.637	3.995	3.358	2.837	0.521	0.503	0.018
Community & Voluntary Sector Liaison	0.441	0.627	0.186	0.229	(0.043)	(0.025)	(0.018)
Strategic Property & Investment	1.746	2.010	0.264	0.300	(0.036)	(0.018)	(0.018)
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property	(0.643)	(0.626)	0.017	0.017	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.161	0.161	0.000	0.000	0.000	0.000	0.000
Procurement	(0.008)	0.018	0.026	0.021	0.005	0.000	0.005
<b>Total Commissioning &amp; Asset Management</b>	<b>7.429</b>	<b>11.194</b>	<b>3.765</b>	<b>3.404</b>	<b>0.361</b>	<b>0.387</b>	<b>(0.026)</b>

4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.521m (September, pressure of £0.503m) which are largely unchanged from the 2019/20 outturn. The pressures are across Catering and Cleaning (£0.100m) and Home to School Transport (£0.400m) with a smaller pressure on Quadrant car parking income (note the impact of lost Quadrant car parking income resulting from Covid-19 building restrictions has been transferred to Central Items).

4.3.11 The issues in Catering and Cleaning relate to non-staffing cost increases and staffing pressures which have not been met by increases in income. There has been an improvement of £0.050m since September due to reduced forecasts for non-staffing costs within the service. The Home to School Transport pressures relate to the increase in children with complex needs attending special schools



and has increased by £0.078m since September. Demand pressures in High Needs is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant (see paragraphs 6.4 to 6.7 for more details). National supplier relief guidelines have been followed and transport contractors were paid at usual rates during the initial lockdown period when schools were closed however, only the costs of anticipated additional routes to comply with social distancing have been included as Covid-19 costs. These main budget issues with Facilities and Fair Access are difficult to forecast and there is considerable ongoing uncertainty resulting from Covid-19 related changes in the operation of schools.

- 4.3.12 C&AM is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services to mitigate these pressures in 2020/21 although this will be further complicated by the ongoing challenge of Covid-19 related changes to the way schools will operate in 2020/21. Within Home to School Transport, work continues on route rationalisation using the new QRoute system however this will also be impacted by Covid-19 as sharing of transport will be limited by infection control measures.
- 4.3.13 C&AM contains the Property element of the Capita North Tyneside Technical Partnership. Whilst, the Partnership is projecting to deliver a balanced managed budget by year-end, it is currently working on proposals to manage pressures linked to the Property Business Cases of £1.039m.

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

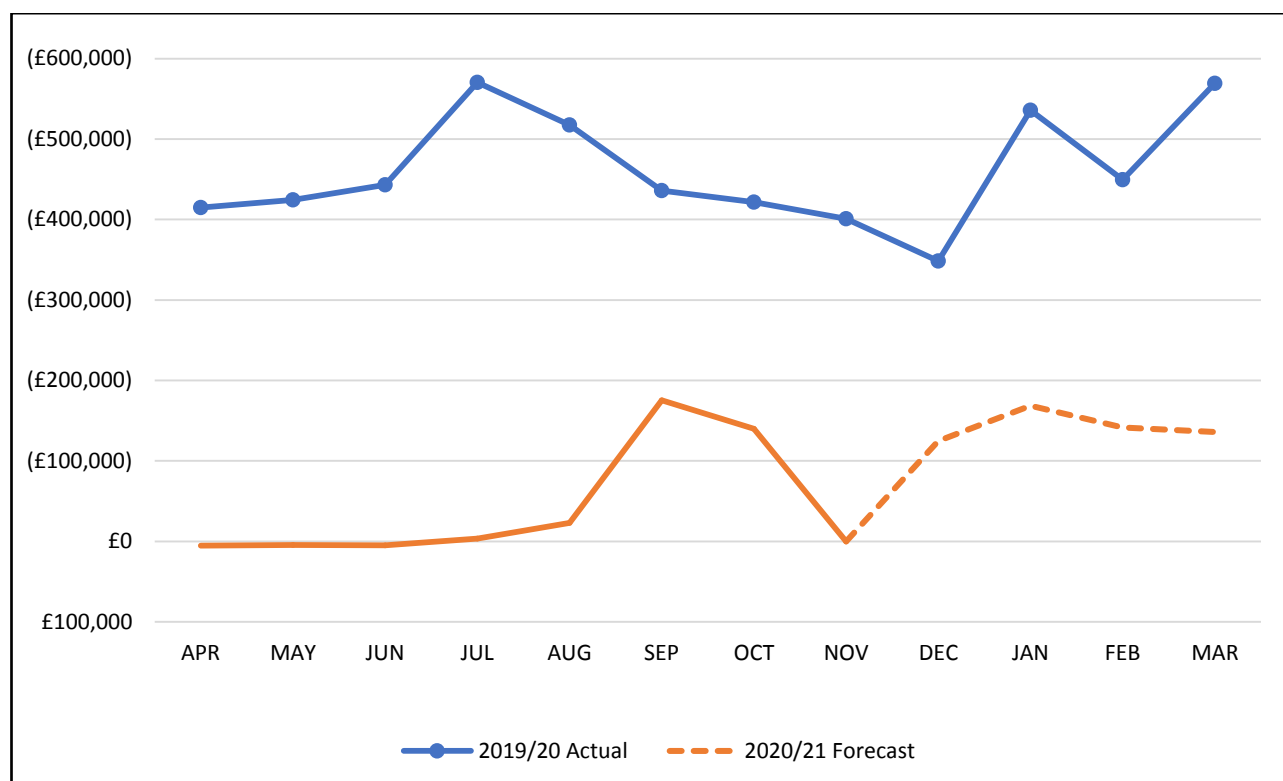
- 4.4.1 EHL is forecasting a saving of £0.256m against the £43.459m budget, as set out in Table 13 below. This is an improved position since September's forecast outturn saving of £0.024m. The position includes a planned £0.671m draw-down of reserves for the street-lighting PFI contract.
- 4.4.2 EHL continues to be heavily impacted by the Covid-19 pandemic, most notably by closures and operation of a reduced service within its sports and leisure facilities and libraries. The following Covid-19 related financial impacts have been identified within EHL as outlined in Table 12 for 2020/21. These amounts have been transferred to Central Items to be set against the Covid-19 related grants received by the Authority.
- 4.4.3 EHL carried out a full review of forecast spend in October, following the announcement of further lockdowns. This work identified further savings to offset the costs of Covid-19.

4.4.4 Table 12: Forecast Impact of Covid-19 on EHL for 2020/21 at November

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Sport & Leisure	0.068	4.978	5.046	4.850	Lost income due to closure, then reduced capacity of facilities and take up of activities upon reopening. Some additional staffing cost to cover Covid related absences in leisure centres and additional cleaning supplies.
Sport & Leisure	(0.243)	0.000	(0.243)	0.000	Reduction in Active North Tyneside activities due to Covid restrictions. Vacancy in Active North Tyneside team not filled at this time. Reduction in utility costs at leisure centres due to closures.
Environmental Services	0.188	0.170	0.358	0.360	Additional costs and lost income from café closures Covid-19 signage Additional PPE costs and staffing Increased bereavement costs.
EHL General	0.249	0.000	0.249	0.000	PPE costs across numerous areas
Waste Management	0.130	0.000	0.130	0.058	Suez Management Fees for health and safety marshalling costs Increased supply costs
Cultural Services	0.120	0.227	0.347	0.399	Mouth of Tyne Festival (fees paid to acts, etc.) Impact on T&W Museums Lost income in libraries Loss of rental income in buildings
Planning and Development	0.000	0.123	0.123	0.129	Reduced building control fees Reduction in planning applications
Environmental & Regulatory Services	0.107	0.169	0.276	0.226	Taxi licencing activities Enforcement Marshalls cost of additional regulatory equipment
Highways and Transport	0.000	1.867	1.867	1.810	Impact on car parking fees Lost income on engineering fees, streetworks, road permits, etc
Homelessness Costs	0.050	0.000	0.050	0.034	Additional bed and breakfast costs to prevent homelessness
Street-lighting PFI	0.005	0.000	0.005	0.005	Costs to counter increased anti-social behaviour
<b>TOTAL EHL</b>	<b>0.674</b>	<b>7.534</b>	<b>8.208</b>	<b>7.871</b>	

4.4.5 The impact of the Covid-19 pandemic on EHL is mainly in relation to lost income. £7.534m of the £8.208m total impact is due to income-generating services being closed or expected to operate at a lower level than previously. For the period April to July and again in November, lost income is based on known closures and uses prior year income generation patterns to provide an estimated value. August to October reflects reduced operations and thereafter a high-level impact assessment of ongoing income has been made based on expected operating levels.

#### 4.4.6 Chart 7: Sales, Fees & Charges from Leisure Centres 2019/20 vs 2020/21



4.4.7 The costs have been offset by savings due to the period of lockdown totalling £0.293m. These savings relate to reductions in Active North Tyneside activities due to Covid restrictions and are a result of vacancies in the Active North Tyneside team not filled at this time and reductions in utility costs at leisure centres due to closures. This leaves a net Covid-19 impact for EHL of £8.208m.

4.4.8 The overall movement in business as usual forecasts since the last report is due to service leads managing costs down, including holding vacancy savings where possible.

4.4.9 Details of the variance for individual service areas are found in paragraphs 4.4.11 to 4.4.27.

4.4.10 **Table 13: Forecast Variation in Environment Housing & Leisure**

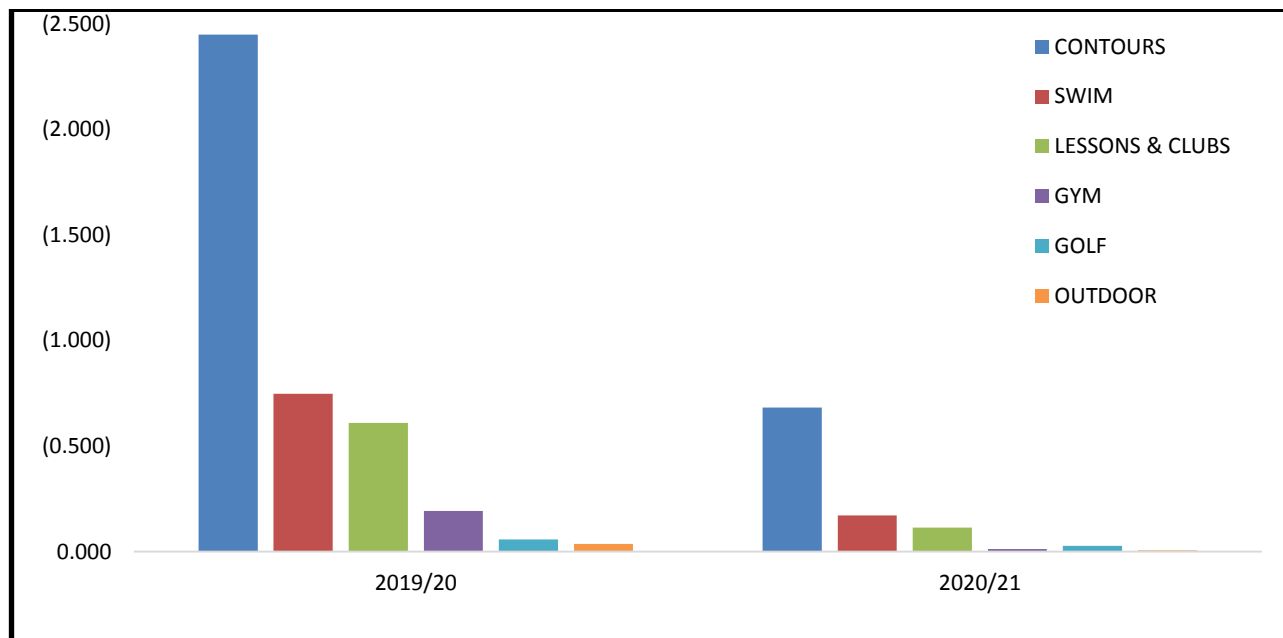
	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Sep £m	BAU Change Since Sep £m
Sport & Leisure	2.975	7.862	4.887	4.803	0.084	0.097	(0.013)
Cultural Services	6.917	7.360	0.443	0.347	0.096	0.181	(0.085)
Security & Community Safety	0.342	0.338	(0.004)	0.000	(0.004)	0.010	(0.014)
Fleet Management	1.103	1.083	(0.020)	0.000	(0.020)	(0.010)	(0.010)
Waste and Recycling Disposal	7.586	7.629	0.043	0.128	(0.085)	(0.114)	0.029
Waste Management	3.975	3.943	(0.032)	0.002	(0.034)	(0.006)	(0.028)
Local Environmental Services	7.479	7.615	0.136	0.358	(0.222)	(0.138)	(0.084)
Head of Service and Resilience	0.245	0.491	0.246	0.249	(0.003)	0.019	(0.022)
Street Lighting PFI	4.323	4.328	0.005	0.005	0.000	0.000	0.000
Consumer Protection & Building Control	1.012	1.266	0.254	0.276	(0.022)	(0.020)	(0.002)
Transport and Highways	6.416	8.261	1.845	1.867	(0.022)	(0.019)	(0.003)
Planning	0.257	0.375	0.118	0.123	(0.005)	(0.005)	0.000
General Fund Housing	0.829	0.860	0.031	0.050	(0.019)	(0.019)	0.000
<b>Total</b>	<b>43.459</b>	<b>51.411</b>	<b>7.952</b>	<b>8.208</b>	<b>(0.256)</b>	<b>(0.024)</b>	<b>(0.232)</b>

