



Finance Sub Committee

North Tyneside Council

Monday, 22 November 2021

Tuesday, 30 November 2021 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 4.00 pm.**

Agenda Item	Page
1. Apologies for Absence	
To receive any apologies for absence	
2. Appointment of Substitute Members	
To be notified of the appointment of any Substitute Members.	
3. Declarations of Interest and Notification of any Dispensations Granted	
You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest.	
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.	
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.	
4. Minutes	5 - 6
To confirm the minutes of the meeting held on 14 September 2021.	
5. Welfare Reform - Financial update	7 - 12
To receive an update on the schemes that provide financial support to residents.	

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.

Agenda Item	Page
6. 2021/22 Financial Management Report to 31 May 2021	13 - 74
To receive the Financial Management report for the current financial year that reflected the financial position at 31 May 2021.	
7. 2021/22 Financial Management Report to 30 September 2021	75 - 150
To receive the Financial Management report for the current financial year that reflected the financial position at 30 September 2021.	
8. Exclusion Resolution	
The Sub-Committee is requested to pass the following resolution:	
That under Section 100A(4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.	
9. Business and Technical Partnerships Risks	151 - 160
To consider the attached report which details the risks rated as red contained within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with ENGIE and Capita.	

Circulation overleaf ...

Members of the Finance Sub Committee

Councillor Debbie Cox (Chair)
Councillor Cath Davis
Councillor Paul Richardson
Councillor Judith Wallace

Councillor Naomi Craven (Deputy Chair)
Councillor Bruce Pickard
Councillor Willie Samuel

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Finance Sub Committee

Tuesday, 14 September 2021

Present: Councillor D Cox (Chair)
Councillors C Davis, B Pickard, P Richardson, W Samuel
and J Wallace

Apologies: Councillors N Craven

F9/21 Appointment of Substitute Members

There were no substitute members appointed.

F10/21 Declarations of Interest and Notification of any Dispensations Granted

There were no Declarations of Interest reported.

F11/21 Minutes

Resolved that the minutes of the meeting 13 July 2021 be confirmed.

F12/21 2020/21 Provisional Finance Outturn Report

The Head of Resources presented the 2020/21 Provisional Finance Outturn report that had considered by Cabinet on 15 July 2021.

A Member sought and clarification was given to the position of the Local Support Top-up and Local restrictions Support 'Closed' grants detailed under section 5 – Impact of Covid-19 had been spent.

A Member sought and clarification was given that the amount of £94k in addition to the £1M transferred to the change reserve was a sundry amount in relation to insurance.

Agreed that 2020/21 Provisional Finance Outturn Report be noted

F13/21 2021/22 Financial Management Report to 31 May 2021

The Principal Accountant (Business Partner) presented the 2021/22 Financial Management report to 31 May 2021 that had been considered by Cabinet at its meeting 2 August 2021.

The report was the first monitoring to the 2021/22 financial position and provided the first indication of the potential revenue and capital position of the Authority on 31 March 2022.

It was stated that significant financial support to residents and businesses had been passed through the Authority's books in 2020/21 with further support was available for 2021/22. The current grants available amounted to £23.232m to provide direct support for businesses

(£11.400m), residents (£8.704m), care homes (£1.739m) and schools (£1.389m); as at the end of May, only £0.581m remained uncommitted, but it was anticipated that the full amounts would be spent by year end.

The Authority had addition £10.418m of grant funding available to support services (£7.261m of Local Authority Support Grant and £3.157m service specific grants). The total impact on services as a result of Covid-19 was forecast to be £14.421m, which left a pressure of £4.003m.

Agreed that the 2021/22 Financial Management report to 31 May 2021 be noted.

F14/21 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 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.

F15/21 Business and Technical Partnerships Risks

The sub-committee considered a report that detailed the monitoring on the risks rated high (red) within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with Equans (formerly known as Engie) and Capita.

Agreed that the Strategic and Operational Risk Registers of each partnership be noted.

Meeting: Finance Sub-Committee

Date: 30 November 2021

Title: Welfare Reform - Financial update on

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

Authors: Tracy Hunter

Tel: 0191 643 7228

Service: Finance Service

Wards affected: All

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 Government's package of support to help working age claimants of Council Tax Support through the pandemic.

2. Recommendations

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

3. Detail

Discretionary Housing Payment Fund

3.01 Discretionary Housing Payments (DHP) are 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) or require help with 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 Funding in 2021/22 was awarded in two parts £309,105 initially and £123,428 in September bringing a total of £432,533. This is a reduction of 23% compared to £558,563 which was the funding in 2020/21.

DHP financial details for the current financial year 2021/2022

- 3.03 Table 1 and details below show final position against the grant for 2021/22.

Table 1 – DHP Spend to date

	Amount of grant
Initial payment- DWP funding only	£432,533
Total spend and committed	£296,951
Funding unallocated	£135,582

- 3.04 Claimants

- 436 claimants made a successful claim, of these 2 claimants have custody of children and 19 claimants are living in adapted property.

- 3.05 Requested reviews

- Since April 2021 there have been 20 reviews carried out with 8 changed in favour of the customer.

Local Council Tax Support Scheme

- 3.06 The Council Tax Support Scheme is a means tested support which helps those on low income pay their Council Tax. Working age can receive up to 85% of their Council Tax liability and pensionable age claimants continue to receive up to 100% support.

- 3.07 As at the end of quarter 2 the caseload stands at 17,256 (7,356 pensionable age and 9,864 working age) which is a reduction of 185 claims against what was reported in July. The cost for the scheme is currently £15,601,887, less than July's reported figure which was £15,757,160.

- 3.08 Hardship fund

- 3.09 There has been no change to the Hardship fund and around 58% still have no liability to pay for 2021/22.

Local Welfare Provision

Statistics for the period 6th April 21 to 30th September 21

- 3.10 There have been 1,446 applications for Local Welfare Support

- 3.11 All 1,446 applications were offered a full screening. Further advice and information including signposting to our partner organisations was offered where this was appropriate.
- 3.12 There were 910 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.
- 3.13 Spend for the period in respect of immediate practical support amounted to £9,130. This is in addition to the annual grant to the Food Bank of £40,500 which was paid in the last quarter.
- 3.14 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. 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.
- 3.15 Of the applicants who were not provided immediate practical support funded by the authority, 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)
 - Referral to community resources for clothing or furniture items

Current update including Covid 19

- 3.16 Due to rising energy prices, cuts to Universal Credit, the withdrawal of government support schemes such as furlough and the end of debt recovery suspension, demand for support is increasing. The impact of the pandemic on family and individual's finances has meant that people who have not accessed support in the past are requesting help from the team.
- 3.17 There have been additional grants over the year to support applicants with financial difficulties caused by the impact of Covid 19 and this has allowed an increase in the support provided.

3.18 The team continue to assess and process discretionary applications for support with Track and Trace Payments.

Universal Credit

3.19 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)

3.20 The number of people claiming Universal Credit is still high with the most recent data showing 18,847 but it is a reduction again the figure provided in July.

3.21 Job Centre Plus delivery is back to business as usual, delivering face to face work focused interviews. As restrictions have been lifted more staff and customers are being invited back to the offices and visits to employers are taking place to support the drive in getting people back to work. A jobs fair took place on 18th October and 30 employers confirmed attendance.

3.22 All UC claimants were updated in July to notify them of the reduction to their payments and texts and emails were sent in August changes to encourage them to check their statements. Further messages were issued in September and October and work coaches were highlighting this when they had interactions with customers.

3.23 There is still significant support and opportunities available to UC claimants, for example the government is extending when the last Kickstart jobs can start which means that young people can start in a Kickstart job up until Thursday 31 March 2022 (applications to the scheme close on Friday 17 December). The **Youth Offer** programme is expanding eligibility and now includes 16 and 17 year olds in addition to 18-24 year olds. This provides additional support to unemployed young people on Universal Credit who are searching for work through its Youth Employment Programme, supportive Youth Hubs and specialised employability coaches. Additionally, the government is also extending its £3,000 incentive payment for every apprentice a business hires up until 31 January 2022. All of this, it is hoped, will provide more opportunities to young people and reduce Universal Credit numbers.

Housing Department Update

3.25 The impact of UC continues to be felt by our housing department and they now have 4,640 tenants on UC as at 03 October 2021. 3,282 (70.73%) of these are in arrears although it is worth noting that 62.19% of those on UC were already in arrears when they moved onto UC. The average arrears for those on UC is £548.40 (this has reduced since last quarter) compared to an average arrears of £553.56 for all tenants

and £325.55 for those not on UC. Other housing providers continue to advise of significant arrears with tenants in receipt of UC.

- 3.26 Covid-19 had a large impact on housing tenants with 1346 tenants reporting that they had been adversely impacted; 132 tenants (9.81%) reporting an adverse impact on more than one occasion. This had contributed to the significant increase in the number of tenants claiming UC, with 756 tenants on UC stating they have been impacted by Covid-19.

4. Background Information

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

- [Housing Benefit Circular S10/2021 Discretionary Housing Payments government contribution for English and Welsh local authorities for the financial year ending March 2022](#)
- [Housing Benefit Circular S4/2021 Details of the Government contribution towards DHP for local authorities for the financial year 2021/22](#)
- [Discretionary Housing Payment Policy 2021/22](#)

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Finance Sub-committee 30 November 2021

Cabinet Report 20 September 2021

2021/22 Financial Management Report to 31 July 2021

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North Tyneside Council

Report to Cabinet

20 September 2021

Title: 2021/22 Financial Management Report to 31 July 2021

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Martin Rankin
Report from Service Area: Resources	Responsible Officer: Janice Gillespie, Director of Resources Tel: 643 5701
Wards affected: All	

PART 1

1.1 Executive Summary:

This report is the second monitoring report to Cabinet on the 2021/22 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 2022.

- 1.1.1 The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the on-going Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic is having on the Authority in 2021/22.
- 1.1.2 Significant financial support to residents and businesses passed through the Authority's books in 2020/21 and reconciling that work has challenged the sector. Significant support is still available in 2021/22 too. The Authority currently has grants available of £26.203m to provide direct support for businesses (£12.367m), residents (£9.695m), care homes (£2.744m) and schools (£1.397m); as at the end of July 2021, all grant monies are committed.
- 1.1.3 In addition, the Authority has a further £8.456m of grant funding available to support services, £7.261m of Local Authority Support Grant and an estimate of £1.195m in relation to lost Sales, Fees and Charges. The total impact on services as a result of Covid-19 is forecast to be £18.420m, which leaves a pressure of £5.607m following

allocation of the £8.456m and £4.357m is utilised from the sector specific grants outlined above.

- 1.1.4 Areas of business as usual continue to face financial pressures, forecast as £1.813m at 31 July 2021, in particular across areas of Social Care and demand-led services that have been reported over a number of years. In considering the financial outlook for 2021/22, Services have considered the financial pressures they will face in 2021/22 and how they will mitigate these.
- 1.1.5 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.
- 1.1.6 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 2021/22 Schools budgets, Schools funding and the forecast outturn for the Housing Revenue Account as at 31 July 2021.
- 1.1.7 Finally, the report provides an update on the 2021/22 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan, which are presented to Cabinet for approval.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) as at 31 July 2021 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £2.401m new revenue grants (outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £12.394m to 31 July 2021 and the financing of the Plan to the end of the year (Annex section 8); and
- (d) approves variations of £2.352m (£2.352m for 2021/22) and reprogramming of (£12.832m) for 2021/22 within the 2021-2026 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 June 2021.

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 second monitoring report presented to Members on the Authority's

2021/22 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2022. This report is an interim view and it is expected this will change over the coming months as the response and recovery to Covid-19 continues.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2021/22 approved budget savings plans; 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 2021/22 was approved by full Council at its meeting on the 18 February 2021. The net General Fund revenue budget was set at £150.154m. This included £4.337m of savings to be achieved, all of which had been identified in previous years.

The forecast overall pressure is estimated at £7.420m against the approved net budget. This is made up of a forecast pressure of £1.813m on normal activities and £5.607m relating to the impact of Covid-19. The pressure on normal activities in the services is driven mainly by Health, Education, Care and Safeguarding at £7.281m, reflecting the continued pressures in Children's Services, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £5.720m of pressures in Corporate Parenting and Placements, and £1.624m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2020/21 and arise from:

- Continued growth in demand in Children's Social Care Services;
- Growth in numbers of children with Education and Health Care Plans;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk; and,
- Increases in staffing costs.

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 £18.420m impact on services are also within Health, Education, Care and Safeguarding where £9.600m is for increased costs to the Authority. Significant Covid-19 related pressures also exist in Environment, Housing and Leisure (£5.608m) and in Commissioning & Asset Management (£2.012m).

1.5.3 New Revenue Grants

The following revenue grants have been received during June and July 2021:

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Department of Health and Social Care	New Burdens Funding – Domestic Abuse Duty	To provide support for the victims of domestic abuse and their children	0.450
Health Education Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	Allows local authorities to monitor the performance of maintained schools and broker school improvement provision	0.117
Health Education Care and Safeguarding	Department for Education	Extension of the role of Virtual School Heads to children with a social worker Grant	To provide support to local authorities to help them meet their duty to appoint a virtual school head for children with a social worker to make advice and support available	0.100
Health Education Care and Safeguarding	Department for Work and Pensions	Flexible Support Fund – Youth Employment Partnerships	To help improve employment outcomes for long term unemployed individuals and group facing barriers to work	0.071
Health Education Care and Safeguarding	Department for Work and Pensions	Reducing Parental Conflict – Workforce Development Programme	To strengthen leadership around parental conflict and fund training for frontline staff to identify and respond to parental conflict	0.022
Health Education Care and Safeguarding	Ministry of Housing, Communities and Local Government	Housing and Whole Family Working pilot	To implement the Housing and Whole Families Working Pilot helping low income families to thrive	0.047

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Department for Education	Sector Led Improvement Programme	To enhance local and regional capacity by allowing the highest performing authorities to partner with other LA's in need of support	0.300
Health Education Care and Safeguarding	Youth Custody Service/HM Prison and Probation Services	Remands to youth secure accommodation for children and young people	Transfer of responsibility to LA's for cost of remand to youth detention	0.030
Central Items	Department of Health and Social Care	Covid-19 Infection Control Grant Round 4	To provide support to social care providers with infection control measures	0.735
Central Items	Department of Health and Social Care	Covid-19 Rapid Testing Fund Round 3	To support the rapid testing of staff in care homes and support visiting by professionals and families	0.502
Environment Housing and Leisure	Ministry of Housing, Communities and Local Government	Rough Sleeping Accommodation Programme Funding	To bring on line 5 homes with support for high need rough sleepers	0.021
Environment Housing and Leisure	Department for Transport	Bikeability	Cycling training for children attending compulsory education	0.001
Environment Housing and Leisure	Food Standards Agency	Prioritisation of New Businesses for Inspection	For additional administration support to help triage businesses for initial on-site visits	0.005
Total				2.401

1.5.4 School Funding

There is no further update since the previous Cabinet report on the position as at the end of May 2021. Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2021/22 is £5.132m. 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. The provisional outturn for the year ended 31 March 2021 showed a surplus of £3.721m, which reversed the trend of deficits over the previous few years. The forecast trend going forwards, however, is increasing deficit balances.

As well as school balances being forecast to reduce overall, some individual schools continue to face significant financial challenges. There are six schools with deficit budget plans for 2021/22, all of which continue to be in deficit following 2019/20.

Cabinet will recall that the High Needs Block ended 2020/21 with a pressure of £8.720m. The initial latest of the budget position for 2021/22 indicates an anticipated in-year pressure of £3.491m 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 2022 of £3.058m, assuming all identified Covid-19 related costs and income shortfalls are covered centrally. These balances are £0.046m higher than budget which was set at £3.012m, due mainly to the impact of the previous year's financial performance, but there is also an in-year estimated underspend of (£0.010m), against an in-year budget of £1.943m.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As at the end of July 2021, 3,484 North Tyneside Homes tenants had moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored during the year to identify any impacts on the budget position.

1.5.6 Investment Plan

The approved 2021-2026 Investment Plan totals £275.789m (£98.593m 2021/22) and is detailed in table 29 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2021/22, reprogramming and other variations identified through the Investment Programme Governance process.

An officer led review of the Investment Plan has resulted in proposals for variations of £2.352m and reprogramming of £12.832m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £88.113m for 2021/22 and to the end of July 2021 spend of £12.394m had been incurred which represents 14.07% of the revised plan.

1.5.7 Performance against Council Plan

The 2021-2025 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 5.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

1.6 Decision Options:

The following decision options are available for consideration by Cabinet:

Option 1

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

Options 2

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

1.7 Reasons for Recommended Option:

Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex : Financial Management Report to 31 May 2021
Appendix 1: 2021 – 2026 Investment Plan

1.9 Contact Officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance and Schools matters – Tel. (0191) 643 8109
David Dunford – Corporate Finance and General 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

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 2021/22
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Revenue%20Budget%202021_22.pdf
- (b) Investment Plan 2021-26
<https://democracy.northtyneside.gov.uk/documents/s5460/Appendix%20D%20i%20-%202021-2026%20Investment%20plan%20-%20FINAL.pdf> (Agenda reports pack - Appendix D(i))
- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/documents/s5467/Appendix%20G%20Reserves%20and%20Balances%20Policy%202021-22.pdf> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s5469/Appendix%20I%20-%20202122%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20Development%20Committee%20Jan%202021.pdf>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 16 November 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 2021/22 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
- Director of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Assistant Chief Executive

2021/22 Financial Management Report Annex

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SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

- 1.1 This report is the second monitoring report to Cabinet on the 2021/22 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 second indication of the potential revenue and capital position of the Authority at 31 March 2022. The report explains where the Authority continues to manage financial pressures.

The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the ongoing Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic will have on the Authority in 2021/22. The Authority continues to see areas of pressure across Adults and Children's Social Care, but there are also significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

- 1.2 The Authority's approved net revenue budget of £150.154m is forecast to outturn with a pressure of £7.420m. Table 1 in paragraph 1.5 below sets out the variation summary across the General Fund.

- 1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to the impact of Covid-19 which currently is forecast to add pressures of £18.420m to the General Fund in 2021/22. The total Local Authority Support Grant received from Government for 2021/22 to date is £7.261m, of which £5.576m is new and £1.685m is carried forward from 2020/21. In addition, £4.357m of grants have been received to support specific activities, and an assumption has been made that the Authority will receive £1.195m of Sales, Fees and Charges funding, leaving a forecast pressure in the General Fund due to Covid-19 issues of £5.607m. The remaining pressure of £1.813m relates to normal ongoing activities.

Section 4 of this Annex sets out details of all grant funding received in respect of Covid-19 issues.

- 1.4 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.

1.5 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 31 July 2021

Services	Budget	Forecast Outturn July	Variance July	Previous Cabinet	Variance Change since May
	£m	£m	£m	£m	£m
Health, Education, Care and Safeguarding	74.144	81.425	7.281	7.771	(0.490)
Commissioning and Asset Management	8.013	8.897	0.884	0.831	0.053
Environment, Housing and Leisure	44.279	44.243	(0.036)	(0.015)	(0.021)
Regeneration and Economic Development	1.399	1.462	0.063	0.063	0.000
Corporate Strategy	0.711	0.788	0.077	0.077	0.000
Chief Executive's Office	(0.078)	(0.109)	(0.031)	(0.031)	0.000
Resources	3.416	3.785	0.369	0.040	0.329
Law and Governance	0.308	0.726	0.418	0.323	0.095
Central Items – BAU	(2.051)	(9.263)	(7.212)	(7.212)	0.000
Central Items – Covid-19	0.000	5.607	5.607	4.003	1.604
Support Services	20.013	20.013	0.000	0.000	0.000
Total Authority	150.154	157.574	7.420	5.850	1.570

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 No new savings were proposed as part of the budget approved by Council in February 2021 so the total savings the Authority has had to find in the eleven years following the 2010 Comprehensive Spending Review (CSR) remains at the 2020/21 total of £127.756m.

2.2 Table 2: Year on Year savings since 2010 CSR

Year	£m
2011/12	16.169
2012/13	16.739
2013/14	12.240
2014/15	16.552
2015/16	14.158
2016/17	15.737
2017/18	18.338
2018/19	10.143
2019/20	6.875
2020/21	0.805
2021/22	0.000
Total Savings	127.756

2.3 Although no new savings were proposed, a total of £1.792m of savings targets were agreed in prior years budget setting processes for delivery in 2021/22. Savings targets of £1.981m within Health, Education, Care and Safeguarding (HECS) were met in 2020/21 through Covid grants or alternative management actions with a further £0.482m met through one-year funding sources. This leaves a total of £3.643m savings targets within HECS which still require a permanent solution in 2021/22. A target of £0.082m from 2020/21 within Commissioning and Asset Management also requires achievement on a permanent basis in 2021/22. The total savings that need to be achieved in 2021/22 are therefore £4.337m.

2.4 The delivery of savings in 2021/22 is expected to continue to be impacted by the Covid-19 pandemic within HECS and Commissioning & Asset Management and forecasted saving delivery is unchanged from the May report.

2.5 Table 3: Efficiency Savings by Service at July 2021

Service	2021/22 Targets £m	Projected Delivery £m	In Year Actions £m	Yet to be achieved £m
HECS	3.643	0.540	1.100	2.003
Commissioning & Asset Management	0.264	0.100	0.000	0.164
Environment Housing & Leisure	0.430	0.430	0.000	0.000
TOTAL	4.337	1.070	1.100	2.167

- 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 variations in relation to the savings where delivery has been impacted by Covid are outlined in the sections below.

Health, Education, Care and Safeguarding (HECS)

- 2.7 HECS has achieved savings targets totalling £0.540m relating to Sector Led Improvement income (£0.100m), maximising children's (£0.190m) and Adults NHS income (£0.250m). An in-year saving of £1.100m has been identified through management actions of retaining vacancies and managing third party payments within Adult services.
- 2.8 This service has been significantly impacted by the Covid-19 pandemic and the level of response required through each phase as the Pandemic unfolded. 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.
- 2.9 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 pursue deliverability of existing schemes and to identify alternative proposals during 2021/22.

Commissioning and Asset Management

- 2.10 Within Commissioning and Asset Management the only savings target forecasted to be unmet in 2020/21 related to the target for an increase in school meals fees of £0.082m. This is now joined in 2021/22 by a further increase in this target of £0.082m. Both of these targets are forecasted as yet to be achieved pending decisions on school meal price increases. A target of £0.100m relating to SLA income is forecasted to be achieved.

Environment Housing and Leisure

- 2.11 All savings in this service are forecasted to be achieved.