#### Sport and Leisure

- 4.4.11 Sport and Leisure is predicting a reduced pressure of £0.084m, however this position is after a transfer to Central Items of £4.978m lost income and £0.068m additional expenditure due to Covid-19. This is offset by £0.243m savings due to a reduction in Active North Tyneside activities (due to Covid restrictions) resulting from vacancies in the Active North Tyneside team not being filled at this time and a reduction in utility costs at leisure centres due to closures.
- 4.4.12 The remaining pressures are due to operational costs forecasted in the leisure centres whilst open, which are showing an improved position since the last report.
- 4.4.13 The Covid-19 impact on lost income has been increased due to the closure of services for November, as can be seen in Chart 7 above. Other budgeted costs

have previously been reported as reduced or been offset by expected savings from being closed. Sport & Leisure income streams continue to be closely managed, with monthly updates of income across the multiple streams, as seen in Chart 8.

#### 4.4.14 Chart 8: Impact of Income Across Main Sport & Leisure Activities



#### Cultural Services

4.4.15 Cultural Services within North Tyneside are predicting a forecast pressure of £0.096m, which is net of Covid-19 related forecast transfers of £0.347m. The movement from the last reported position of £0.182m in September is mainly due to reviewing the spend on books in libraries, along with reviewing forecast spend on operational costs.

4.4.16 Historical pressures around energy and rates, plus cost pressures associated with The Playhouse theatre and various events including the postponement of the 2020 Mouth of the Tyne Festival, have been partially mitigated with the savings on book spend and other operational costs. These pressures will continue to be assessed by Cultural Services as the year progresses, taking in the context of the Pandemic as well as operational requirements.

#### Security and Community Safety

4.4.17 Cabinet will recall Security and Community Safety was reviewed and realigned to increase its overall viability. The remaining variance is due to small operational savings against the revised budget.

#### Fleet Management

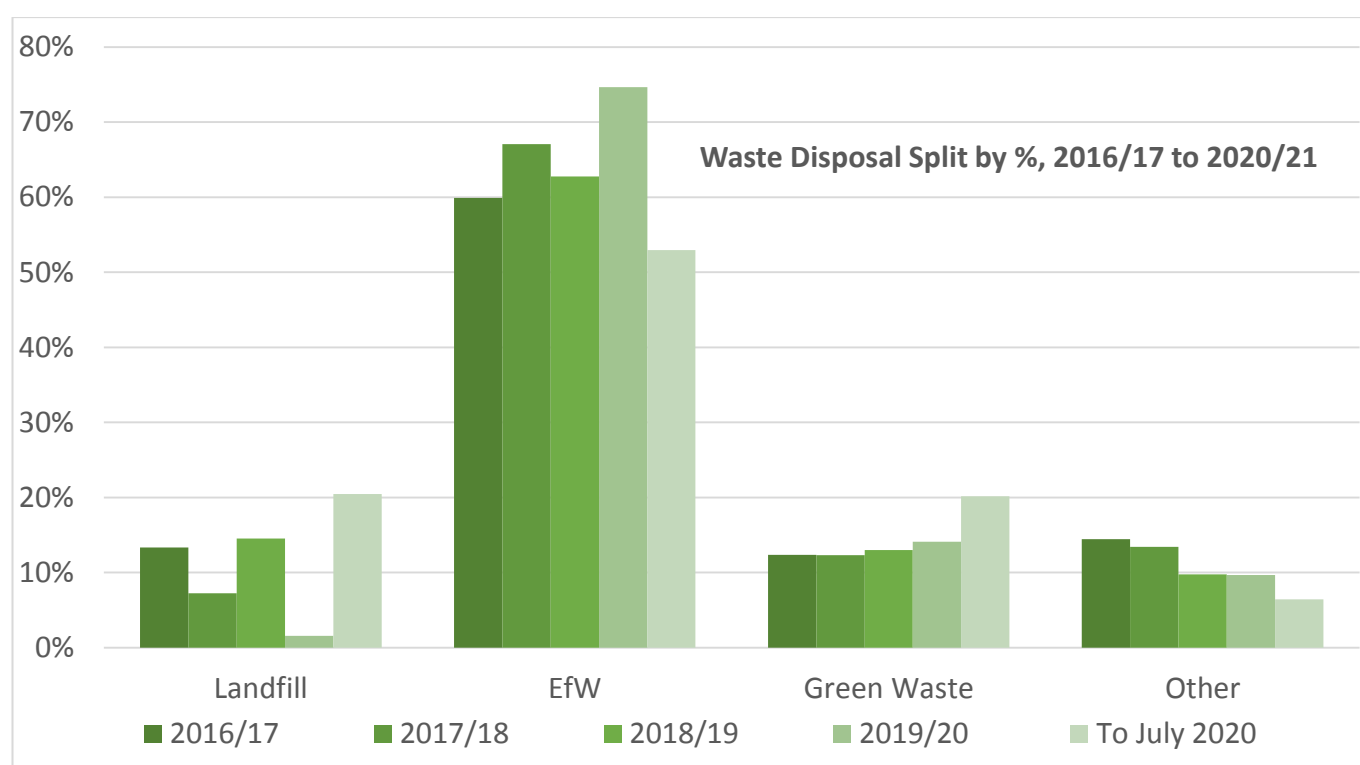
4.4.18 Fleet Management is now forecasting an improved saving of £0.020m, moving from the previously reported £0.010m saving, with further reductions in operational costs.

## Waste Management including Recycling and Disposal

4.4.19 Waste Management is showing a £0.119m saving, worse by £0.009m since the last Cabinet report but fully mitigating operational pressures of £0.011m. As reported in previous Cabinet reports, vacancy savings are identified associated with waste strategy work. The Waste Strategy vacancy savings have been partially off-set by costs incurred by the use of third party technical advisory support on the waste Disposal Contract, in addition to waste campaign work being stepped-up to encourage more recycling during the Covid-19 Pandemic.

4.4.20 Waste and Recycling Disposal has previously reported additional costs of landfill are being offset by savings in other methods of disposal. Chart 9 below shows the mix of waste disposal between collected and household recycling centre, across types of disposal and finally costs of disposal, to August 2020. Although the profile of waste collected and treatment methods has changed due to the impacts of Covid-19, EHL are expecting the costs to remain on budget.

### 4.4.21 **Chart 9: Waste Disposal Volume Comparison 2016/17 to 2020/21 (at August)**



## Local Environmental Services

4.4.22 Local Environmental Services is predicting a saving of £0.222m, an improvement from the last report's forecast saving of £0.084m. The movement is due to increased operational savings, which add to existing savings due to a reduction in capital financing costs charged to revenue for the cremator replacement of £0.050m.

4.4.23 Local Environmental Services have identified the estimated cost impact of Covid-19 as £0.358m, which mainly relates to lost income in park cafes, additional costs

of staffing (e.g. wardens), signage and PPE and our Authority's contribution towards the region's temporary body storage units in addition to installing a webcast and video/music tribute at Whitley Bay Crematorium.

#### Street Lighting PFI

- 4.4.24 The street-lighting PFI contract balances to budget due to a planned £0.671m draw-down from reserves, as planned in previous years. Historical energy cost pressures have been mitigated where possible, reducing the value of the reserve draw-down.

#### Consumer Protection & Building Control

- 4.4.25 This area is predicting Covid-19 related costs of £0.276m, mainly for increased enforcement costs (including the costs of Covid marshalls) and the impact on taxi licencing income. Transferring these costs centrally against the grant funding received leaves an expected small staffing saving of £0.022m.

#### Transport & Highways

- 4.4.26 This area is forecasting Covid-19 related lost income from car parks, reduced engineering fees, streetworks fees and road permit income of £1.867m. Previously reported income losses on car parks are expected to be further impacted by the November lockdown. Transferring out these costs to the Covid-19 central cost centres leaves a small forecast operating saving of £0.022m.

#### General Fund Housing

- 4.4.27 The planning service is expecting to carry £0.050m Covid-19 related costs due to increased costs of homelessness, though transferring these costs centrally will leave a small saving of £0.019m.

### **4.5 Regeneration and Economic Development**

- 4.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.192m at November 2020, an improvement of £0.017m since September, as shown in Table 15 below. This is after moving the expected Covid-19 impact of £0.055m (Table 14) into Central Items in relation to lost income at Swan Hunters.

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Regeneration	0.000	0.055	0.055	0.055	Estimated lost rental income at Swan Hunters site

4.5.3 As previously reported to Cabinet, the pressures in Regeneration result mainly from a forecasted inability to achieve staff capitalisation & recharge income targets and income generation shortfalls at both Swans-related sites.

4.5.4 **Table 15: Forecast Variation for Regeneration and Economic Development**

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
Business & Enterprise	0.751	0.739	(0.012)	0.000	(0.012)	(0.001)	(0.011)
Regeneration	0.438	0.636	0.198	0.055	0.143	0.163	(0.020)
Resources & Performance	0.203	0.264	0.061	0.000	0.061	0.047	0.014
<b>Total</b>	<b>1.392</b>	<b>1.639</b>	<b>0.247</b>	<b>0.055</b>	<b>0.192</b>	<b>0.209</b>	<b>(0.017)</b>

4.5.5 Forecasts still assume the sale of the Swans site will occur in the third quarter of the year, though the impact of the recent fire on the site has yet to be fully assessed.

4.6 **Corporate Strategy**

4.6.1 Corporate Strategy is forecasting a pressure of £0.089m as set out in Table 17 below, after transferring out Covid-19 related costs totalling £0.093m (Table 16). The position reflects an improvement of £0.008m since the last Cabinet reported position.