SECTION 3 – NEW REVENUE GRANTS

3.1 New revenue grants have been received or notified during June and July 2021.

Table 4: Grants Received or Notified in June and July 2021

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Department of Health and Social Care	New Burdens Funding – Domestic Abuse Duty	To provide support for the victims of domestic abuse and their children	0.450
Health Education Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	Allows local authorities to monitor the performance of maintained schools and broker school improvement provision	0.117
Health Education Care and Safeguarding	Department for Education	Extension of the role of Virtual School Heads to children with a social worker Grant	To provide support to local authorities to help them meet their duty to appoint a virtual school head for children with a social worker to make advice and support available	0.100
Health Education Care and Safeguarding	Department for Work and Pensions	Flexible Support Fund – Youth Employment Partnerships	To help improve employment outcomes for long term unemployed individuals and group facing barriers to work	0.071
Health Education Care and Safeguarding	Department for Work and Pensions	Reducing Parental Conflict – Workforce Development Programme	To strengthen leadership around parental conflict and fund training for frontline staff to identify and respond to parental conflict	0.022

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Ministry of Housing, Communities and Local Government	Housing and Whole Family Working pilot	To implement the Housing and Whole Families Working Pilot helping low income families to thrive	0.047
Health Education Care and Safeguarding	Department for Education	Sector Led Improvement Programme	To enhance local and regional capacity by allowing the highest performing authorities to partner with other LA's in need of support	0.300
Health Education Care and Safeguarding	Youth Custody Service/HM Prison and Probation Services	Remands to youth secure accommodation for children and young people	Transfer of responsibility to LA's for cost of remand to youth detention	0.030
Central Items	Department of Health and Social Care	Covid-19 Infection Control Grant Round 4	To provide support to social care providers with infection control measures	0.735
Central Items	Department of Health and Social Care	Covid-19 Rapid Testing Fund Round 3	To support the rapid testing of staff in care homes and support visiting by professionals and families	0.502
Environment Housing and Leisure	Ministry of Housing, Communities and Local Government	Rough Sleeping Accommodation Programme Funding	To bring on line 5 homes with support for high need rough sleepers	0.021
Environment Housing and Leisure	Department for Transport	Bikeability	Cycling training for children attending compulsory education	0.001

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Environment Housing and Leisure	Food Standards Agency	Prioritisation of New Businesses for Inspection	For additional administration support to help triage businesses for initial on-site visits	0.005
Total				2.401

SECTION 4 – IMPACT OF COVID-19

4.1 The Authority continues to play a key role in supporting businesses, residents, care homes and schools with financial support and additional Covid-19 related services throughout the Pandemic. Financial impacts remain, due to loss of income as a result of closures and restrictions on the facilities the Authority operates and additional costs resulting from Covid-19 in relation to its business-as-usual activities. The Authority has received a range of grants from Government to fund this additional activity and the financial impact on the Authority's normal services. The tables below outline the grants received, spend in year and the outcomes related to each grant.

4.2 **Table 5: Supporting Our Businesses**

Business Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-31.07.21	Value Committed @ 31.07.21	Value Available @ 31.07.21
	£m	£m	£m	£m	£m
Business Support Top-Up	0.000	3.307	0.199	3.108	0.000
Local Restrictions Support 'Closed' & 'Open'	0.000	4.694	0.353	4.341	0.000
Additional Restrictions Grant	1.012	2.661	2.727	0.946	0.000
Christmas Support 'Wet-Pubs'	0.000	0.047	0.047	0.000	0.000
Capacity Fund	0.000	0.636	0.073	0.563	0.000
Travel Demand Management	0.000	0.010	0.010	0.000	0.000
Total	1.012	11.355	3.409	8.958	0.000

4.3 The Authority has £11.355m of grant funding brought forward from 2020/21 with a further £1.012m awarded in 2021/22 aimed at supporting businesses across the Borough. £3.409m of this has been allocated to date and the full funding is anticipated to be allocated during 2021/22.

4.4 Table 6: Supporting Our Residents

Residents Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-31.07.21	Value Committed @ 31.07.21	Value Available @ 31.07.21
	£m	£m	£m	£m	£m
Test & Trace Programme Support Grant	0.000	0.782	0.331	0.451	0.000
Emergency Assistance Grant	0.000	0.080	0.018	0.062	0.000
Contain Outbreak Management Fund	1.439	5.302	0.247	6.494	0.000
Test & Trace (self-isolation) Support Payments	0.000	0.438	0.212	0.226	0.000
LA Practical Support Framework	0.184	0.000	0.010	0.174	0.000
Covid Marshalls	0.000	0.003	0.003	0.000	0.000
Clinically Extremely Vulnerable	0.236	0.303	0.076	0.463	0.000
Rough Sleepers Additional Grant	0.025	0.000	0.022	0.003	0.000
Winter Grant	0.012	0.000	0.012	0.000	0.000
Local support (Winter Ext)	0.731	0.000	0.731	0.000	0.000
Rapid Testing in the Community	0.160	0.000	0.160	0.000	0.000
Total	2.787	6.908	1.822	7.873	0.000

4.5 The Authority has been awarded £2.787m of new grant funding in 2021/22 to continue supporting its residents on top of a brought forward balance of £6.908m from 2020/21, meaning there is £9.695m of funding available. This funding ranges from ensuring our most vulnerable are protected, individuals that needed to self-isolated still have access to the services they required and ensuring residents can visit our coastline and other attractions safely, where guidelines allow, through the employment of Covid Marshalls and other safety measures. The Authority has spent £1.822m in the period to the end of July and is committed to spending the balance of £7.873m in this financial year. The majority of the committed balance relates to the Contain Outbreak Management Fund. This grant is to help the Authority support the prevention of Covid-19 outbreaks or manage any that do occur in the borough. A number of plans are in place to spend this money over the remaining months of 2021/22 as restrictions continue to ease.

4.6 Table 7: Supporting Our Care Homes

Care Sector Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-31.07.21	Value Committed @ 31.07.21	Value Available @ 31.07.21
	£m	£m	£m	£m	£m
Infection Control (combined)	1.278	0.544	0.591	1.231	0.000
Rapid Testing – Care Homes	0.922	0.000	0.388	0.534	0.000
Total	2.200	0.544	0.979	1.765	0.000

4.7 The Authority has been awarded £2.200m to support the care homes within the borough. The majority of this funding is passed over directly to the care homes. The remaining funding is used to support the Authority's adult social care services for infection control and testing activities.

4.8 Table 8: Supporting Our Schools

Schools Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-31.07.21	Value Committed @ 31.07.21	Value Available @ 31.07.21
	£m	£m	£m	£m	£m
Digital Inclusion	0.000	0.076	0.035	0.041	0.000
Schools Catch-up Premium	0.880	0.000	0.880	0.000	0.000
Mental Health in Schools	0.024	0.000	0.000	0.024	0.000
Additional Home to School Transport	0.184	0.000	0.141	0.043	0.000
Mass Testing for Schools	0.000	0.233	0.233	0.000	0.000
Total	1.088	0.309	1.289	0.108	0.000

4.9 Grant funding of £1.088m has been received in 2021/22 with a brought forward balance from 2020/21 of £0.309m giving a balance available to spend on our maintained schools during 2021/22 of £1.397m. This funding is to help support schools to be able to continue to offer a Covid-safe environment and deliver services to ensure children are not detrimentally impacted by being unable to attend classes in school.

Supporting Council Services

4.10 The Authority's services have been heavily impacted by the Covid-19 pandemic. These services are being supported in 2021/22 by £5.576m of Local Authority Support Grant and a brought forward balance of £1.685m. There is also utilisation of £4.357m of specific grants supporting services, and an estimate of £1.195m of grant funding to cover losses on Sales, Fees and Charges, which together with the Local Authority Support Grant amounts to a total grant availability of £12.813m. The tables below, summarised in Table 15, show that the forecasted total impact of Covid-19 on general fund services in 2021/22 is expected to be £18.420m, which will therefore leave a pressure on Covid-19 of £5.607m over the funding currently available.

The figures in the tables below are forecasts based on a range of assumptions relating to when the service areas predict their services will see the financial impact of Covid-19 reduce and activity return to a pre pandemic level. These forecasts will continue to be updated as new Government guidance is considered and implemented.

4.11 Table 9: Supporting Our Council Services in Commissioning & Asset Management

Commissioning & Asset Management	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Free School Meals	1.119	0.000	1.119
LA7 Home to School Transport	0.000	0.184	0.184
Clinically Extremely Vulnerable	0.000	0.539	0.539
Electricity	(0.013)	0.000	(0.013)
Cleaning	0.025	0.000	0.025
Rents General	0.036	0.000	0.036
Car Parks (season tickets)	0.078	0.000	0.078
Penalty Notices (absence from School)	0.008	0.000	0.008
Central Purchasing	0.003	0.000	0.003
General Fund PPE	0.033	0.000	0.033
Total	1.289	0.723	2.012

4.12 Table 10: Supporting Our Council Services in Environment, Housing & Leisure

Environment Housing & Leisure	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Sport & Leisure	3.851	0.000	3.851
Waste Management	0.509	0.000	0.509
Highways & Transport	0.365	0.000	0.365
Cultural Services	0.243	0.000	0.243
Homelessness	0.015	0.000	0.015
Marshalls	0.000	0.174	0.174
Environment & Regulatory	0.344	0.000	0.344
Planning & Development	0.107	0.000	0.107
Total	5.434	0.174	5.608

4.13 Table 11: Supporting Our Council Services in Health, Education, Care & Safeguarding

Health, Education, Care & Safeguarding	Main Grant £m	Other Specific Grant £m	Total Claimed £m
CYPL - School Improvement	0.324	0.000	0.324
CYPL - Front Door & safe and support	2.072	0.000	2.072
CYPL - Placement Costs	0.749	0.000	0.749
CYPL - Residential Staffing	0.833	0.000	0.833
CYPL - Adoption Agency (NTC share)	0.034	0.000	0.034
ASC - Adult Services	2.606	0.000	2.606
ASC - Rapid Testing in Social Care	0.000	0.922	0.922
ASC - Infection Control Grant	0.000	1.278	1.278
CYPL & ASC sub total	6.618	2.200	8.818
PH - Test & Trace Support Service	0.000	0.782	0.782
Total	6.618	2.982	9.600

4.14 Table 12: Supporting Our Council Corporate Strategy

Corporate Strategy	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Corporate Strategy	0.090	0.000	0.090
Total	0.090	0.000	0.090

4.15 Table 13: Supporting Our Council Resources and Central Items

Resources & Central Items	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Corporate ICT	0.334	0.000	0.334
Finance / Corporate Services	0.082	0.000	0.082
Revs and Bens Enforcement	0.400	0.000	0.400
Provision for Bad Debt	0.167	0.000	0.167
Total	0.983	0.000	0.983

4.16 Table 14: Supporting Our Council in Law and Governance

Law & Governance	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Law & Governance	0.127	0.000	0.127
Total	0.127	0.000	0.127

4.17 Table 15: Covid-19 Support to Services Summary

Service Area/ Category	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Total Impact on Services	14.541	3.879	18.420
Local Authority Support Grant	(7.261)	0.000	(7.261)
Sales, Fees and Charges*	0.000	(1.195)	(1.195)
Specific Covid Grants	0.000	(4.357)	(4.357)
Unallocated in Reserve	7.280	(1.673)	5.607

*This figure is an estimate of the value the Authority will be claiming in relation to the funding available to support losses on Sales, Fees and Charges. Currently, this grant is only available in 2021/22 to cover losses incurred in April 2021 to June 2021.

SECTION 5 – SERVICE COMMENTARIES

5.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2021/22, with forecasts being prepared on a prudent basis at this early stage in the financial year. Challenge sessions are planned to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Service Directors and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

5.2 Health, Education, Care & Safeguarding (HECS)

5.2.1 HECS is showing an initial forecast variance of £7.281m against its £74.144m net controllable expenditure budget, an improvement of £0.490m from the May position of £7.771m. This position is after adjusting for a total of £8.818m of Covid-19 related cost and income pressures which are now shown within Central Items. The forecasted pressure is mostly within Children’s Services and excludes the application of contingency budgets set aside in Central Items for pressures in Children’s Services of £3.116m.