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Marketing	0.000	0.080	0.080	0.080	Marketing income lost
Marketing	0.012	0.000	0.012	0.012	Production of Covid-19 leaflets and guidance
Policy, Performance & Research	0.001	0.000	0.001	0.001	SMAP report
<b>Total</b>	<b>0.013</b>	<b>0.080</b>	<b>0.093</b>	<b>0.093</b>	



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

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
Children's Participation & Advocacy	0.258	0.246	(0.012)	0.000	(0.012)	(0.003)	(0.009)
Corporate Strategy Management	0.006	0.165	0.159	0.000	0.159	0.108	0.051
Elected Mayor & Executive Support	0.018	0.015	(0.003)	0.000	(0.003)	0.006	(0.009)
Marketing	0.289	0.332	0.043	0.092	(0.049)	(0.011)	(0.038)
Policy Performance and Research	0.130	0.125	(0.005)	0.001	(0.006)	(0.003)	(0.003)
<b>Total</b>	<b>0.701</b>	<b>0.883</b>	<b>0.182</b>	<b>0.093</b>	<b>0.089</b>	<b>0.097</b>	<b>(0.008)</b>

4.6.4 The remaining pressures in the service are due to shortfalls against income targets, plus small staffing and operational pressures across the service. The improvement from the previous report reflects reduced operational expenditure and small improvements to income forecasts

#### 4.7 Resources and Chief Executive Office

4.7.1 The forecast surplus of (£0.018m) within Resources and Chief Executive Office, is after an adjustment of £1.152m for Covid-19 revenue costs (Table 18). In addition, the service has identified £0.200m of capital Covid-19 costs due to purchase of IT equipment. The service budget pressures, as set out in Table 19 below, mainly relate to increased staffing pressure in HR, mitigated by savings in Finance (Revenues & Benefits) and the Chief Executive's office.

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Corporate ICT	0.103	0.000	0.103	0.003	Purchase of IT equipment
Corporate HR	0.005	0.000	0.005	0.005	Additional resource to support HR for Covid-19 issues
Corporate Finance (Benefits)	0.076	0.000	0.076	0.076	Additional costs of homelessness

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Corporate Finance (Revenues)	0.000	0.968	0.968	0.968	Lost enforcement income due to courts being closed
<b>Total</b>	<b>0.184</b>	<b>0.968</b>	<b>1.152</b>	<b>1.052</b>	

#### 4.7.3 Table 19: Forecast Variation Resources

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
ICT	2.851	2.961	0.110	0.103	0.007	0.191	(0.184)
Finance	0.013	1.007	0.994	1.044	(0.050)	(0.056)	0.006
HR & Organisational Development	0.013	0.112	0.099	0.005	0.094	0.094	0.000
Chief Executive	(0.078)	(0.147)	(0.069)	0.000	(0.069)	(0.075)	0.006
<b>Total</b>	<b>2.799</b>	<b>3.933</b>	<b>1.134</b>	<b>1.152</b>	<b>(0.018)</b>	<b>0.154</b>	<b>(0.172)</b>

- 4.7.4 Previous Cabinet reports have identified the main areas impacting the finance area forecast are within Revenues & Benefits. For this area the position being reported in November is relatively unchanged from the September Cabinet report.
- 4.7.5 Forecasts in November did show a potential improvement in the subsidy position, however we have been made aware of a known software issue by the Revenue & Benefit system software supplier which is currently being rectified. Resources did not therefore wish to forecast an improvement until the software error was rectified and the exact position known.
- 4.7.6 ICT previously reported pressures due additional licence costs within ICT Retained Services and the IT Customer Journey costs, which has now been corrected by budget realignments.
- 4.7.7 Previous Cabinet reports have identified the main areas impacting the forecast for Human Resources & Organisational Development. For this area the position being reported in November is unchanged from the September Cabinet report.
- 4.7.8 The Chief Executive's office is showing a saving of £0.069m. The saving is due to an underspend on staffing (£0.023m) and reduced spend on supplies and services (£0.046m).

## 4.8 Law and Governance

4.8.1 Law and Governance is forecasting a net pressure of £0.265m, a movement of £0.014m since the September report. The pressure reported is after transfer of £0.342m identified Covid-19 costs and £0.120m Covid-19 related savings (see Table 20).

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Customer, Governance and Registration	0.000	0.170	0.170	0.170	Registrars – lost income due to reduction in numbers of weddings / civil ceremonies / citizenship ceremonies / duplicate certificate requests (April – Dec 2020)
	0.000	0.025	0.025	0.025	Registrars – lost income due to reduction in venue usage for weddings (April – Dec 2020)
Legal Services	0.000	0.070	0.070	0.070	Legal Services (Non-Contract) lost income due to lower property/business transactions
Information Governance	0.000	0.077	0.077	0.092	Land Charges - lost income due to lower property transactions in conjunction with market forces
Democratic and Electoral Services	(0.120)	0.000	(0.120)	(0.120)	Election Expenses - Expenditure underspend forecast due to no elections taking place
<b>Total</b>	<b>(0.120)</b>	<b>0.342</b>	<b>0.222</b>	<b>0.237</b>	

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

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
Customer, Governance and Registration	(0.071)	0.164	0.235	0.195	0.040	0.032	0.008
Democratic and Electoral Services	(0.044)	(0.196)	(0.152)	(0.120)	(0.032)	(0.037)	0.005
Information Governance	0.059	0.082	0.023	0.077	(0.054)	(0.029)	(0.025)
Legal Services	(0.105)	0.180	0.285	0.070	0.215	0.184	0.031
North Tyneside Coroner	0.294	0.390	0.096	0.000	0.096	0.101	(0.005)
<b>Total</b>	<b>0.133</b>	<b>0.620</b>	<b>0.487</b>	<b>0.222</b>	<b>0.265</b>	<b>0.251</b>	<b>0.014</b>

4.8.4 Cabinet will recall from previous reports that the main pressures in Law & Governance relate to legal staffing pressures and additional coroner costs, plus there are smaller pressures within Customer, Governance and Registration relating to a forecast shortfall against income targets not related to Covid-19. These are partially mitigated by net operational savings across all parts of the service.

#### 4.9 Central Items

4.9.1 The November 2020 business as usual forecast for Central Items is a surplus of £7.035m, an improvement of £0.770m from the September report. This position is after the following forecasted transfers to reserves;

- a £12.719m transfer relating to a surplus S31 balance generated following additional payments being received from Government as compensation for the increased Retail and nursery reliefs offered to Business Rates in response to the Covid-19 pandemic. The surplus on S31 will be used to partially offset the Collection Fund deficit that will be carried into 2021/22 as a result of the additional reliefs being offered to rate payers. Further details can be found in Section 5.
- and, new in November, a transfer of £1.841m relating to pooled growth funding from the North of Tyne Combined Authority.

4.9.2 As described in sections 4.1 to 4.8, the income and expenditure pressures relating to Covid-19 within each service area have been transferred into Central Items to be shown against the Covid-19 Local Authority Support Grant. Total pressures of £26.241m have been identified across the rest of the General Fund as shown in Table 22 below.

#### 4.9.3 Table 22: Summary of Covid-19 Pressures by Service

Service	Total Forecasted Covid-19 Pressure £m
Health, Education, Care and Safeguarding	13.107
Commissioning and Asset Management	3.404
Environment, Housing and Leisure	8.208
Regeneration and Economic Development	0.055
Corporate Strategy	0.093
Chief Executive's Office	0.000
Resources	1.152
Law and Governance	0.222
<b>Total Covid-19 pressures transferred to Central Items</b>	<b>26.241</b>
Covid-19 Pressure within Central Items – bad debts	0.300
Covid-19 Pressure within Central Items – items normally recharged to General Fund from HRA	0.387
Covid-19 Pressure within Central Items - PPE	0.144
<b>Total Covid-19 pressures recorded</b>	<b>27.072</b>
Allocation of Local Authority Support Grant and specific grants (see table 23)	(25.689)
<b>Central Items Covid-19 Pressure</b>	<b>1.383</b>

4.9.4 The total of grants available to offset Covid pressures is £25.689m as broken down in Table 23 below. This value is being applied against the forecast pressures leaving an amount of £1.383m over and above current grant funding. This compares favourably with a gap of £4.259m at September. This pressure is being partially offset by underspends within Central Items outlined in paragraph 4.9.7 below. Table 24 summarises the position within Central Items.

#### 4.9.5 Table 23: Grants Forecasted to Offset Covid Pressures in 2020/21

Grant	£m
Local Authority Support Grant – Tranche 1 balance carried forward into 2020/21	6.089
Local Authority Support Grant – Tranche 2	5.709
Local Authority Support Grant – Tranche 3	1.777
Local Authority Support Grant – Tranche 4	2.061
Test Track and Trace Grant	1.140
Infection Control Fund Round 1	2.205
Infection Control Fund Round 2	2.207
Clinically Extremely Vulnerable	0.142
Home to School Transport	0.110
Sales Fees and Charges – April to July (Received)	2.463
Sales Fees and Charges – August to November (Submitted)	1.786
<b>Total</b>	<b>25.689</b>

4.9.6 The Authority's claim of £2.463m (for April 2020 to July 2020) relating to the Government's compensation scheme for sales fees and charges has now been confirmed.

4.9.7 **Table 24: Outturn Variation Central Budgets and Contingencies**

	<b>Budget £m</b>	<b>Forecast Nov £m</b>	<b>Variance Nov £m</b>	<b>Of Which Covid-19 £m</b>	<b>Of Which BAU £m</b>	<b>BAU Variance Sept £m</b>	<b>Change in BAU since Sept £m</b>
Corporate & Democratic Core	1.729	1.715	(0.014)	0.000	(0.014)	0.005	(0.019)
Other Central Items	12.188	(34.251)	(46.439)	(24.858)	(21.581)	(18.989)	(2.592)
<b>Central Items Sub Total</b>	<b>13.917</b>	<b>(32.536)</b>	<b>(46.453)</b>	<b>(24.858)</b>	<b>(21.595)</b>	<b>(18.984)</b>	<b>(2.611)</b>
S31 – Transfer to Reserves	0.000	12.719	12.719	0.000	12.719	12.719	0.000
NoTCA Pooled Growth – Transfer to Reserves	0.000	1.841	1.841	0.000	1.841	0.000	1.841
<b>Total Central Items</b>	<b>13.917</b>	<b>(17.976)</b>	<b>(31.893)</b>	<b>(24.858)</b>	<b>(7.035)</b>	<b>(6.265)</b>	<b>(0.770)</b>

4.9.8 Within Other Central Items there are several budget areas which are partially offsetting the Covid-19 pressures. Continuing from 2019/20, there are contingency budgets totalling £4.416m held for adult and children's social care. Continued savings have been identified in 2020/21 resulting from the application of the Authority's Treasury Management Strategy. There is a forecasted underspend of £1.936m due to interest savings resulting from higher than forecasted cash balances, reduced interest rates and Investment Plan reprogramming which is an improvement of £0.622m from the September position. In addition, reprogramming is also forecasted to deliver a credit against Minimum Revenue Provision of £0.279m and there is a forecasted procurement rebate of £0.227m. An additional £1.841m receipt for the Authority's share of the growth element from the 2019/20 Business Rates pool has been included. This income has been forecast to move to reserve at year end. The remaining improvement relates mainly to increased interest received of £0.128m due to higher than anticipated cash balances.

## **SECTION 5 – THE COLLECTION FUND**

- 5.1 This section has been added to the report due to the impact of Covid-19 on the Collection Fund. Whilst the impact is anticipated to be felt in 2020/21, the nature of the Collection Fund means it is important to consider the impact Covid-19 will have on future years with regards to budget setting in 2021/22 and medium-term financial planning.

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

### **Council Tax**

- 5.2 Cabinet are aware that the Council Tax Base is a key figure used in setting the budget and this is affected by the number of domestic properties in the borough, the level of collection rate expected and the number of households claiming Local Council Tax Support (LCTS). For the 2020/21 Budget, the Council Tax Base was agreed by Cabinet on 20 January 2020. This calculation is based on the number of domestic properties as at the end of November before considering the impact of future housing growth, collection rates and LCTS.
- 5.3 The Covid-19 pandemic has already begun to have a number of impacts on the Council Tax position, most notably through the levels of collection (a 1.05% reduction by October 2020 and 0.64% drop by November 2020) and increase in LCTS. Recovery action was restarted, although with a softer approach in August so this position is expected to improve. Table 25 below shows the position of the key statistics through the last seven financial years leading up the budget position set for 2020/21. The statistics show a strong record of growth in the borough combined with a strong collection performance. However, for November 2020, following the impact of Covid-19, the tax base figure is 61,853 which is lower than the budgeted figure of 61,870. The main cause of this has been the increase in the number of LCTS claimants (outlined in 5.4 below). Despite the net collectable debit being higher, increased pressures on collection and increasing LCTS claimants suggest less resources will be generated by the Authority.
- 5.4 Table 26 shows the number of LCTS claimants over a seven-year period. This shows a year on year reduction in the number of claimants in the borough prior to the impact of Covid-19. This impact is shown in the increase seen from the end of 2019/20 to the November position in 2020/21, where the Authority has had an additional 372 claimants, with further claimants expected. A reduced collection rate of 97.5% is now being assumed due to the increased financial difficulties Covid-19 may have had on residents.