5.2.2 The HECS service continues to be 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 is also ongoing to support social care providers to maintain their vital services. Further details on Covid impacts are shown in Section 4 above.

5.2.3 Table 16: Forecast Variation for HECS at July 2021

	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Corporate Parenting & Placements	15.802	21.522	5.720	5.999	(0.279)
RHELAC Service	0.008	0.008	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.708	0.722	0.014	0.024	(0.010)
Early Help & Vulnerable Families	1.543	1.371	(0.172)	(0.030)	(0.142)
Employment & Skills	0.591	0.570	(0.021)	0.000	(0.021)

	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Integrated Disability & Additional Needs Service	2.284	3.908	1.624	1.609	0.015
School Improvement	0.319	0.341	0.022	0.172	(0.150)
Regional Adoption Agency	0.000	0.000	0.000	0.000	0.000
Children's Services Sub-total	21.255	28.442	7.187	7.774	(0.587)
Central, Strategy and Transformation	1.131	1.161	0.030	0.063	(0.033)
Social Work and Associated Activity	7.211	7.605	0.394	0.564	(0.170)
Integrated Services	2.751	2.339	(0.412)	(0.394)	(0.018)
Business Assurance	0.296	0.378	0.082	0.081	0.001
Sub-total Operations	11.389	11.483	0.094	0.314	(0.220)
Commissioned Services – Wellbeing and Assessment	11.250	10.178	(1.072)	(1.015)	(0.057)
Commissioned Services – Learning Disability	25.435	25.185	(0.250)	(0.591)	0.341
Commissioned Services – Mental Health	3.312	4.603	1.291	1.258	0.033
Commissioned Services - Other	1.262	1.293	0.031	0.031	0.000
Sub-total – Commissioned Services	41.259	41.259	0.000	(0.317)	0.317
Adult Services Sub-total	52.648	52.742	0.094	(0.003)	0.097
Public Health	0.241	0.241	0.000	0.000	0.000
Total HECS	74.144	81.425	7.281	7.771	(0.490)

Main budget pressures across HECS

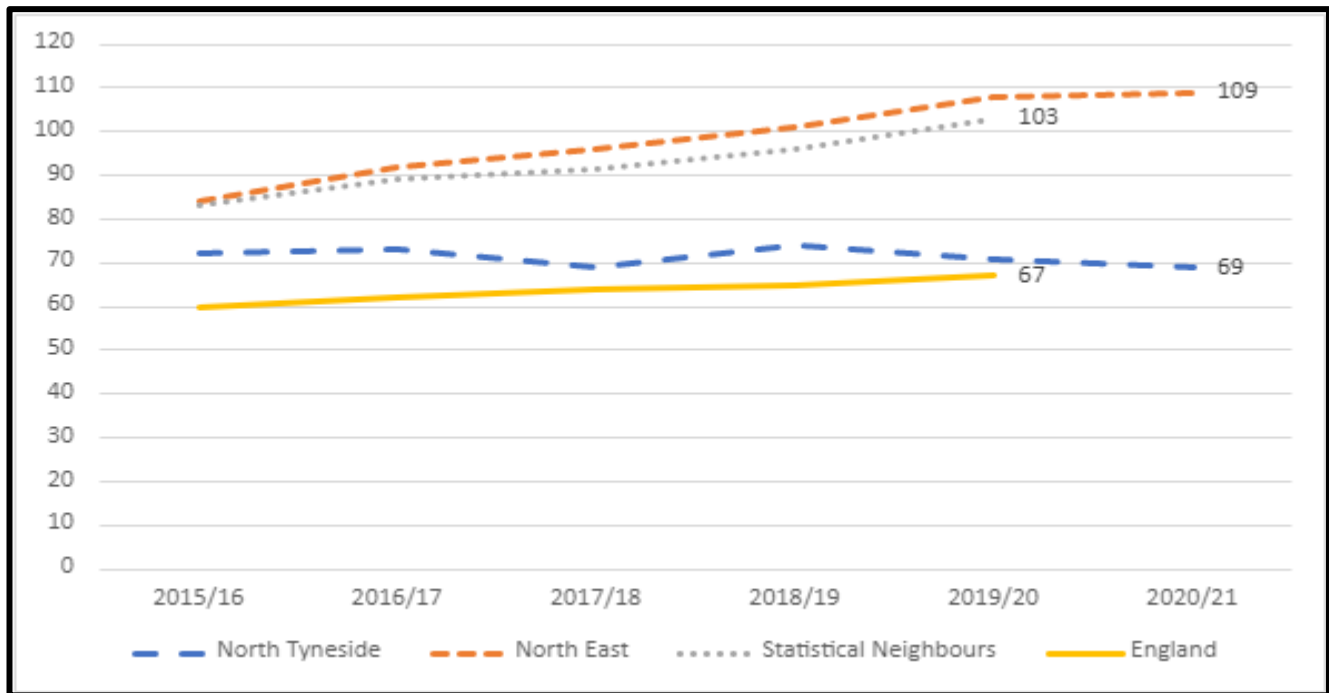
- 5.2.4 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of care homes within the borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring funding contributions from the NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.
- 5.2.5 The main factor behind the overall forecast position, however, is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. There is also a pressure relating to services for children with additional needs. In addition to care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs.

Children's Services

- 5.2.6 In Children's Services the £7.187m forecast pressure relates mainly to pressures of £5.720m in Corporate Parenting and Placements and £1.624m in Integrated Disability and Additional Needs. The pressures were foreseen by Cabinet and backed by £3.116m of centrally held contingencies. This position excludes Covid-19 related pressures of £4.012m which have been transferred to Central Items.
- 5.2.7 The May position of Children's Services for 2021/22 was a pressure of £7.774m which had increased from an outturn in 2020/21 of £5.647m. The increase in forecast position in 2021/22 was mainly a result of new savings targets forecasted as unmet and reduced recharges to Covid grants and to adult services. A further assessment of the ongoing impact of the Pandemic has been carried out after infection rates in the borough rose and remained high in June and July. This reassessment has resulted in Covid costs for children's services rising to £4.012m from £2.907m in May. This includes a further £0.988m of savings targets currently forecasted as unmet.
- 5.2.8 The movement in the variance since the May report is due to a transfer of savings targets to Central Items to be set against Covid grants offset by an increase in external care packages for children of £0.420m. There is a reduction in pressures within School Improvement of £0.150m due to the transfer of non-curriculum-based ICT services to corporate ICT within Resources with an associated income target. Early Help and Vulnerable Families has improved due to changed assumptions in relation to recruitment into vacant posts.
- 5.2.9 North Tyneside Council, unlike many councils in the region, has managed to maintain the level of children in care at a stable rate during the Pandemic and at a rate which compares favourably with our neighbours.

5.2.10 The most recent available national comparators from 2019/20, as demonstrated by Chart 1 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

5.2.11 **Chart 1: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



5.2.12 Although an amount of £3.116m is held as a contingency budget for children’s services within Central Items, the budget within the service for the costs of looking after children who need to come into care is not sufficient for the relatively stable level of children who require these services. The costs for children who are formally not classed as in care but who required costed services also continues, as in previous years, to be significantly above budget. The service is currently undertaking an exercise in conjunction with colleagues in Finance, Performance and HR to identify growth requirements and saving opportunities as part of the ongoing development of the Medium-Term Financial Plan.

Corporate Parenting and Placements

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

Table 17: Analysis of Pressures in Corporate Parenting and Placements

Type of Service	Budget £m	Variance July £m	Variance May £m	Change Since May £m
Care provision – children in care	9.188	3.189	3.066	0.123
Care provision – other children	3.147	0.917	0.931	(0.014)
Management & Legal Fees	(0.948)	0.808	1.152	(0.344)
Social Work	4.369	0.802	0.845	(0.043)
Safeguarding Operations	0.046	0.004	0.005	(0.001)
Total	15.802	5.720	5.999	(0.279)

5.2.14 The forecast has been developed based on the children in care as at the end of July 2021. The number in care at the end of July was 301 which was a net increase of 9 from the May figure of 292. The July forecast for the total number of care nights has increased by 1,811 from the May forecast of 102,304 but is still lower compared to the total number of care nights delivered in 2020/21 which was 108,745.

5.2.15 Table 18: Forecast cost, forecast variance, average placement cost and Placement mix

Placement Type	2021/22 July Variance	Average Annual Placement cost (£m) *	Forecast Bed Nights July	Forecast Bed Nights May	Placemen t Mix	No. of children July 21	No. of children May 21
External Residential Care	1.514	0.264	8,553	8,338	8%	28	26
External Fostering	(0.059)	0.040	8,820	9,048	9%	28	28
In-House Fostering Service	0.447	0.026	65,762	63,420	63%	182	174
External Supported Accommodation	0.524	0.119	3,552	3,218	3%	16	14
Other*	0.639	various	17,428	18,280	17%	47	50
Total	3.065		104,115	102,304	100%	301	292

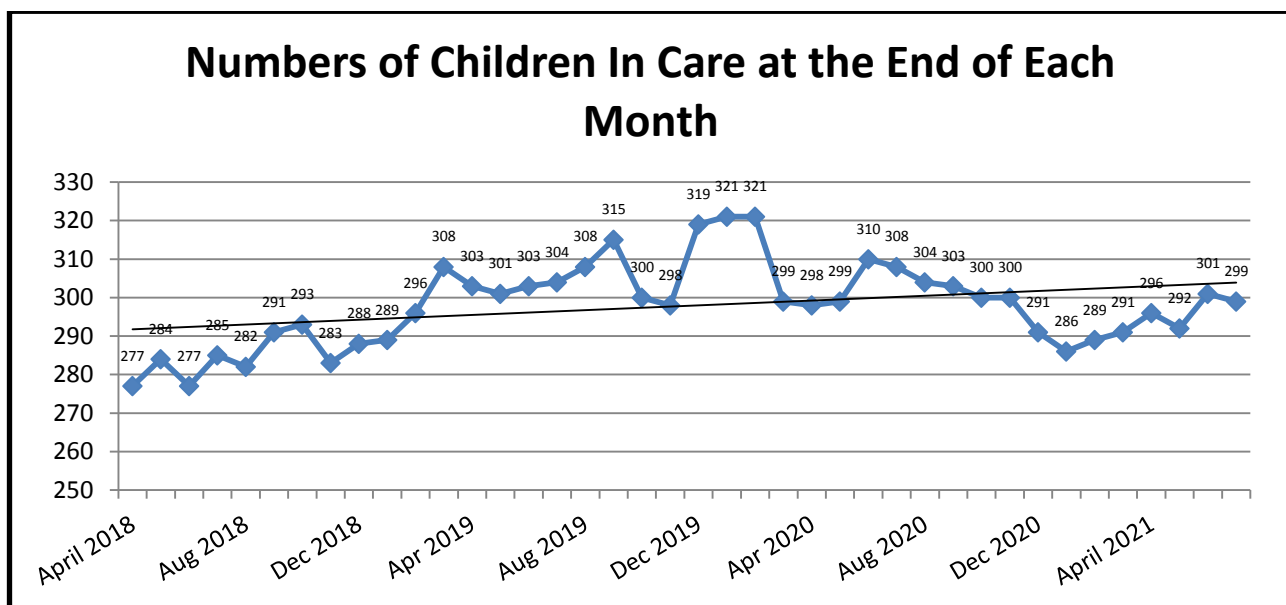
*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes; the Annual Average Placement Cost represents the potential costs for a full year of those children in placements as at 31 July 2021.

5.2.16 The number of children in care can be volatile and costs for individual children can be very high. There is a potential risk that the forecast could increase if numbers of care nights delivered on complex cases starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the potential economic effects of the Covid-19 crisis impact on families.

Care Provision – Children in Care

5.2.17 Over recent years, there has been an increasing trend nationally in demand for children’s residential placements but with no corresponding increase in government-funded provision. The trend in North Tyneside over the last few years is that the overall number of children in care has mirrored the increases being felt nationally. Although as Chart 2 shows the current levels are below the trend line.

5.2.18 **Chart 2: Children in Care at the End of Each Month**



Care Provision – Children not in care

5.2.19 The pressure of £0.917m (May variance, £0.931m) relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). Cabinet will recall that the Authority’s policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £3.116m established in Central Items was, in part, intended to mitigate against these costs.

Management and Legal Fees

5.2.20 This area has a forecast pressure of £0.808m (May variance, pressure of £1.153m). Following a review of the continued impact of Covid-19 on services, savings targets of £0.080 currently forecasted as unmet have been transferred to central Items to be set against Covid grants. The remaining improvement relates mainly to reduce forecasts around interim management following a successful recruitment process.

Social Work

- 5.2.21 Within the overall pressure of £5.720m for Corporate Parenting and Placements, there are social work-related pressures of £0.802m (May, £0.845m). Of the £0.802m pressure, £0.567m relates to employee costs with £0.235m relating to non-pay costs. There is an additional team in place of 6 posts costing £0.244m and market supplements across the service amounting to £0.095m. There are s17 assistance costs forecasted above budget level by £0.051m, transport and travel pressures of £0.027m and legal and professional fee pressures of £0.105m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. Caseloads per social worker remain high at just over 20 compared to the national average of 16.3 (for 2020). The additional social work costs within Children's services reflects the commitment not to use agency staff within front line teams.

Integrated Disability and Additional Needs (IDANS)

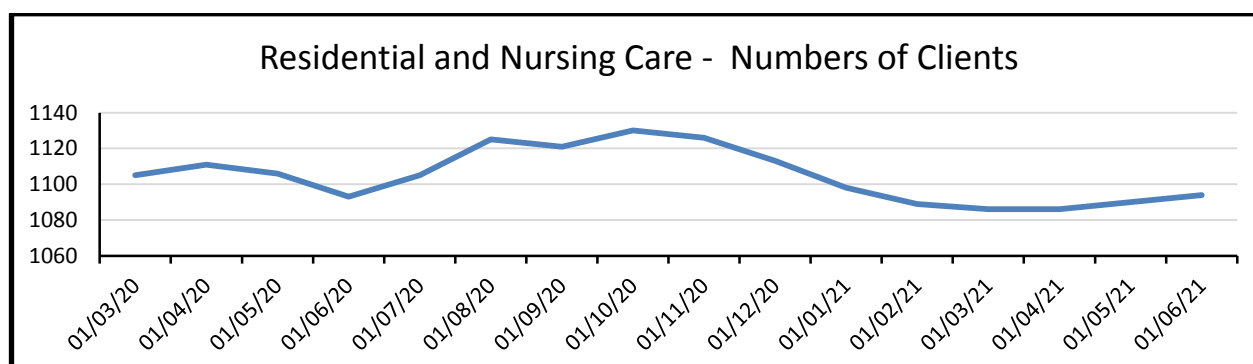
- 5.2.22 IDANS is forecasting a pressure of £1.624m (May variance was £1.609m). Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs). Within North Tyneside, the number of children with an EHCP has risen from 1102 in January 2018 to 1995 in July 2021. Within this service area the main pressures relate to operational staffing costs within in-house residential services of £0.259m and associated unachieved health income target of £0.213m. There are also forecast staffing pressures of £0.276m in Educational Psychology relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. There are pressures of £0.720m on externally commissioned short breaks and staffing pressures of £0.152m across the Statutory Assessment and Review Team and the Disability Team.
- 5.2.23 The IDANS service is continuing to carefully review planned provision to identify any areas of spend which can be reduced without adverse impacts on the children and families receiving support.
- 5.2.24 The School Improvement Service is showing a forecast pressure of £0.022m compared to a pressure of £0.172m in May. The non-curriculum elements of service delivery in relation to ICT services for schools have now transferred to corporate ICT and a realignment of this income target has now taken place resulting in this improved position. The pressure and mitigating actions relating to this SLA area are now shown in the Resources section.

Adult Services

- 5.2.25 Adult Services are forecasted to show a pressure of £0.094m which compares to a forecast underspend of £0.003m in May. This position is after a total of £4.806m of Covid costs are transferred to Central Items to be offset against Covid related grants.

- 5.2.26 Adult Services continues to be heavily impacted by the Pandemic with the relatively high rates of infection experienced in the borough in June and July resulting in significant proportions of the Authority's staff and staff employed within the local external care market being unavailable for work due to sickness and self-isolating following contact from Test and Trace or the NHS app. At various points in June and July approximately 25% of Integrated Services in house staff and an average of 20% of external homecare and care home workers were absent with some providers reporting up to 40%. The lack of capacity in the homecare market has contributed to higher levels of short-term placements into residential care.
- 5.2.27 There has been an additional £0.821m of care costs relating to new packages following hospital discharges under the Discharge to Assess arrangements brought in during the Pandemic. These additional costs have been forecasted within the Covid costs in Central Items. Hospital discharges remain high at around 275 per month compared to around 160 per month pre-Covid-19.
- 5.2.28 The analysis of sub service areas has been changed in 2021/22 to show the split between the operational aspects of the service and the externally commissioned care costs.
- 5.2.29 Forecasted costs associated with the operational management of the service are showing a pressure of £0.094m, reduced from the May position of a pressure of £0.314m. The reduction is due to changed assumptions around recruitment into vacancies. Pressures within social work teams are partially offset by an underspend in Integrated Services due to vacancies.
- 5.2.30 There is a pressure within Commissioned Services – Mental Health due to three new high-cost clients who entered the service in March and April 2021 (£0.940m). There are also pressures due to increased client numbers relating to residential and nursing care within Mental Health.
- 5.2.31 Forecasted pressures in Commissioned Services – Mental Health are offset by budget surpluses across Commissioned Services in Wellbeing and Assessment and Learning Disabilities. The overall numbers in residential and nursing care continued to rise in June and July largely due to a continued higher level of discharges from hospital and a lack of capacity in the homecare market.

5.2.32 Chart 3: Overall Numbers of Clients in Residential and Nursing Care



5.3 Commissioning and Asset Management

5.3.1 Commissioning and Asset Management (C&AM) is showing a pressure of £0.884m (May, pressure of £0.831m) as set out in Table 19.

5.3.2 C&AM has also been heavily impacted by the Covid-19 Pandemic, particularly in relation to supporting schools and in relation to lost income with details shown in Section 4.

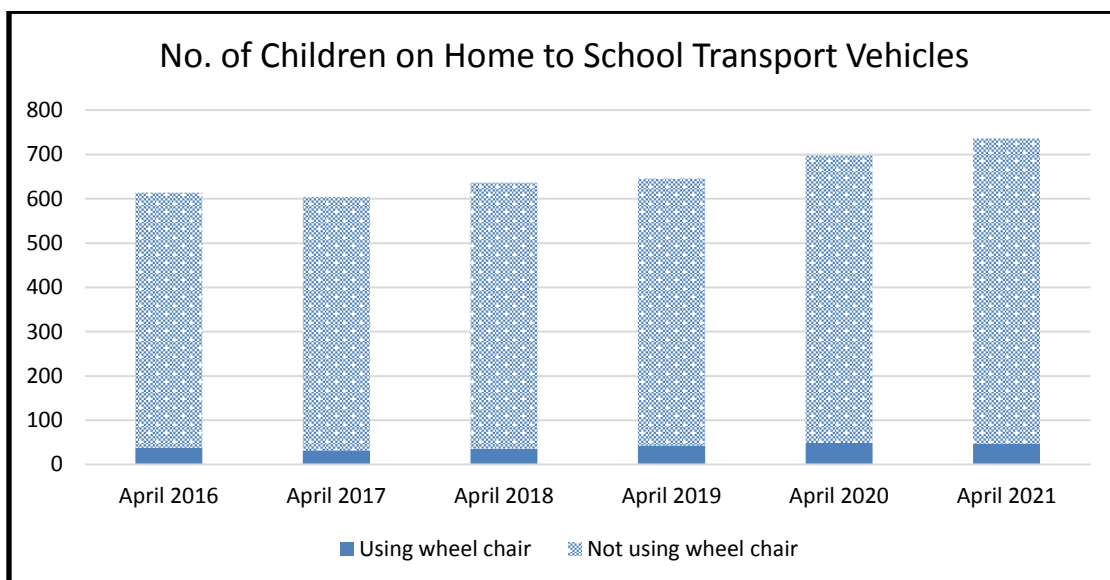
5.3.3 **Table 19: Commissioning and Asset Management (C&AM) Forecast Variation**

	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
School Funding & Statutory Staff Costs	5.410	5.328	(0.082)	(0.065)	(0.017)
Commissioning Service	0.406	0.429	0.023	0.025	(0.002)
Facilities & Fair Access	0.412	1.305	0.893	0.850	0.043
Community & Voluntary Sector Liaison	0.441	0.412	(0.029)	(0.028)	(0.001)
Strategic Property & Investment	1.918	1.998	0.080	0.050	0.030
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000
Property	(0.727)	(0.727)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.161	0.160	(0.001)	0.000	(0.001)
Procurement	(0.008)	(0.008)	0.000	(0.001)	0.001
Grand Total	8.013	8.897	0.884	0.831	0.053

5.3.4 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressure of £0.893m (May, forecast pressure of £0.850m). The pressure mainly relates to Home to School Transport (£0.742m) with additional pressures on the catering service (£0.161m) due to increasing numbers of free school meals and the consequential impact on loss of paid income. There is also a pressure of £0.060m on car parking income in relation to Quadrant.

5.3.5 The Home to School Transport position, a pressure of £0.742m, relates to the sustained and increase in children with complex needs attending special schools. 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 6.12 to 6.15 for more details). As a result of the increase in demand for home to school transport for children with additional needs, the number of children in vehicles has risen from 614 in April 2016 to 736 in April 2021 as shown in Chart 4 below. Work is ongoing to identify the number of children expected to use transport for the start of the Autumn term in September. Work is also continuing on route rationalisation using the new QRoute system however the requirement for continued social distancing has limited rationalisation opportunities.

5.3.6 **Chart 4: Increase in Numbers of Children Accessing Home to School Transport**



5.3.7 In addition to Facilities and Fair Access, within Strategic Property and Investment, the repairs and maintenance budget is forecasted to show a pressure of £0.177m due to the cost of essential repairs across the Authority’s buildings. This is partially offset by recharges to capital budgets and other savings across this service area.

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

5.4.1 EHL is forecasting a small underspend of £0.036m against the £44.279m net budget, as set out in Table 20 below. The position includes a planned £0.583m draw-down of reserves for the street-lighting PFI contract and PFI buildings.

5.4.2 The Covid-19 Pandemic continues to impact on EHL mainly in relation to lost income with £4.505m of the £5.608m estimated impact is due to income-generating services being expected to operate at a lower level. This forecast is based on a high-level impact assessment of on-going income modelled on expected operating levels to September, with operations then returning back towards pre-pandemic levels.