**Table 25: Council Tax – Performance through the years**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 Budget	2020/21 End Nov
No of Domestic Properties	95,059	95,563	96,243	96,752	97,698	98,626	99,558	99,407	99,889
Council Tax Base	53,034	55,400	56,424	56,948	58,202	59,048	60,167	61,870	61,853
Net Collectable Debit £m	81.404	82.842	84.868	89.961	97.737	104.048	110.511	114.558	113.991
In year Collection Rate %	96.5	96.4	96.6	96.5	96.2	95.4	95.0	n/a	n/a
Assumed Collection Rate %	98.5	98.5	98.5	98.5	98.5	98.5	98.5	98.5	n/a

**Table 26: Local Council Tax Support Claimants**

Financial Year	Working Age	Pensionable Age	Total Claimants
2013/14	11,551	10,656	22,207
2014/15	11,290	10,032	21,322
2015/16	10,937	9,435	20,372
2016/17	10,434	8,891	19,325
2017/18	10,289	8,435	18,724
2018/19	9,633	8,098	17,731
2019/20	9,372	7,800	17,172
2020/21 – End Nov	9,923	7,621	17,544

- 5.5 The impact of these factors on the Collection Fund position has the potential to push the Council Tax Collection Fund into deficit for 2020/21, which will have a direct impact on available resources for 2021/22.
- 5.6 The Authority has received £2.023m of discretionary funding from Government to support residents who are in financial hardship through Covid-19. This funding came with a clear instruction that Government expected local authorities to provide £150.00 additional Council Tax discount to working age claimants who were in receipt of LCTS. Some claimants did not have that amount of liability which meant that they had nothing to pay in 2020/21, once the discount was awarded. The hardship discount has been paid to 10,067 LCTS recipients at a cost to date of £1.700m.



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

The Authority has allocated £0.100m to Housing to support tenants who are in financial difficulties and require support. Forecasts at this stage suggest that approximately £0.400m of the grant may be left after all the hardship payments are allocated as the Authority's Recovery Group workstream on Welfare Support is currently looking at criteria and processes for utilisation of the remaining hardship funding.

## Business Rates

- 5.7 Significant changes have been made by Government to Business Rates in response to the Covid-19 pandemic, in an effort to help support businesses during the crisis. One such measure was the introduction of a grant aimed at supporting businesses in the retail, hospitality and leisure sectors, small businesses in receipt of small business rate relief and other organisations such as community associations and sporting clubs during the pandemic. Using records held in the Northgate system, initial estimates were that 3,014 business premises would be eligible to apply for this grant at a cost of £34.270m. At the end of November 2020, the Authority had made payments to 2,849 (94.53%) of the eligible businesses, totalling £32.825m.
- 5.8 Two further discretionary reliefs were introduced, as a response to Covid-19, for Retail Discount and Nursery Discount. At the end of November 2020, these reliefs totalled £27.983m and £0.219m respectively for North Tyneside.
- 5.9 The implications of these reliefs are that the Authority's net rateable value is reduced, resulting in lower income than budgeted for being generated through Business Rates. Government is compensating Authorities for this through additional Section 31 grants. Section 31 grants are received into the General Fund whereas business rates income retained would be received into the Collection Fund. These extra reliefs will impact the Collection Fund, leaving a greater deficit than expected but a greater S31 surplus will be achieved in the General Fund. The forecasted position for S31 is shown in table 27 below.

**Table 27: Section 31 grants in 2020/21**

	<b>Budget £m</b>	<b>Nov Forecast £m</b>	<b>Difference £m</b>
S31 Grant	(4.916)	(17.635)	(12.719)

- 5.10 Other considerations, resulting from the impact of Covid-19, are not only the ability for businesses to recover and continue to operate in the borough but whether demand for premises will change as businesses adjust to increase levels of home working. With large business parks in the borough, such as Cobalt, Quorum and

Balliol this is a particular concern for North Tyneside. Whilst it is currently very difficult to forecast the implications on the Rates payable by the impacts on business across the borough for illustrative purposes at this early stage a 10% reduction to the overall nets rate payable has been assumed. A further consideration will be the impact of collection rates which have fallen towards the end of 19/20 and into 20/21.

**5.11 Table 28: Rateable Value and Net Rates Payable by Business Type (November)**

Type	Current Rateable Value £m	Nets Rate Payable (100%) £m	Nets Rates Payable (90%) £m
Shop/Retail	60.564	1.209	1.092
Offices	30.803	12.425	11.197
Industrial	35.600	14.291	12.870
Hospitality	1.733	0.014	0.012
Club/Community/Sports	5.042	1.166	1.054
Others	16.369	4.769	4.292
<b>Total</b>	<b>150.111</b>	<b>33.874</b>	<b>30.517</b>

**5.12 Table 29: Business Rates Collection Rates**

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

5.13 The overall implications are that the Collection fund could move into significant deficit for 21/22, some of which will be met by the S31 grant for the reliefs issued in 20/21 and is illustrated in Table 29 below.

**Table 30: Summary position for Business Rates**

	Difference £m
Additional S31 Grant (table 26)	(12.719)
North Tyneside Projected Deficit	14.433
<b>Additional Deficit</b>	<b>1.714</b>

## SECTION 6 - SCHOOLS FINANCE

### Update on School Monitoring

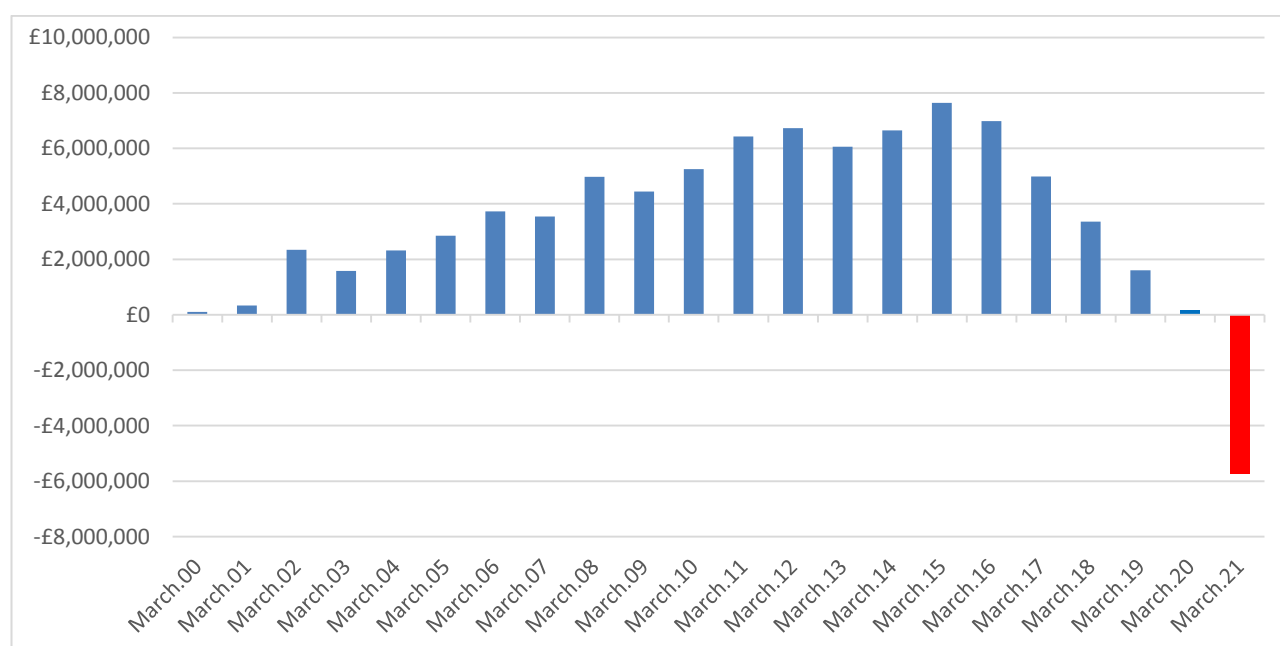
6.1 Cabinet will recall that in September schools completed their first monitoring reports of the year, with the results across all school phases reflecting a forecast deficit of £5.734m, which is an improvement against the £6.681m planned deficit budget of £0.947m. The next monitoring reports will be prepared with finance in January / February 2021 and will be reported to Cabinet in March.

### 6.2 Table 31: School Summary Positions at First Monitoring

PHASE	BUDGET 2019/20 OUTTURN £m	ACTUAL OUTTURN 2019/20 £m	BUDGET 2020/21 OUTTURN £m	MONITORING 1 2020/21 £m	Variance £m
Nursery	0.002	0.127	0.053	0.086	0.033
First	0.412	0.746	0.665	0.624	(0.041)
Primary	2.346	3.497	2.271	2.630	0.359
Middle	0.369	0.437	0.276	0.338	0.062
Secondary	(8.028)	(5.549)	(9.679)	(9.765)	(0.086)
Special/PRU	0.238	0.907	(0.267)	0.353	0.620
<b>TOTAL</b>	<b>(4.661)</b>	<b>0.165</b>	<b>(6.681)</b>	<b>(5.734)</b>	<b>0.947</b>

6.3 The forecast outturn and budgeted outturns for both 2019/20 and 2020/21 contain commitments carried from previous years into the school accounts. The actual outturn position for 2019/20 is the cumulative balances held by the schools and does not contain the commitments.

### 6.4 Chart 10: School Balances Since March 2000



## School Finance Plan

- 6.5 The Authority has continued working with Schools Forum to review the modelling of the conversion of the Authority's Local Funding Formula (LFF) towards the National Funding Formula. In November, following consultation with schools, Schools Forum recommended a LFF which moves to 100% to the National Funding Formula for 2021/22. In addition, the consultation asked for schools if they would support a transfer of up to 0.5% from the Schools block to the High Needs block in 2021/22. The response from schools was 58% were against a transfer and 48% were for. Schools Forum endorsed this recommendation on 26 November and would not be supportive of a transfer for 2021/22. The final decision will be made at Schools Forum on 13 January 2021 and Cabinet will be updated at the next available opportunity also rejected transfer of funds between blocks to support pressures within the High Needs block.