5.4.3 Table 20: Forecast Variation in Environment Housing & Leisure

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Arts Tourism & Heritage	1.623	1.691	0.068	0.067	0.001
Bereavement	(0.785)	(0.689)	0.096	0.051	0.045
Fleet Management	1.123	1.085	(0.038)	(0.036)	(0.002)
General Fund Housing	0.936	0.941	0.005	0.005	0.000
Head of Service & Resilience	0.245	0.211	(0.034)	(0.001)	(0.033)
Libraries & Community Centres	5.202	5.183	(0.019)	0.026	(0.045)
Security and Community Safety	0.369	0.405	0.036	0.013	0.023
Sport & Leisure	2.719	2.683	(0.036)	(0.032)	(0.004)
Street Environment	8.313	8.210	(0.103)	(0.068)	(0.035)
Street Lighting PFI	4.717	4.717	0.000	0.000	0.000
Technical Package - Building Control	(0.430)	(0.429)	0.001	0.002	(0.001)
Technical Package - Consumer Protection	1.417	1.407	(0.010)	(0.010)	0.000
Technical Package - Planning	0.247	0.247	0.000	0.000	0.000
Technical Package - Transport & Highways	7.187	7.222	0.035	0.035	0.000
Waste & Recycling Disposal Contracts	7.421	7.367	(0.054)	(0.046)	(0.008)
Waste Management	3.975	3.992	0.017	(0.021)	0.038
Grand Total	44.279	44.243	(0.036)	(0.015)	(0.021)

5.4.4 The variance reflects forecast pressures against Arts, Tourism & Heritage & Bereavement of £0.068m and £0.096m with smaller pressures in Security and Community Safety and General Fund Housing which are mitigated by combined saving forecasts across Fleet Management, Sports & Leisure, Street Environment and Waste & Recycling Disposal. Technical Package budgets are balanced across the contract with Capita.

5.4.5 The following paragraphs outline the pressures in each service area with details of any variances or movement greater than £0.050m.

Local Environmental Services

5.4.6 Street Environment service is showing a £0.103m saving, mainly due to impact of vacant posts.

5.4.7 This is offsetting a £0.096m pressure in Bereavement, which is caused by the extended closedown for repairs of one of the cremators.

5.5 Regeneration and Economic Development

5.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.063m at July 2021, as shown in Table 21 below.

5.5.2 **Table 21: Forecast Variation for Regeneration and Economic Development**

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Business & Enterprise	0.751	0.747	(0.004)	(0.004)	0.000
Regeneration	0.445	0.436	(0.009)	(0.009)	0.000
Resources & Performance	0.203	0.279	0.076	0.076	0.000
Grand Total	1.399	1.462	0.063	0.063	0.000

5.5.3 The variance reflects a forecast cost pressure within Resources & Performance of £0.076m due to historic staffing pressures. Minimal underspends across the rest of the service slightly reduce the pressure.

5.6 Corporate Strategy

5.6.1 Corporate Strategy is forecasting to report a £0.077m pressure. The variance reflects a forecast underachievement in a cross-service income target of £0.157m.

5.6.2 Included within the forecast are assumptions a mix of corporate reserves and Covid-19 grant will be drawn down to meet the employee costs associated with the Customer Service and Covid-19 Recovery Programme posts, mitigating the impact of the income target pressure.

5.6.3 **Table 22: Forecast Variation Corporate Strategy**

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Children's Participation & Advocacy	0.258	0.253	(0.005)	(0.005)	0.000
Corporate Strategy Management	0.006	0.108	0.102	0.102	0.000
Elected Mayor & Executive Support	0.018	0.025	0.007	0.007	0.000
Marketing	0.289	0.287	(0.002)	(0.002)	0.000
Policy Performance and Research	0.140	0.115	(0.025)	(0.025)	0.000
Grand Total	0.711	0.788	0.077	0.077	0.000

5.7 **Resources and Chief Executive Office**

5.7.1 Overall Resources and Chief Executive Office are currently forecasting a joint pressure of £0.338m.

5.7.2 **Table 23: Forecast Variation Resources and Chief Executive**

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Chief Executive	(0.078)	(0.109)	(0.031)	(0.031)	0.000
Finance	0.002	0.230	0.228	0.068	0.160
ICT	2.876	3.016	0.140	(0.010)	0.150
Human Resources	0.538	0.539	0.001	(0.018)	0.019
Grand Total	3.338	3.676	0.338	0.009	0.329

5.7.3 Within the Finance service there continues to be forecast pressures due to the impact of funding managed by the Revenues and Benefits service, which is showing the following expected variances:

- The service area is predicting a pressure on the Bad Debt Provision of £0.197m, where a forecast reduction in the bad debt provision is not currently expected.
- Overpayment income improved from May by £0.037m to a £0.241m pressure which is still caused by reduced value of overpayments expected to be raised due to the ongoing move to Universal Credit (UC). The service is working to refresh the profile of change that is anticipated as the roll out of UC continues.
- The Benefits Subsidy Grant impact has worsened since May by £0.181m due to a fall in forecast payments to private tenants and an increase in eligible overpayments, updating the position to a £0.058m saving. This will continue to be updated across the year and a mid-year estimate will be provided to the Department of Work and Pensions in October.
- Enforcement income is currently forecasted to be in line with budget and will be updated on a monthly basis using the cost of collection statistics.

These forecasts are being carefully managed by the service management and will continue to be refined as the year progresses.

5.7.4 The Finance service is forecasting staffing savings across nearly all teams which mitigates these pressures. These staffing savings are a mix of vacancy savings and additional funding where the service area supports external organisations such as North of Tyne Combined Authority.

5.7.5 The main change in month is due to the reporting of a pressure within ICT as a result of the transfer of Education ICT income targets with a forecast £0.140m shortfall in SLA income within the service.

5.7.6 The remaining service areas within Resources are all forecasting small underspends for the year.

5.7.7 The Chief Executive's office is showing a saving of £0.031m, due to forecast savings in staffing and other operational spend.

5.8 Law and Governance

5.8.1 Law and Governance is forecasting a £0.418m pressure. This variance reflects forecasted cost pressures in Legal Services of £0.251m for the employment Locums/staff costs and £0.108m pressure for delivering North Tyneside Coroner services.

5.8.2 The movement of £0.083m in Democratic and Electoral Services reflects the increased costs of the election in May, which reflect the impact of increased canvassing. These pressures are partially offset by forecast underspends within Information Governance linked to income over-achievement.

5.8.3 **Table 24: Forecast Variation for Law and Governance**

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Customer, Governance & Registration	(0.071)	(0.038)	0.033	0.016	0.017
Democratic and Electoral Services	0.031	0.125	0.094	0.011	0.083
Information Governance	0.159	0.091	(0.068)	(0.069)	0.001
Legal Services	(0.105)	0.146	0.251	0.256	(0.005)
North Tyneside Coroner	0.294	0.402	0.108	0.109	(0.001)
Grand Total	0.308	0.726	0.418	0.323	0.095

5.9 Central Items

5.9.1 Central Items is forecasted to be in surplus by £7.212m, unchanged from the May report. The surplus figure of £7.212m includes the contingency budgets of £5.404m of which £3.116m of that budget provision relates to the pressure being experienced in Children's Services. The other main areas impacting the position are summarised below:

- Strain on the fund savings of £1.388m, due to minimum in-year costs anticipated this financial year;
- Minimum revenue provision savings of £0.350m; and,
- Interest savings on borrowing of £0.150, both of these arising from re-profiling of the Investment Programme and use of cash balances to minimum borrowing.

5.9.2 Savings within Corporate and Democratic Core in 2021/22 are due to anticipated pressures not being seen to materialise to date and the costs of pensions out of revenue are prudently forecasted to be balanced at this stage in the year. These may reduce across the rest of the year and provide some sustainable savings.

5.9.3 Table 25: Forecast Variation Central Budgets and Contingencies

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Corporate & Democratic Core	4.315	4.315	0.000	0.000	0.000
Other Central Items	(6.366)	(13.578)	(7.212)	(7.212)	0.000
Grand Total	(2.051)	(9.263)	(7.212)	(7.212)	0.000

SECTION 6 - SCHOOLS FINANCE

Update on School Budgets

- 6.1 There is no update on school finances since the May position reported previously to cabinet. As in previous years, the details of schools' balances have been reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. A report of this update will be presented to cabinet in September's finance report.

School Additional Funding – Falling Rolls and Growth

- 6.2 Schools Forum previously set aside school funding to support schools with falling rolls or with growth in pupil numbers. The rules and procedures for allocating this funding are based on guidance from Department of Education (DfE) and are set by School Forum. Eligible schools are identified by the School Finance service and a case requesting funding is presented to the finance sub-forum for their initial agreement before final approval at Schools Forum. This funding is not part of the Authority's general fund and is managed by Schools Forum.
- 6.3 Five schools were agreed to be eligible for falling rolls funding where the overall pupil numbers had dropped by more than 15. The expected value of the claims these schools are eligible for is £0.082m. These bids will be considered by Forum in September.
- 6.4 Five schools were seen to be initially eligible for growth funding, where their pupil numbers were expected to grow by September 2021. These schools will need to present evidence that they meet the qualifying criteria for this funding, with potential funding due to them collectively of £0.525m. Qualifying bids will be considered by Forum in September.

School Additional Funding – Schools in Financial Difficulty

- 6.5 Schools Forum also set aside school funding to support maintained schools in financial difficulty. Schools qualifying for the funding are invited to submit bids for this funding to the finance sub-group of Schools Forum, who then take any approved bids to full Forum for final sign off.
- 6.6 There have initially been three submitted bids for consideration by the finance sub-group, with one outstanding bid to be considered in early September. The initial three bids are being taken to full Forum for final authorisation.

Containment funding for Schools

- 6.7 Cabinet will recall from the previous report that the Authority's Recovery Coordination Group (RCG) had set aside £0.450m funding from the Containment Grant to assist schools. Schools subsequently identified £0.808m pressures on their balances for 2020/21 due to the costs of containing the spread of Covid-19 that were not met by the Department for Education. RCG considered these claims and increased the funding available to meet the full impact on schools, with the £0.808m due to be forwarded to the schools in September.

- 6.8 A further fund of £0.500m is also being considered for 2021/22 to meet similar costs borne by schools in the current financial year.

National Funding Formula Consultation for 2022/23

- 6.9 The method for allocating funding to schools is still set by a local funding formula (LFF), though DfE are considering making their national funding formula (NFF) mandatory in the future. Currently North Tyneside have agreed with Schools Forum to adopt the NFF factors in their LFF.
- 6.10 For 2022/23 the Authority will consider modelling a potential option to remove the requirement for capping and maximise the minimum funding guarantee (MFG) by reviewing the free school meals deprivation factors (FSM/FSM6). Guidance states that a local authorities LFF can incorporate one or both of the free school meals factors; North Tyneside have previously allocated funding to schools based on both FSM and FSM6 eligibility. The 2022/23 modelling would include only the FSM6 element (being the higher of the 2 factors).
- 6.11 Modelling scenarios will be presented to Schools Forum in September, in advance of the formal consultation with schools during October/November. The preferred model will then be taken to Cabinet for final agreement as part of the Authority's budget planning process.