Schools Forum was also asked to consider the impact of reduced funding for centrally provided School Services and the introduction of a growth fund policy to support schools with increasing pupil numbers due to bulge classes or increases in pupil published admission numbers (PAN). The process will continue in line with the key milestones outlined in Table 32 below:

### 6.6 Table 32: Timetable for School Finance in 2020/21

Date	Activity
October 2020	First tranche of North Tyneside Catholic schools move to diocese multi academy trust (St. Thomas Moore).
20 November 2020	Consultation returns received and reviewed
26 November 2020	Schools Forum agrees recommendations to Cabinet for the 2021/22 Local Funding Formula to individual schools.
8 December 2020	Schools Forum considers proposals to de-delegated and centrally retained budgets and any transfers between funding blocks
December 2020 / January 2021	Local Government Finance Settlement announced including school funding amounts
January 2021	Schools Forum meeting to consider growth funding and outcome of finance settlement
21 January 2021	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
February 2021	Schools to complete monitoring 2 reporting and begin budget planning 3 year budget plan 2021/22 to 2023/24.
28 February 2021	Deadline for confirmation of schools budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)
April 2021	Second tranche North Tyneside Catholic schools move to diocese Multi Academy Trust

## High Needs Block Update

- 6.7 Cabinet will recall as reported in the September position, that the High Needs block reported an expected in-year pressure of £3.625m, and a cumulative pressure of £8.167m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund.
- 6.8 The forecast for the High Needs Block is now an anticipated in-year pressure of £3.625m reflecting an upswing in numbers of children with Education Health and Care Plans (EHCP) identified when schools returned, with more children being placed in Out of Borough placements. This will give a £8.167m cumulative balance at the end of the year. A breakdown of the revised in-year pressure is shown in Table 33 below:

6.9 **Table 33: Breakdown of High Needs Pressures at November 2020**

Provision	Budget	Forecast Nov	Variance	Comment	Variance Sept
	£m	£m	£m		£m
Special schools and PRU	13.000	14.953	1.953	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	1.866
ARPs/Top ups	4.005	4.951	0.946	Pressures in pre 16 top ups e.g. Norham ARP. Melrose transfer to Southlands represents change	0.991
Out of Borough	2.165	2.806	0.641	Increased number of children placed outside North Tyneside Schools	0.565
Commissioned services	3.957	4.042	0.085		0.035
<b>Subtotal</b>	<b>23.127</b>	<b>26.752</b>	<b>3.625</b>		<b>3.457</b>
2019/20 b/f			4.542		4.542
<b>Subtotal</b>			<b>8.167</b>		<b>7.999</b>

### Special Schools and the Pupil Referral Unit (PRU)

- 6.10 There is a pressure of £1.953m relating to this area. The Authority has seen increasing numbers of children and young people within the education system with significant needs requiring specialist provision. This is particularly relating to Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health needs (SEMH). The Authority has increased the numbers of places within in special schools to cope with this additional demand. Number of places have increased as follows:

**Table 34: Increase in Special School Places in 2020/21**

Special schools and Moorbridge	Planned Places	Forecast Pupil Nos at Nov 20	Movement
Beacon Hill	180.4	190	+9.6
Benton Dene	116.6	122	+5.4
Silverdale	83	102	+19
Southlands (Main Site)	123	129	+6
Southlands (Melrose Site)	0	32	+32
Woodlawn	106.2	122	+15.8
	<b>609.2</b>	<b>697</b>	<b>+87.8</b>

- 6.11 Special schools are funded with £10,000 per place, with this increase in numbers representing an increased spend of £0.878m, plus a top-up based on a banding which is reflective of the needs of each individual child. Funding values for each banding is shown in Table 35 below. The majority of pupils attending special schools attract band 4 and band 5 top-up levels. The forecast cost of special school top-ups has risen from a planned £4.928m to £6.152m.

**Table 35: Special School Top Up Values by Banding**

Band	Top up value £
Band 1	0
Band 2	3,341
Band 3	6,682
Band 4	9,507
Band 4	19,221

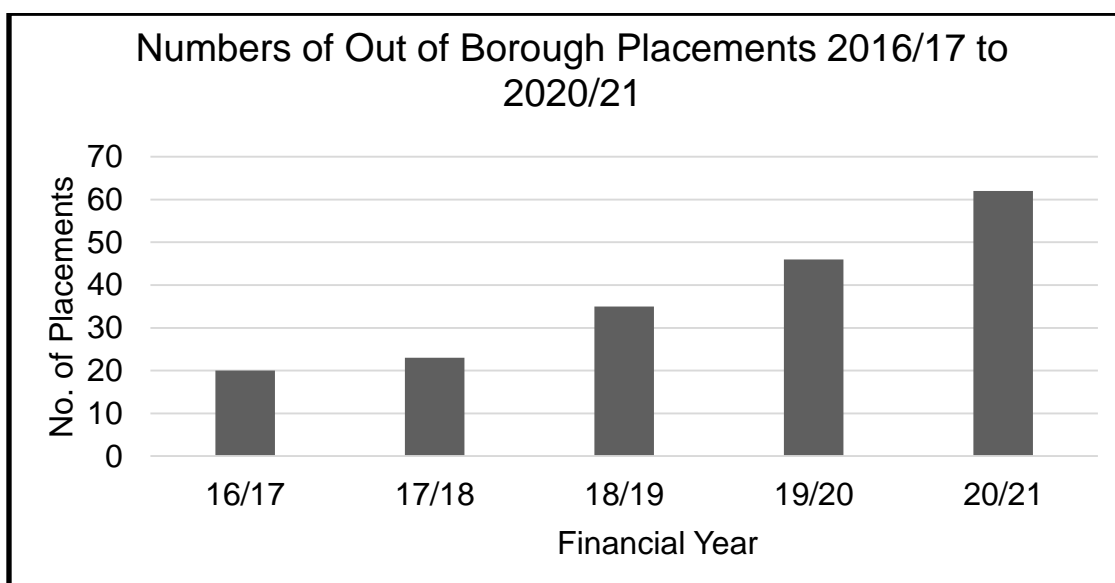
**ARPS and Mainstream Top Ups (Pre 16)**

- 6.12 There are pressures of £0.946m within Additional Resourced Provision (ARP) and top-up costs within mainstream schools due to increasing numbers of children and young people with additional needs and the rising average complexity of those needs. Top-up funding is paid to support children with additional needs in mainstream school. This is paid on the basis of an hourly rate reflecting the costs of additional staffing support outlined within the individual child's Education, Health and Care Plan (EHCP). Levels of top-up payments to mainstream schools have risen in the last four years with an overall increase in the numbers of children and a rise in larger packages of support reflecting the increasing complexity of needs.

## Out of Borough Placements

- 6.13 In some instances, the Authority is unable to meet the needs of an individual child or young person and an out of borough placement is made. This can be made with a local private provider. This area of expenditure is showing a pressure of £0.940m due to increasing numbers of placements made with 62 children attending out of borough providers at November 2020 compared to 35 in 2018/19 and only 20 in 2016/17. The increasing use of these placements is illustrated in Chart 11 below.

**Chart 11: Numbers of Out of Borough Placements 2016/17 to 2020/21**



## High Needs Recovery Plan

- 6.14 A team of officers from Health, Education, Care and Safeguarding and Commissioning and Asset Management are working on a High Needs recovery plan in line with Department for Education requirements, with support from Finance. The plans to mitigate the pressures on High Needs include measures described in the following paragraphs.

### Refusals to Assess

- 6.15 There is an increase in children and young people who, on receiving a request for an Education Health and Care Needs Assessment, are now determined that their needs can be met within the Local Offer. The same is true for those where, at the conclusion of the Education Health and Care Needs Assessment, we determine that they do not require an Education Health and Care Plan and that their needs can be met within the Local Offer. This has been a shift of 1% in 2019 to 20% in 2020. This will have a direct impact on spend.

## Developing the North Tyneside Inclusion Strategy

- 6.16 A new North Tyneside Inclusion Strategy is currently being developed to strengthen our capacity to meet the needs of children with SEND in line with our 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.

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

### **Strengthening the ‘Graduated Response’ in Mainstream Schools**

- 6.18 Children with SEND in mainstream schools should be supported through a four-stage cycle of assess, plan, do and review, known as the graduated approach. Schools are expected to make reasonable adjustments and use their best endeavours to meet the needs of children and young people, before seeking statutory assessment or requesting High Needs top-up funding. The graduated response work will be a key component of the new Inclusion Strategy.
- 6.19 The development of the graduated response work also seeks to strengthen the gatekeeping around access to High Needs top-up funding, to ensure greater equity and value for money in the way funding is allocated and used.

### **Managing demand for out of borough placements**

- 6.20 There has been an increase in requests from parents for placements in independent, non-maintained special schools and colleges. Our priority is to support as many children as possible to be educated in borough and, for that reason, we continue to fund additional places in North Tyneside special schools. Alongside that, further resources have been agreed to strengthen the therapy offer into our local special schools. This includes a SEND Project Lead employed by Northumbria NHS Foundation Trust who will co-ordinate this joint working, plus additional capacity for the NHS therapy teams working directly with school staff and with children.



## **SECTION 7 - HOUSING REVENUE ACCOUNT**

### **Forecast Outturn**

7.1 The forecast set out in Table 36 below is based on the results to November 2020. Currently the HRA is forecasting an overspend of £1.258m against budget including the impact of all identified HRA and HPC-related Covid-19 costs and a £0.259m pressure, after excluding those Covid-19 costs which are rechargeable to the general fund and eligible to be set against government Covid grants. Throughout the year costs will be monitored closely across all areas, but with additional focus on Rent Arrears and the related impact on the bad debt provision, rental income, Council Tax voids and staffing vacancies, which could lead to further changes in the forecast position.

7.2 **Table 36: Forecast Variance Housing Revenue Account**

	<b>Budget £m</b>	<b>Current Forecast £m</b>	<b>Current Variance £m</b>	<b>Last cabinet report £m</b>
HRA Management Costs	10.226	10.116	(0.110)	(0.110)
HRA Repairs	12.247	13.920	1.673	1.673
HRA – Capital Charges	13.832	13.832	0.000	0.000
HRA – PFI Contract Costs	9.690	9.940	0.250	0.250
HRA – Capital Financing	23.296	23.296	0.000	0.000
HRA Other Costs	1.340	1.340	0.000	0.000
HRA – Other Income	(7.743)	(7.743)	0.000	0.000
HRA - Rental Income	(60.299)	(60.854)	(0.555)	(0.555)
<b>Total including all Covid-19 pressures</b>	<b>2.589</b>	<b>3.847</b>	<b>1.258</b>	<b>1.258</b>
HRA Covid-19 pressures mitigated	0.000	(0.999)	(0.999)	(0.999)
<b>Total after HRA Covid-19 pressures mitigated</b>	<b>2.589</b>	<b>2.848</b>	<b>0.259</b>	<b>0.259</b>

7.3 The total Covid-19 costs attributed to the HRA and HPC is £2.523m, which is a combination of unproductive workforce costs resulting from restrictions during lockdown (£1.423m), the costs of procuring and distributing PPE locally and regionally (£0.730m), and in addition unproductive time in relation to works HPC would have delivered to the General Fund but for lockdown (£0.330m). The level of identified Covid-19 pressures has remained fairly consistent at circa £2.500m. Indications are that only the PPE-related costs and the general-fund related costs can be considered as eligible to be covered by government covid grant (£0.999m).

7.4 **Table 37: Forecast Impact of Covid-19 on HRA for 2020/21**

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
HRA – PPE	0.082	0.000	0.082	0.033	HRA PPE and Staff involved in procuring, receiving, packaging and delivering PPE for the entire authority being acquired as a direct result of the Covid-19 Pandemic - HPC Stores staff, Procurement staff and staff driving vans for delivery.
HRA – Workforce	1.423	0.000	1.423	1.587	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
HRA - Overtime	0.019	0.000	0.019	0.000	Additional overtime for community protection co-ordinating with Northumbria Police
HRA – Other	0.000	0.000	0.000	0.000	No longer reflecting increased Bad Debt Provision
<b>Total</b>	<b>1.524</b>	<b>0.000</b>	<b>1.524</b>	<b>1.620</b>	

7.5 Rental income is currently performing well ahead of target. Dwellings rent figures are forecasted to perform ahead of budget (£0.352m) due to an improvement in the empty homes position across both general needs and sheltered accommodation; service charge income is currently forecasted to also perform ahead of budget (£0.109m) due to the improved income in Sheltered Accommodation resulting from the lower than forecast empty homes position, and garage rental income is also forecast to come in better than budget (£0.039m). There had been a rise in the number of empty homes early in the period due to the suspension of works resulting from Covid-19 restrictions, but these works have now been largely caught up and empty homes numbers are now trending at or around the pre-covid levels. This may lead to further small improvements in the current rental forecasts by year-end. Although the Authority strives to try and

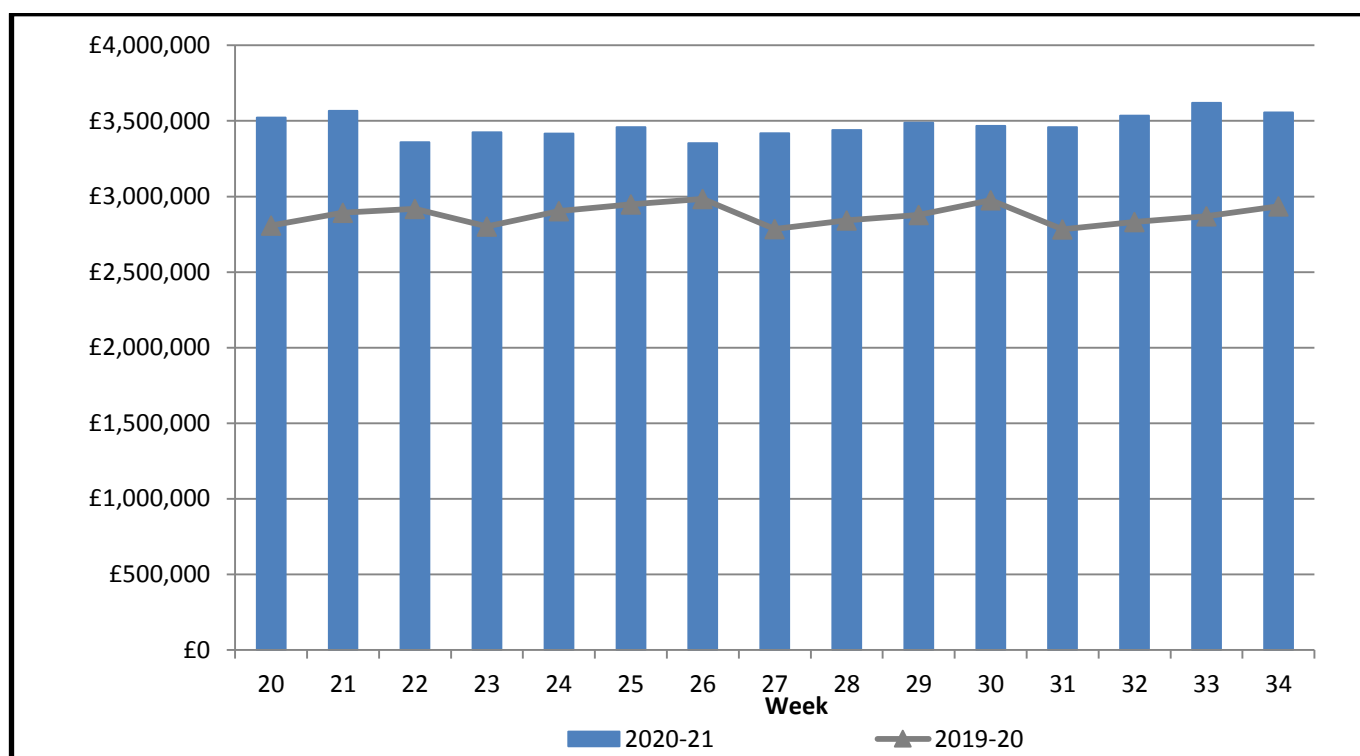
minimise the continuing impact of the implementation of Universal Credit, the actual level of arrears has not increased at the rate initially witnessed at the start of the Coronavirus pandemic, this has seen a reduction in the forecast impact on the in-year Bad Debt Provision which has been brought back in line with budget, and this position may yet improve again. There has also been an estimated increase in Council Tax void costs (£0.021m) due to the initial rise in empty properties along with the budgeted empty property assumptions for the remainder of 2020/21. All of these issues continue to be closely monitored throughout the year.

- 7.6 It is anticipated that savings in management costs will be realised due to delays in recruitment to several vacancies as a result of the Covid-19 pandemic (£0.129m). The recruitment to these vacancies could result in further savings if posts are recruited internally within the HRA. The Repairs budget is showing an over-spend of £0.694m currently, this is because all of the anticipated Covid-19 impact within the Housing Property and Construction Service is shown against this line, so it incorporates the impact of staff across revenue repairs, and those teams delivering Capital works within the Decent Homes programme as well as Adaptations. The costs mainly represent the impact of Covid-19 and the fact that most areas of the in-house construction service were stood down during the initial months of 2020/21 and as a result, had not been recovering their costs against delivered works.
- 7.7 A number of delegated decisions have been made over the past few years to utilise PFI Reserve funds to support other areas of the HRA, namely, the purchase of the new fleet for the Housing Property and Construction Service, and payment of a settlement agreement with PFI Contractors S4NT and Galliford Try. These were accompanied with plans to restore the balance on the reserve over the following seven years. However, the opportunity was taken last year to make additional contributions into the reserve to bring that timeline down and reduce the risk to the reserve. An additional contribution to the reserve of £0.250m has been identified this year in line with the same principle applied last year, and this should reduce the time taken to bring the reserve back into balance by at least a further year.

### **Rent Arrears**

- 7.7 The first half of the year has seen rent arrears rise however, the overall rate of increase does not appear to be sharper than the previous year, prior to the Coronavirus pandemic. There was an initial spike in the first few months which seemed to indicate that the virus might have a significant impact, but this has not materialised as the year progresses. Chart 10 below shows the value of rent arrears in 2020/21 compared to the same period in 2019/20. A team is working proactively with tenants to minimise arrears, and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. For the past two years there has been a pressure on the bad debt provision (the prior 15 years had seen no such pressure), which was mainly in relation to changes caused by Universal Credit, but currently we are now predicting that bad debt provision will be contained within budget, and may continue to improve in-year.

## 7.8 **Chart 12: Rent Arrears in Weeks 20-34 (Sept-Nov) 2020/21 compared to 2019/20**

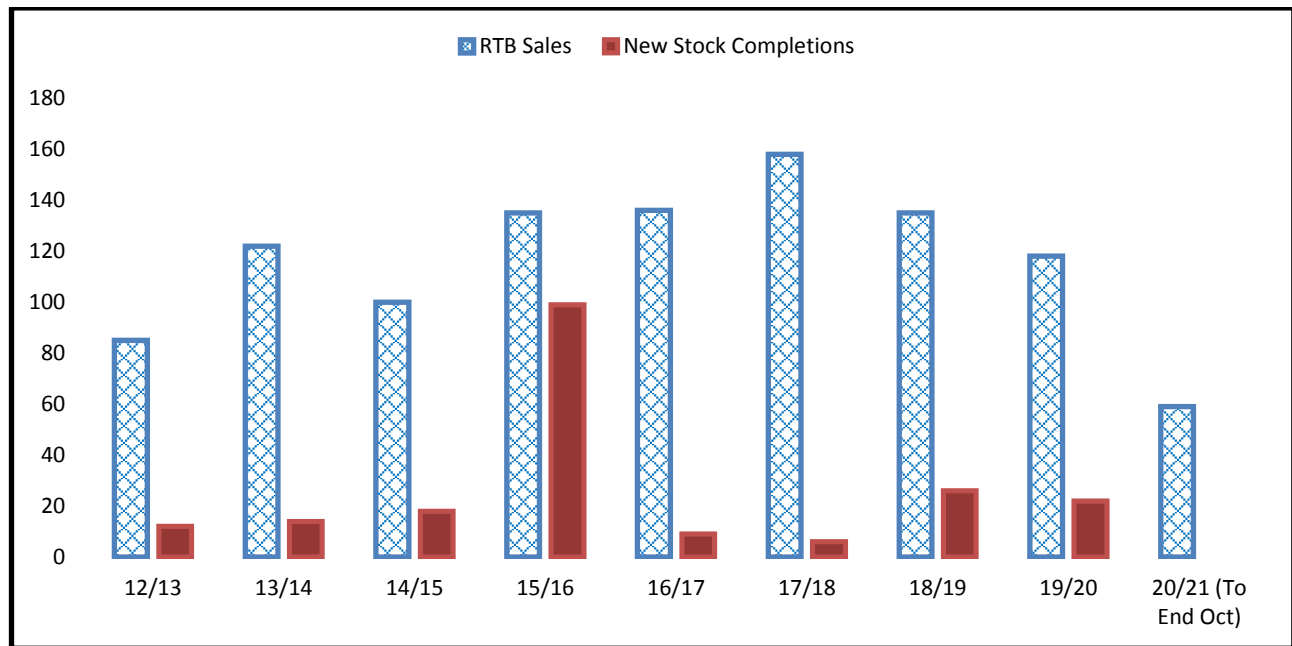


7.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 30 November 2020, there were 3,199 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.683m. This is up by 625 and £0.473m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, and up from from the end of September when there were 2,972 tenants on Universal Credit (increase of 227 tenants) with related arrears of £2.524m (increase of £0.159m).

### **Right to Buy (RTB) Trends**

7.10 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 11 below shows the trend in RTB sales since that time.

## 7.11 Chart 13: Trend in Right to Buy Sales



## **SECTION 8 - INVESTMENT PLAN**

### **Review of Investment Plan - Position Statement**

- 8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers will continue to plan the delivery of those key projects included within the 2020/21 Investment Plan and regularly review the impact of Covid-19. The variations shown in paragraphs 8.8 through to 8.10 below include the expected impact of Covid-19 on the delivery and financing of the Investment Plan at this stage. This position is being regularly reviewed and any further changes will continue to be reported through the budget monitoring process.

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

### **Affordable Homes New Build and Conversion Works**

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

### **Housing Investment Work**

- 8.3 The Housing Capital delivery programme will see the following works delivered across the borough during 2020/21:
- Kitchens and bathrooms to 195 homes;
  - Heating upgrades to 461 homes;
  - Electrical upgrades to 50 homes;
  - Boundary improvements to 1,601 homes;
  - Roof replacements to 398 homes;
  - External Brickwork Repairs to 337 homes;
  - External refurbishment works to 9 non-traditional homes;
  - Damp Proof Course restoration works to 18 homes;
  - Footpath repairs throughout the borough; and,
  - Fire door replacement to 344 flats within communal blocks.

### **Education Investment Works**

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

## **Asset Investment works**

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

## **Highways and Infrastructure Works**

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

## **Regeneration Works**

- 8.7 Regeneration Works for 2020/21 include:
- Swans – the next phase consists of:
    - CFI Phase 2 – completed; and,
    - Sale of the Swans site.
  - North Shields – a grant from Historic England for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street. The scheme has a total project value of £1.900m. Public Engagement was concluded on 16 October 2020 with approximately 200 responses received.

## **Variations to the 2020-2025 Investment Plan**

- 8.8 As part of budget monitoring for October and November, variations of £6.239m credit to the Investment Plan and reprogramming of £3.000m from 2020/21 have been identified and are included in tables 38 and 39 below. Further details are provided in paragraph 8.9.