High Needs Block

- 6.12 Cabinet will recall from the previous finance report that the High Needs block of the Dedicated Schools Grant (DSG) was anticipating an in-year pressure of £3.268m in May, which would raise the cumulative pressure on the block to £12.068m.
- 6.13 The forecast for the High Needs Block at July 2021 is now an anticipated in-year pressure of £3.491m reflecting a further rise in demand for special school places within the Authority. These additional places create pressures in relation to place funding of £10,000 per place and the associated top-up funding reflecting each child's level of need. A breakdown of the in-year pressure is shown in Table 26.
- 6.14 **Table 26: Breakdown of High Needs Pressures at July 2021**

Provision	Budget £m	Forecast Variance July £m	Comment
Special schools and PRU	15.520	2.054	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	4.120	0.650	Pressures in pre 16 top ups e.g. Norham ARP

Provision	Budget £m	Forecast Variance July £m	Comment
Out of Borough	2.890	0.726	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.888	0.061	
Subtotal	26.418	3.491	
2020/21 Balance		8.720	
Adjustment		0.080	
Subtotal	26.418	12.291	

High Needs Recovery Plan

6.15 As previously noted North Tyneside is an outlier in terms of the number of Education Health and Care Plans currently in use. The most recent figures suggest that the Authority are around 1% above the national average in terms of whole population. This has a significant impact on all the services that work with our children and young people with additional needs. An informal discussion with the Education Skills and Funding Agency (ESFA) took place on 16 June where the Authority outlined its progress in relation to a recovery plan for high needs expenditure. These proposals have been shared with stakeholders including Schools Forum on 7 July. A High Needs Recovery Plan will be submitted to the ESFA by 13 August and the plan seeks to address the High Needs deficit by 2025-26. The themes of the recovery plan link clearly to our SEND Inclusion Strategy and our Ambition for Education:

- Improved Graduated Approach to support more young people to have success in their local school;
- Review of Commissioned Services with a focus on maintaining young people in their local school;
- Annual reviews are focussed, timely and include 'value for money';
- The banding and mechanisms the Authority uses to fund schools are brought in line with our graduation aspirations;
- Use of capital funding to address issue around capacity;
- More effective place planning and projection is used to ensure that there are sufficient resources in place; and,
- Ensuring that the Authority are working with our partners and stakeholders.

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 27 below is based on the results to July 2021. Currently the HRA is forecasting an underspend of £0.010m, which includes £0.012m of Covid-19 related costs (see Table 28). Throughout the year, costs will be monitored closely across all areas with additional focus on Rent Arrears and the effect this has on the bad debt provision. In addition, changes to prudent assumptions around rental income, Council Tax voids, Contingency and staffing vacancies will be monitored which could lead to improvements in the forecast position.

7.2 Table 27: Forecast Variance Housing Revenue Account

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.520	2.520	0.000
Management – Operations	4.767	4.738	(0.029)
Management – Strategy & Support	3.588	3.609	0.021
Capital Charges – Net Effect	12.969	12.969	0.000
Contingencies, Bad Debt & Transitional Protection	1.280	1.280	0.000
Contribution to Major Repairs Reserve – Depreciation	13.276	13.276	0.000
Interest on Balances	(0.050)	(0.050)	0.000
PFI Contracts – Net Effect	2.043	2.043	0.000
Rental Income - Dwellings, Direct Access Units, Garages	(60.995)	(60.995)	0.000
Rental Income – HRA Shops and Offices	(0.356)	(0.356)	0.000
Revenue Support to Capital Programme	10.551	10.551	0.000
Repairs	12.350	12.348	(0.002)
Total	1.943	1.933	(0.010)

7.3 The Covid-19 costs for HRA relate to unproductive workforce costs, as can be seen in Table 28 below.

7.4 **Table 28: Forecast Impact of Covid-19 on HRA for 2021/22**

Service Area	Covid Cost Pressure £m	Covid Income Pressure £m	Total Covid Pressure £m	Description
HRA – Workforce	0.012	0.000	0.012	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
Total	0.012	0.000	0.012	

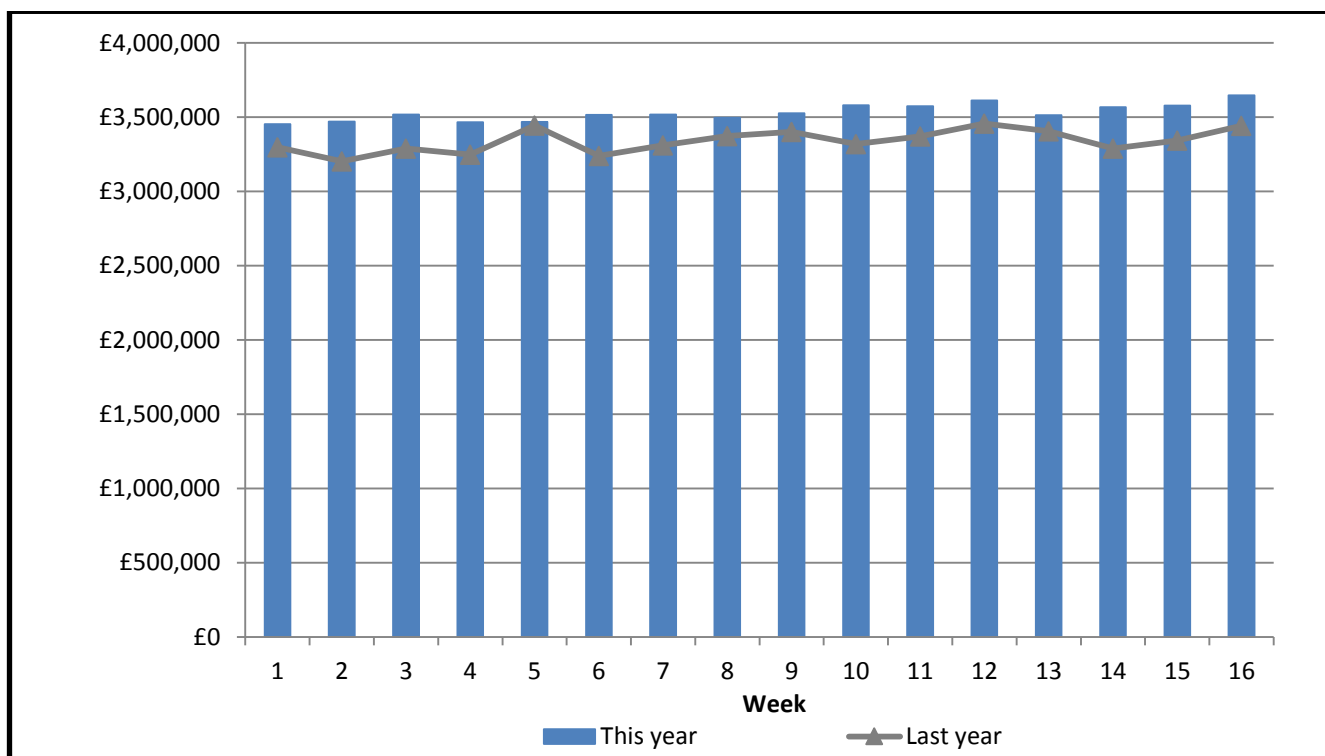
Rental Income

7.5 Rental income is currently performing on target, with the number of empty homes for the first two months of the year broadly in-line with the budget assumptions. Therefore, the current rental forecasts could improve as the year progresses if the service starts performing ahead of target. However, some of this improved position may be offset by the continuing impact of Universal Credit and the potential of an increase in the bad debt provision; all of which will be closely monitored throughout the year.

Rent Arrears

7.6 The impact of rent arrears has risen in the first four months of 2021/22 as compared to 2020/21, however the rate of increase during the first two months is fairly low as current arrears have only increased by around £0.155m during the period since the start of April 2021. Chart 5 below shows the value of current rent arrears in 2021/22 compared to the same period in 2020/21. 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. Last year saw a significant under-spend against the bad debt provision, which had over-spent for the previous two years. If the rate of increase continues at the current rate during the year, and there are no significant increases in the amount of debt being written off, then the Authority will need to review the allocation both in terms of declaring an in-year saving, but also in relation to refreshing the HRA Business Plan as part of the next budget round. The impact of Universal Credit continues to be monitored, as significant increases in numbers on UC could adversely affect the rate at which arrears grow.

7.7 **Chart 5: Rent Arrears in Weeks 1-16 (April-July) 2021/22 compared to 2020/21**



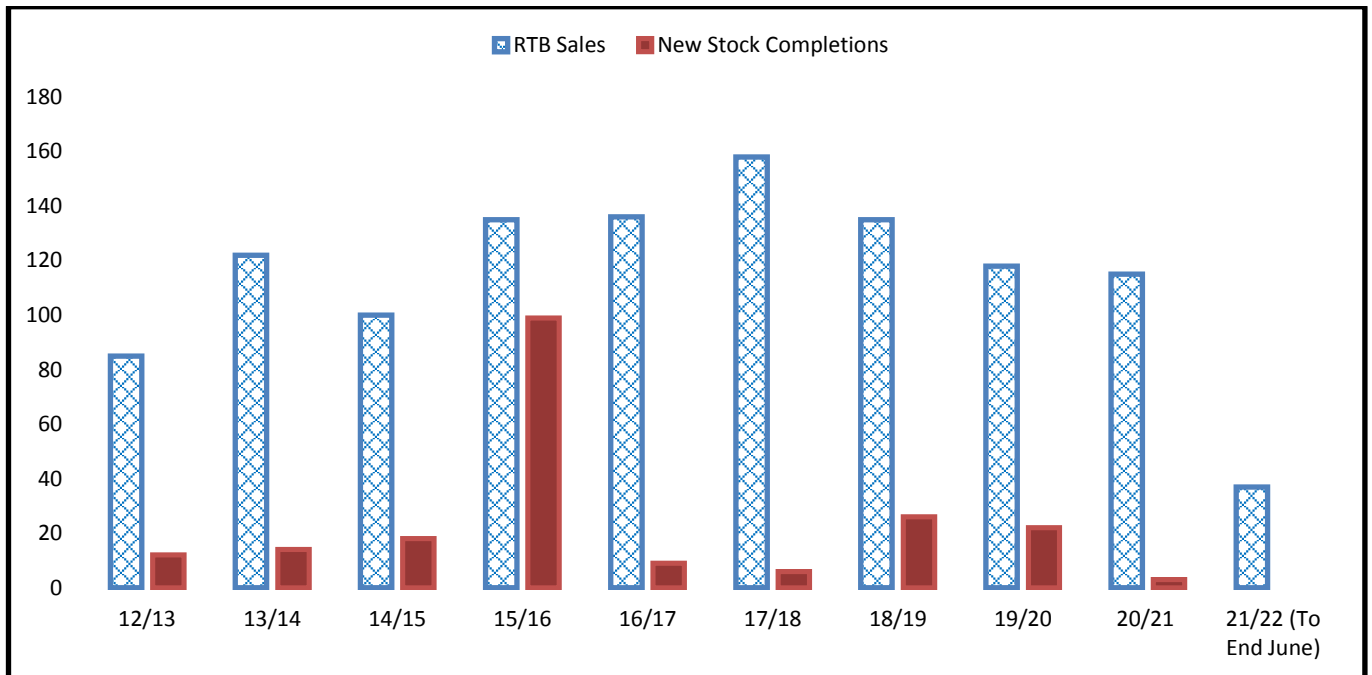
7.8 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 31 March 2021 there were 3,306 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.689m. By the end of July 2021 there were 3,484 tenants on Universal Credit (increase of 178 tenants) with related arrears of £2.700m (increase of £0.011m). These figures seem to bear out the reduced rate of increase in arrears mentioned above.

Right to Buy (RTB) Trends

7.9 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 6 below shows the trend in RTB sales since that time. There has been an upturn in sales in 2021-22, as 37 properties were sold in the first quarter compared to 23 at the same stage last year.