8.8.1 **Table 38: 2020 - 2025 Investment Plan changes identified**

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
<b>Approved Investment Plan – Council 3 February 2020</b>	<b>67.307</b>	<b>50.773</b>	<b>41.303</b>	<b>84.937</b>	<b>244.320</b>
<b>Previously Approved Reprogramming/Variations</b>					
2019/20 Monitoring	8.866	4.000	0.000	0.000	12.866
2019/20 Outturn	6.751	0.000	0.000	0.000	6.751
August 20 Cabinet	(8.828)	12.089	0.738	0.272	4.271
September 20 Cabinet	2.699	0.089	0.028	0.056	2.872
November 20 Cabinet	(1.920)	(4.169)	(0.460)	(0.374)	(6.923)
<b>Approved Investment Plan</b>	<b>74.875</b>	<b>62.782</b>	<b>41.609</b>	<b>84.891</b>	<b>264.157</b>
<b>Oct/Nov 20 Monitoring Variations</b>	(3.059)	(3.590)	0.410	0.000	(6.239)
Reprogramming	(3.000)	1.500	1.500	0.000	0.000
<b>Total Variations</b>	<b>(6.059)</b>	<b>(2.090)</b>	<b>1.910</b>	<b>0.000</b>	<b>(6.239)</b>
<b>Revised Investment Plan</b>	<b>68.816</b>	<b>60.692</b>	<b>43.519</b>	<b>84.891</b>	<b>257.918</b>

8.9 Details of the variations and reprogramming are shown below:

- (a) **BS026 Asset Planned Maintenance £0.233m** – There are three variations to this project to report. The first is a transfer of £0.080m from contingencies to provide toilet facilities within North Shields Town Centre as part of North Shields Masterplanning. Secondly, the addition of £0.015m Section 106 funding to finance Internal improvements to White Swan Surgery at the White Swan Centre and finally £0.145m of ringfenced capital receipts from the sale of Holy Cross Cemetery lodge to fund improvements to support investment across the cemeteries portfolio;
- (b) **CO079 Playsites £0.015m** – The Investment Programme Board (IPB) has approved the use of £0.015m Section 106 funding to improvement the play site within Killingworth Lake Park;
- (c) **DV075 Town & Neighbourhood Centres £0.026m credit** – This adjustment is required to reflect split between capital only element (£0.075m) and the revenue element of the ERDF grant awarded;
- (d) **EV034 Local Transport Plan (LTP) £0.103m credit** – Transfer of LTP grant to fund highway improvement works at Tanners Bank £0.051m 2021/22 and £0.052m 2022/23. See (e) below;
- (e) **EV096 Tanners Bank £3.722m** – The project involves the replacement of Tanners Bank Metro rail bridge (Nexus asset) and improvements to nearby roads and junctions. The work will complement the North Shields Masterplan and



includes the increase of headroom of the Tanners Bank bridge to improve accessibility to the Fish Quay. Working in partnership with Nexus a successful bid was made to the Department for Transport Highway Maintenance Challenge fund and £3.619m was paid to the Authority in August 2020. Each party committed to a match funding contribution, these totalled 10% of bid value. The Authority's contribution £0.103m, will be allocated from future Local Transport Plan budgets (See (d) above;

- (f) **GEN03 Contingencies £3.080m credit** – There has been an allocation to Project BS026 Asset Planned Maintenance to provide toilet facilities in North Shields £0.080m and a request to reprogramme £3.000m to future years (£1.500m each to 2021/22 and 2022/23); and,
- (g) **HS052 Killingworth Moor Infrastructure £10.000m credit** – The Killingworth Moor Development Consortia are unable to agree to necessary legal commitments and delivery agreements to enable available Housing Infrastructure funding to be drawn down and project to commence. Therefore a Gateway 4 has been presented to IPB to remove the project from the Investment Plan.

8.10 The impact of the changes detailed above on capital financing is shown in table 39 below.

8.10.1 **Table 39: Impact of variations on Capital financing**

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
<b>Approved Investment Plan</b>	<b>74.875</b>	<b>62.782</b>	<b>41.609</b>	<b>84.891</b>	<b>264.157</b>
Council Contribution	(3.000)	1.500	1.500	0.000	0.000
Capital Receipts	0.145	0.000	0.000	0.000	0.145
Grants and Contributions	(3.204)	(3.590)	0.410	0.000	(6.384)
<b>Total Financing Variations</b>	<b>(6.059)</b>	<b>(2.090)</b>	<b>1.910</b>	<b>0.000</b>	<b>(6.239)</b>
<b>Revised Investment Plan</b>	<b>68.816</b>	<b>60.692</b>	<b>43.519</b>	<b>84.891</b>	<b>257.918</b>

### Capital Receipts – General Fund

- 8.11 General Fund Capital Receipts brought forward at 1 April 2020 were £1.773m. The capital receipts requirement for 2020/21, approved by Council on 3 February 2020, was £0.423m (2020-25 £1.100m). It is requested to ringfence the receipt for the sale of Holy Cross Lodge £0.145m to fund improvements to cemeteries. To date, £0.684m capital receipts have been received in 2020/21, of which £0.356m will be used to repay capital loans. The receipts position is shown in table 40 below.

### 8.11.1 Table 40: Capital Receipt Requirement – General Fund

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	2020-25 Total £m
Requirement reported to February 2020 Council	0.423	0.423	0.254	0.000	1.100
Variation to be reported January 20 Cabinet	0.145	0.000	0.000	0.000	0.145
<b>Revised Requirement</b>	<b>0.568</b>	<b>0.423</b>	<b>0.254</b>	<b>0.000</b>	<b>1.245</b>
Receipts Brought Forward	(1.773)	(1.533)	(1.110)	(0.856)	(1.773)
Total Receipts received 2020/21	(0.684)	0.000	0.000	0.000	(0.684)
Receipts used to repay capital loans	0.356	0.000	0.000	0.000	0.356
<b>Net Useable Receipts</b>	<b>(0.328)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.328)</b>
<b>Surplus Receipts</b>	<b>(1.533)</b>	<b>(1.110)</b>	<b>(0.856)</b>	<b>(0.856)</b>	<b>(0.856)</b>

### Capital receipts – Housing Revenue Account

- 8.12 Housing Capital Receipts brought forward at 1 April 2020 were £8.313m. The housing receipts are committed against projects included in the 2020-2025 Investment Plan. The approved Capital Receipt requirement for 2020/21 was £3.117m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £0.727m. To date, receipts of £3.424m have been received in 2020/21 of which £0.937m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £10.073m to be carried forward to fund future years.

### 8.12.1 Table 41: Capital Receipt Requirement - Housing Revenue Account

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	2020-25 £m
Requirement reported to February 2020 Council	3.117	3.329	2.970	6.990	16.406
Reprogramming 2019/20 Outturn	0.167	0.000	0.000	0.000	0.167
Reprogramming 2020/21	(1.702)	1.702	0.000	0.000	0.000
Variation 2020/21	(0.855)	(0.855)	(0.855)	0.000	(2.565)
<b>Revised Requirement</b>	<b>0.727</b>	<b>4.176</b>	<b>2.115</b>	<b>6.990</b>	<b>14.008</b>
Receipts Brought Forward	(8.313)	(10.073)	(5.897)	(3.782)	(8.313)
Receipts Received 2020/21	(3.424)	0.000	0.000	0.000	(3.424)
Receipts Pooled Central Government	0.937	0.000	0.000	0.000	0.937
<b>(Surplus)/ Balance To be generated to fund future years (subject to further pooling)</b>	<b>(10.073)</b>	<b>(5.897)</b>	<b>(3.782)</b>	<b>3.208</b>	<b>3.208</b>

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

## Investment Plan Monitoring Position to 30 November 2020

- 8.13 Actual expenditure for 2020/21 in the General Ledger was £24.505m; 35.61% of the total revised Investment Plan at 30 November 2020. This is after adjusting for £0.194m of accruals relating to 2019/20 expenditure.

### 8.13.1 Table 42: Total Investment Plan Budget & Expenditure to 30 November 2020

	<b>2020/21 Revised Investment Plan £m</b>	<b>Actual Spend to 30 Nov 2020 £m</b>	<b>Spend as % of revised Investment Plan %</b>
General Fund	43.589	16.677	38.26%
Housing	25.227	7.828	31.03%
<b>TOTAL</b>	<b>68.816</b>	<b>24.505</b>	<b>35.61%</b>

## **SECTION 9 – TREASURY MANAGEMENT & CASH POSITION UPDATE**

### **Current Cash Position**

9.1 As at 30 November 2020 the Authority had £20.000m placed with the DMO, and £5.000m invested on an instant access basis with Lloyds Bank and with £45.500m invested externally with other UK Local Authorities.

#### **9.2 Table 43: Investment Position as at 30/11/2020**

<b>Counterparty</b>	<b>Type</b>	<b>Amount (£m)</b>	<b>Maturity</b>
DMO	Term	20.000	n/a
Lloyds Bank	Call	5.000	Call
Barclays Bank	Current	2.103	n/a
Inter – LA	Fixed	45.500	13 August 2021*

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

9.3 Short-term cash investment rates remain at all time lows witnessed through the majority of 2020 and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions. As a result, the Authority has locked in £0.159m in interest income to be received by year end.

9.4 The approach of maintaining low cash balances has been part of the strategy for several years and has generated substantial savings year on year. The government's Debt Management Office (DMO) and other deposit investment rates are at all-time lows; taking into account CHAPS transfers fees and principal invested, it can cost the Authority to invest surplus cash. Therefore, the Authority is investing longer to reduce transactional costs as well as maximise returns. The temporary borrowing market is currently very liquid with significant cash available at very low rates. A summary of rates available is shown in table 44 below. PWLB rates also continue to remain low due to low Gilt yields, which they are tracked against.

#### **9.5 Table 44: Summary of Borrowing Levels**

<b>Temporary Market</b>		<b>PWLB</b>	
<b>Tenor</b>	<b>Level</b>	<b>Tenor</b>	<b>Level</b>
1 week	0.02%	2 years	0.97%
1 month	0.02%	5 years	1.03%
3 months	0.03%	10 years	1.33%
6 months	0.10%	20 years	1.81%
9 months	0.18%	30 years	1.85%
12 months	0.20%+	50 years	1.69%

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

## Borrowing Position

- 9.7 Table 45 shows the Authority's current debt position, with total borrowing maturing in 2020/21 of £64.470m.

**Table 45: Debt Position 2020/21**

	<b>PWLB (£m)</b>	<b>LOBO (£m)</b>	<b>Temp (£m)</b>	<b>Total (£m)</b>
Total Outstanding Borrowing Debt	358.443	20.000	68.610	447.053
Debt Maturing 2020/21	1.000	10.000	53.470	64.470

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

## Covid-19 Impact on Cash

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

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

## Negative Debt Management Office (DMO) investment rates

- 9.9 At the end of September 2020 the DMO reduced the interest on investments negative, -0.03% for one week, then moving to -0.02% for eight weeks. More recently the DMO investment rates have moved to 0.00%.
- 9.10 While the Bank of England has said that it is unlikely to introduce a negative Bank Base Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid-19 crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

- 9.11 As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the Debt Management Account Deposit Facility, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.
- 9.12 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

### **PWLB Consultation**

- 9.13 In October 2019, Her Majesty's Treasury (HMT), without notice, increased the margin on PWLB borrowing to be 200 basis points (bps) over gilt yields, previously 100bps over gilt yields. This resulted in a significant increase in borrowing cost to applicable Authorities.
- 9.14 The increase in margin and catalyst for the consultation was driven by a report by the National Audit Office (NAO) highlighting that a minority of local authorities have started using low-cost loans from the PWLB, to buy investment property primarily for rental income. Whilst this type of borrowing can be compelling for individual local authorities, the government view 'debt for yield' as an activity that introduces risks locally and nationally.
- 9.15 Following lobbying of the above, HMT announced in March 2020 a consultation to take place to address the issue and look to review potential overhaul of the PWLB terms at the time.  
At the same time HMT took the opportunity to reduce the margin over gilts to 100bps for specific housing and regeneration borrowing.
- 9.16 The consultation was completed by the end of November 2020 and the aim of this consultation was to develop a proportionate and equitable way prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.
- 9.17 Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans.
- 9.18 Should any Local Authority wish to borrow PWLB effective from 26 November 2020 the Authority must provide additional detail on their capital plans as well as confirmation by the S151 officer that the Authority is not looking to purchase assets primarily for yield.

				2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
<b>General Fund</b>									
<b>Maintaining Our Assets</b>									
BS026 Asset Planned Maintenance									
		Council Contribution		1,916	1,500	1,500	1,500	1,500	7,916
		Football Foundation Grant		17	0	0	0	0	17
		Section 106		20	0	0	0	0	20
		Contribution from Reserves (Insurance)		367	0	0	0	0	367
		Contribution from Reserves (Leisure)		251	0	0	0	0	251
BS026 Asset Planned Maintenance Total				2,571	1,500	1,500	1,500	1,500	8,571
BS029 Wallsend Customer First Centre									
		Council Contribution		488	0	0	0	0	488
		Public Health England		384	0	0	0	0	384
		Northumbria Violence Reduction Unit Interv		76	0	0	0	0	76
BS029 Wallsend Customer First Centre Total				948	0	0	0	0	948
CO076 Lockey Park Environmental and Play Improvements									
		Section 106		23	0	0	0	0	23
CO076 Lockey Park Environmental and Play Improvements Total				23	0	0	0	0	23
CO080 Burradon Recreation Ground									
		Council Contribution		336	0	0	0	0	336
		Section 106		171	0	0	0	0	171
CO080 Burradon Recreation Ground Total				507	0	0	0	0	507
CO082 Sport and Leisure Facility Improvements									
		Contribution from Reserves (Leisure)		80	0	0	0	0	80
CO082 Sport and Leisure Facility Improvements Total				80	0	0	0	0	80
CO083 Whitley Bay Crematoria									
		Council Contribution		366	1,175	0	0	0	1,541
CO083 Whitley Bay Crematoria Total				366	1,175	0	0	0	1,541
CO084 Rising Sun Sports Ground2									
		Section 106		22	0	0	0	0	22
CO084 Rising Sun Sports Ground2 Total				22	0	0	0	0	22
ED075 Devolved Formula Capital									
		Education Funding Agency (Devolved)		1,463	1,079	579	579	579	4,279
		Education Funding Agency (30 Hours)		60	0	0	0	0	60
ED075 Devolved Formula Capital Total				1,523	1,079	579	579	579	4,339
ED120 Basic Need									
		Education Funding Agency (Basic Need)		277	2,014	113	113	113	2,630
ED120 Basic Need Total				277	2,014	113	113	113	2,630
ED132 School Capital Allocation									
		Education Funding Agency (SCA)		3,535	5,171	3,534	3,534	3,534	19,308
ED132 School Capital Allocation Total				3,535	5,171	3,534	3,534	3,534	19,308
ED186 Backworth Park Primary									
		Council Contribution		-800	0	0	0	0	-800
		Section 106		800	0	0	0	0	800
ED186 Backworth Park Primary Total				0	0	0	0	0	0
EV034 Local Transport Plan									
		Dept for Transport LTP ITA		958	958	958	958	958	4,790
		Dept for Transport LTP Maint		2,427	1,950	1,947	2,000	2,000	10,324
		Section 106		650	90	0	0	0	740
		Public Transport Funding		28	28	28	28	28	140
EV034 Local Transport Plan Total				4,063	3,026	2,933	2,986	2,986	15,994
EV055 Surface Water Improvements									
		Environment Agency Grant		364	0	0	0	0	364
		NWL Contribution		40	0	0	0	0	40
EV055 Surface Water Improvements Total				404	0	0	0	0	404
EV056 Additional Highways Maintenance									
		Council Contribution		2,101	2,000	2,000	2,000	2,000	10,101
EV056 Additional Highways Maintenance Total				2,101	2,000	2,000	2,000	2,000	10,101
EV069 Vehicle Replacement									
		Council Contribution		895	1,274	762	1,248	0	4,179
EV069 Vehicle Replacement Total				895	1,274	762	1,248	0	4,179

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
<b>Gei Maintaining Our Assets</b>							
EV095 Emergency Active Travel Tranche 1							
	Dept for Transport Covid19 Emergency Travel	306	0	0	0	0	306
EV095 Emergency Active Travel Tranche 1 Total		306	0	0	0	0	306
EV096 Tanners Bank							
	Dept for Transport LTP Maint	0	50	53	0	0	103
	Dept for Transport - Highway Maintenance Ch	2,799	410	410	0	0	3,619
EV096 Tanners Bank Total		2,799	460	463	0	0	3,722
IT020 ICT Strategy							
	Council Contribution	1,102	1,000	1,000	1,000	1,000	5,102
IT020 ICT Strategy Total		1,102	1,000	1,000	1,000	1,000	5,102
Maintaining Our Assets Total		21,522	18,699	12,884	12,960	11,712	77,777
Corporate							
EV076 Operational Depot Accommodation Review							
	Council Contribution	3,909	551	0	0	0	4,460
	ERDF	2,089	551	0	0	0	2,640
EV076 Operational Depot Accommodation Review Total		5,998	1,102	0	0	0	7,100
GEN03 Contingencies							
	Council Contribution	2,196	2,000	2,000	500	500	7,196
GEN03 Contingencies Total		2,196	2,000	2,000	500	500	7,196
Corporate Total		8,194	3,102	2,000	500	500	14,296
Education							
ED189 School Nursery Capital Fund							
	Education Funding Agency (Devolved)	25	0	0	0	0	25
	Education Funding Agency (SNCF)	77	0	0	0	0	77
ED189 School Nursery Capital Fund Total		102	0	0	0	0	102
Education Total		102	0	0	0	0	102
Housing General Fund							
DV064 Council Property Investment							
	Council Contribution	1,678	60	0	0	0	1,738
DV064 Council Property Investment Total		1,678	60	0	0	0	1,738
HS004 Disabled Facilities Grant							
	Better Care Fund	810	2,281	0	0	0	3,091
HS004 Disabled Facilities Grant Total		810	2,281	0	0	0	3,091
HS051 Private Sector Empty Homes							
	Council Contribution	106	393	393	0	0	892
	Homes & Communities Grant	258	0	0	0	0	258
HS051 Private Sector Empty Homes Total		364	393	393	0	0	1,150
Housing General Fund Total		2,852	2,734	393	0	0	5,979
Investments							
DV066 Investment in North Tyneside Trading Co							
	Council Contribution	2,934	1,074	0	0	0	4,008
	Section 106	1,460	2,537	0	0	0	3,997
DV066 Investment in North Tyneside Trading Co Total		4,394	3,611	0	0	0	8,005
Investments Total		4,394	3,611	0	0	0	8,005
Regeneration							
CO079 Playsites							
	Section 106	65	0	0	0	0	65
CO079 Playsites Total		65	0	0	0	0	65
DV054 Spanish City Dome							
	Council Contribution	2	0	0	0	0	2
DV054 Spanish City Dome Total		2	0	0	0	0	2
DV058 Swan Hunters Redevelopment							
	Council Contribution	232	0	0	0	0	232
DV058 Swan Hunters Redevelopment Total		232	0	0	0	0	232
DV067 Northern Promenade							
	Council Contribution	340	0	0	0	0	340
	Section 106	334	0	0	0	0	334
	Capital Receipts	350	0	0	0	0	350
DV067 Northern Promenade Total		1,024	0	0	0	0	1,024



		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
<b>Gei</b> Regeneration							
	DV068 Southern Promenade						
	Environment Agency Grant	626	0	0	0	0	626
	DV068 Southern Promenade Total	626	0	0	0	0	626
	DV072 Royal Quays Enterprise Park						
	Council Contribution	0	0	0	0	0	0
	DV072 Royal Quays Enterprise Park Total	0	0	0	0	0	0
	DV073 Ambition for North Tyneside						
	Council Contribution	849	864	654	1,225	2,000	5,592
	Capital Receipts	73	423	254	0	0	750
	Revenue Contribution (??)	577	577	746	500	0	2,400
	Historic England - Heritage Action Zone	0	0	0	0	0	0
	DV073 Ambition for North Tyneside Total	1,499	1,864	1,654	1,725	2,000	8,742
	DV074 North Shields Heritage Action Zone (Ambition)						
	Council Contribution	20	685	116	87	0	908
	Historic England - Heritage Action Zone	20	679	115	86	0	900
	DV074 North Shields Heritage Action Zone (Ambition) Total	40	1,364	231	173	0	1,808
	DV075 Town & Neighbourhood Centres (Ambition)						
	ERDF	75	0	0	0	0	75
	DV075 Town & Neighbourhood Centres (Ambition) Total	75	0	0	0	0	75
	EV084 A189 Improvements Haddricks Mill to West Moor						
	DFT National Productivity Fund	302	0	0	0	0	302
	Section 278	1,554	0	0	0	0	1,554
	EV084 A189 Improvements Haddricks Mill to West Moor Total	1,856	0	0	0	0	1,856
	EV087 Air Quality Early Measures Fund						
	Transforming Cities Fund	7	0	0	0	0	7
	EV087 Air Quality Early Measures Fund Total	7	0	0	0	0	7
	EV088 Tyne View Terrace Cycleway						
	Transforming Cities Fund	8	0	0	0	0	8
	EV088 Tyne View Terrace Cycleway Total	8	0	0	0	0	8
	EV090 S278 Avant Homes at Killingworth Village						
	Section 278	66	0	0	0	0	66
	EV090 S278 Avant Homes at Killingworth Village Total	66	0	0	0	0	66
	EV094 Transforming Cities Tranche 22						
	Transforming Cities Fund	200	0	0	0	0	200
	EV094 Transforming Cities Tranche 22 Total	200	0	0	0	0	200
	GEN12 Local Infrastructure						
	Council Contribution	176	100	100	100	100	576
	GEN12 Local Infrastructure Total	176	100	100	100	100	576
	HS052 Killingworth Moor Infrastructure						
	Housing Infrastructure Fund	0	0	0	0	0	0
	HS052 Killingworth Moor Infrastructure Total	0	0	0	0	0	0
	Regeneration Total	5,876	3,328	1,985	1,998	2,100	15,287
	Climate Emergengy						
	EV083 Street Lighting LED						
	Council Contribution	500	0	0	0	0	500
	EV083 Street Lighting LED Total	500	0	0	0	0	500
	EV091 Other Initiatives Climate Change						
	Council Contribution	73	74	0	0	0	147
	EV091 Other Initiatives Climate Change Total	73	74	0	0	0	147
	EV092 E-Cargo Bikes2						
	DFT E-Cargo Grant	76	0	0	0	0	76
	EV092 E-Cargo Bikes2 Total	76	0	0	0	0	76
	Climate Emergengy Total	649	74	0	0	0	723
	General Fund Total	43,589	31,548	17,262	15,458	14,312	122,169
	HRA						
	Housing						
	HS015 Refurbishment / Decent Homes Improvements						
	See HRA Financing	20,473	20,893	20,183	21,003	21,491	104,043
	HS015 Refurbishment / Decent Homes Improvements Total	20,473	20,893	20,183	21,003	21,491	104,043

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
HR/ Housing							
HS017 Disabled Adaptations							
	See HRA Financing	880	1,233	1,072	1,083	1,094	5,362
HS017 Disabled Adaptations Total		880	1,233	1,072	1,083	1,094	5,362
HS039 ICT Infrastructure Works							
	See HRA Financing	192	108	109	109	110	628
HS039 ICT Infrastructure Works Total		192	108	109	109	110	628
HS041 Housing PFI							
	See HRA Financing	154	0	0	0	0	154
HS041 Housing PFI Total		154	0	0	0	0	154
HS044 HRA New Build							
	See HRA Financing	3,528	6,910	4,893	5,040	5,191	25,562
HS044 HRA New Build Total		3,528	6,910	4,893	5,040	5,191	25,562
Housing Total		25,227	29,144	26,257	27,235	27,886	135,749
HRA Total		25,227	29,144	26,257	27,235	27,886	135,749
Total £000		68,816	60,692	43,519	42,693	42,198	257,918

#### Investment Plan Financing

		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £000
General Fund							
	Council Contribution	19,274	12,750	8,525	7,660	7,100	55,309
	Council Contribution - Capital Receipts	568	423	254	0	0	1,245
	Grants & Contributions	22,472	17,798	7,737	7,298	7,212	62,517
	Revenue Contribution	577	577	746	500	0	2,400
	Contribution from Reserves	698	0	0	0	0	698
General Fund Total		43,589	31,548	17,262	15,458	14,312	122,169
HRA Financing							
	HRA Capital Receipts	727	4,176	2,115	3,922	3,068	14,008
	HRA Revenue Contribution	10,470	10,092	10,403	9,093	10,100	50,158
	HRA MRR	12,826	14,876	13,739	14,220	14,718	70,379
	HRA House Building Fund Reserve	1,204	0	0	0	0	1,204
	HRA PFI Reserve	0	0	0	0	0	0
HRA Financing Total		25,227	29,144	26,257	27,235	27,886	135,749
Total£000		68,816	60,692	43,519	42,693	42,198	257,918