7.10

Chart 6: Yearly RTB Sales v New Stock Additions



SECTION 8 - INVESTMENT PLAN

- 8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers continue to plan the delivery of those key projects included within the 2021/22 Investment Plan and regularly review the impact of Covid-19.
- 8.2 There is currently an emerging risk around the supply of materials and increased cost that could impact the works and services the Authority delivers. This is a national issue with material supply not being able to keep pace with delivery programmes alongside a range of rising costs. Work is on-going with both our material suppliers and the wider supply chain to understand how significant these impacts could be on the delivery and cost of works and services during this year. Specific areas of concern are around the supply and costs of all steel based and softwood products, along with growing concerns around the supply of cement and glazing. A risk register around material supply is currently being developed to monitor the likelihood and impact of these risks materialising, however it looks increasing likely that the Authority will have some supply issues and increased costs that will impact our works and services over the coming months. This will be reported through the bi-monthly monitoring reports to Cabinet.
- 8.3 Some of the key highlights of the Investment Plan due to be delivered during 2021/22 are summarised below:

Affordable Homes New Build and Conversion Works

- 8.4 There are currently 4 affordable home projects that will progress during 2021/22, these include:
- 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;
 - Refurbishment and remodelling works to create 7 new affordable units at Charlotte Street, Wallsend; and,
 - Convert a Brownfield garage site in Falmouth Road, into 9 new affordable homes.

Housing Investment Work

- 8.5 The Housing Capital delivery programme will see the following works delivered across the borough during 2021/22:
- Kitchens and bathrooms to 678 homes;
 - Heating upgrades to 600 homes;
 - Window and doors replacements to 30 homes;
 - Boundary improvements to 830 homes;
 - Roof replacements to 227 homes;
 - External Brickwork Repairs to 223 homes;
 - DPC restoration works to 26 homes;
 - Footpath repairs throughout the borough; and,
 - Fire door replacement to 55 communal blocks

Education Investment Works

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

Asset Investment works

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

Highways and Infrastructure Works

- 8.8 The main Highways & Infrastructure works include:
- Delivery of the LTP including the annual resurfacing programme and integrated transport projects. Larger projects are the construction phase of the Pier Road stabilisation scheme the demolition of Borough Road Bridge;
 - Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities; and,
 - Progression of the Tanners Bank highway improvement scheme at various junctions in North Shields.

Regeneration Works

- 8.9 Regeneration Works for 2021/22 include:
- North Shields – continuation of works for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street and initial works for the transport hub;
 - Segedunum – completion of the project initiation document to enable the development of proposals and a strategy to secure match funding;
 - Work is ongoing examining the potential options for the enhancement of the facilities at Killingworth Lake; and,
 - Development of outline scope for the Waggonways project.

Variations to the 2021-2026 Investment Plan

- 8.10 Variations of £2.352m and reprogramming of £12.832m to the Investment Plan have been identified and are included in tables 29 and 30 below. Further details are provided in paragraph 8.11.

8.10.1 **Table 29: 2021 - 2026 Investment Plan changes identified**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	Total £m
Approved Investment Plan – Council 8 February 2021	68.611	43.305	42.858	90.796	245.570
Previously Approved Reprogramming/Variations					
2020/21 Monitoring	11.398	0.000	0.000	0.000	11.398
2020/21 Outturn	13.497	0.000	0.000	0.000	13.497
2021/22 August Cabinet	5.087	0.237	0.000	0.000	5.324
Approved Investment Plan	98.593	43.542	42.858	90.796	275.789
Jun/Jul 21 Monitoring Variations					
Variations	2.352	0.000	0.000	0.000	2.352
Reprogramming	(12.832)	8.446	2.886	1.500	0.000
Total Variations	(10.480)	8.446	2.886	1.500	2.352
Revised Investment Plan	88.113	51.988	45.744	92.296	278.141

8.11 Details of the main variations are shown below:

- (a) **CO081 Gosforth Park Natural Reserve Grey Squirrel Control and Enhancements £0.065m** – Section 106 has been approved to enable the installation of equipment and secure containers and to provide education highlighting the importance of the native red squirrel and the threats and problems caused by invasive non-native grey squirrel. The project will be delivered by the Natural History Society of Northumbria;
- (b) **EV092 E-Cargo Bikes £0.012m credit** – This scheme has been completed. The adjustment is to remove the excess budget from the Investment plan as all the eligible grant has been claimed;
- (c) **EV034 Local Transport Plan £0.434m credit** – The reduction in the budget is to reflect the funding announcement from the Department of Transport which was lower than budget for the Maintenance Block. Although Pothole funding has been awarded but not yet allocated within the Investment Plan. This will be subject to future decisions;
- (d) **EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Bellway Homes) £4.241m** - Bellway Homes have agreed that the Council / Capita Partnership will undertake their highway mitigation works associated with the planning conditions for their Whitehouse Farm development. The works include improvement on the A1056 Weetslade Roundabout, A189 West Moor Roundabout and Great Lime Road. This project has replaced the Section 278 works £1.554m included in EV084 A189 Improvements Haddricks Mill to West Moor which has been removed from the Investment Plan; and,

CO085 Northumberland Park Labyrinth project £0.046m - This project relates to the creation of a Labyrinth feature within Northumberland Park, led by the Parks team with the assistance of established volunteers from Friends of Northumberland Park. This includes preparing ground for landscape development, incorporating suitable drainage in and around the labyrinth site location within Northumberland Park, improving footpath provision and standards.

8.12 Senior Managers and project officers have undertaken a reprofiling exercise to compare budgets available for 2021/22 to expected delivery of the projects and there has been £12.832m reprogramming identified. The reprogramming is reflected in the following projects:

- (a) DV064 Council Property Investment - £0.300m
- (b) ED075 Devolved Formula Capital - £0.500m
- (c) ED120 Basic Need - £1.700m
- (d) ED132 School Capital Allocation - £0.800m
- (e) EV076 Operational Depot Accommodation Review - £0.200m
- (f) EV083 Street Lighting LED - £3.521m
- (g) GEN03 Contingencies - £3.00m
- (h) HS004 Disabled Facilities Grant - £2.580m
- (i) HS015 Refurbishment / Decent Homes - £0.231m

8.13 The impact of the changes detailed above on capital financing is shown in table 30 below.

8.13.1 **Table 30: Impact of variations on Capital financing**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	Total £m
Approved Investment Plan	98.593	43.542	42.858	90.796	275.789
Council Contribution	(6.821)	2.435	2.886	1.500	0.000
Grants and Contributions	(3.430)	5.780	0.000	0.000	2.350
Revenue Contributions	0.002	0.000	0.000	0.000	0.002
HRA Major Repairs Reserve	(0.231)	0.231	0.000	0.000	0.000
Total Financing Variations	(10.480)	8.446	2.886	1.500	2.352
Revised Investment Plan	88.113	51.988	47.437	44.859	278.141

Capital Receipts – General Fund

8.14 General Fund Capital Receipts brought forward at 1 April 2021 were £2.583m. The capital receipts requirement for 2021/22, approved by Council in February 2021, was £0.423m (2021-26 £0.677m). There was reprogramming of capital receipts from 2020/21 of £0.342m giving a revised requirement of £0.765m for 2021/22 (2021-26 £1.019m). To date £0.100m useable capital receipts have been received in 2021/22 and also £3.125m has been received from Aurora to repay loans. The receipts position is shown in table 31 below.

8.14.1 Table 31: Capital Receipt Requirement – General Fund

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	2021-26 Total £m
Requirement reported to 8 February 2021 Council	0.423	0.254	0	0	0.677
Reprogramming 2020/21 Outturn	0.342	0	0	0	0.342
Revised Requirement	0.765	0.254	0	0	1.019
Receipts Brought Forward	(2.583)	(1.918)	(1.664)	(1.664)	(2.583)
Total Receipts received 2021/22	(3.225)	0	0	0	(3.225)
Receipts used to repay capital loans	3.125	0	0	0	(3.125)
Net Useable Receipts	(0.100)	0	0	0	(0.100)
Surplus Receipts	(1.918)	(1.664)	(1.664)	(1.664)	(1.664)

Capital receipts – Housing Revenue Account

8.15 Housing Capital Receipts brought forward at 1 April 2021 were £8.263m. The housing receipts are committed against projects included in the 2021-2026 Investment Plan. The approved Capital Receipt requirement for 2021/22 was £0.750m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £2.047m. To date, receipts of £3.202m have been received in 2021/22. Previously pooling of receipts was paid quarterly to Central Government but the requirement has changed to an annual pooling payment. Therefore, subject to future pooling, this leaves a surplus balance of £9.418m to be carried forward to fund future years.

8.15.1 Table 32: Capital Receipt Requirement - Housing Revenue Account

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	2021-26 £m
Requirement reported to February 2021 Council	0.750	1.886	2.871	5.673	11.180
Reprogramming 2020/21 Outturn	1.124	0.000	0.000	0.000	1.124
Variations August 21 Cabinet	0.173	0.000	0.000	0.000	0.173
Revised Requirement	2.047	1.886	2.871	5.673	12.477
Receipts Brought Forward	(8.263)	(9.418)	(7.532)	(4.661)	(8.263)
Receipts Received 2021/22	(3.202)	0.000	0.000	0.000	(3.202)
Receipts Pooled Central Government	0.000	0.000	0.000	0.000	0.000
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	(9.418)	(7.532)	(4.661)	1.012	1.012

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2021/22.

Investment Plan Monitoring Position to 31 July 2021

8.16 Actual expenditure for 2021/22 in the General Ledger was £12.394m; 14.07% of the total revised Investment Plan at 31 July 2021. This is after adjusting for £0.073m of accruals relating to 2020/21 expenditure.

8.16.1 Table 33: Total Investment Plan Budget & Expenditure to 31 July 2021

	2021/22 Revised Investment Plan £m	Actual Spend to 31 July 2021 £m	Spend as % of revised Investment Plan %
General Fund	56.366	7.219	12.81%
Housing	31.747	5.175	16.30%
TOTAL	88.113	12.394	14.07%

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

9.1 The Authority's current available cash balance as at the end of July 2021 is £34.948m, with £27.500m invested externally with other UK Local Authorities. All investments are made in line with the approved Treasury Management Strategy.

9.2 Table 34: Investment Position as at 31/07/2021

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	29.000	2 Aug 2021
Barclays	Call	0.948	n/a
Lloyds Bank	Call	5.000	n/a
Inter – LA	Fixed	27.500	22 April 2022*

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

9.3 Due to the continued low interest rate environment the strategy will remain to repay maturing debt.

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. Forecast investment income excluding DMO investment is anticipated to be £0.081m.

9.4 The approach of maintaining low cash balances has been part of the strategy for a number of years and has generated substantial savings year on year. The government's Debt Management Office (DMO) and other deposit investment rates are currently paying 0.01%, taking into account CHAPS transfers fees and principal invested, it can cost the Authority to invest surplus cash. Therefore, the Authority is investing longer to reduce transactional costs as well as maximise returns. The temporary borrowing market is currently very liquid with significant cash available at very low rates. A summary of rates available is shown in table 35 below. PWLB rates also continue to remain low due to the low Gilt yields, which they are tracked against.

9.5 Table 35: Summary of Borrowing Levels

Temporary Market		PWLB	
Tenor	Level	Tenor	Level
1 week	0.01%	2 years	1.07%
1 month	0.01%	5 years	1.28%
3 months	0.02%	10 years	1.64%
6 months	0.04%	20 years	2.00%
9 months	0.07%	30 years	2.00%
12 months	0.15%	50 years	1.80%

**Please note interest rates are as 02 Aug 2021
PWLB rates do not include certainty rate reductions,*

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

Borrowing Position

- 9.7 Table 36 shows the Authority's current debt position, the current total borrowing maturing in 2021/22 of £5.000m.

Table 36: Current Debt Position

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	397.443	20.000	5.000	422.443
Debt Maturing 2021/22	0.000	0.000	5.000	5.000

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 and a lumpy grant income profile 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 continued 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 the Authority resumes business as usual and expenditure previously put due to the pandemic on hold can resume. 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 £95.166m as at 31 March 2021, and whilst the Authority cannot borrow to fund this revenue pressure however, it can look to utilise reserves, unwind its under-borrowed position and externalise borrowing.

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	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
BS026 Asset Planned Maintenance						
Council Contribution	2,120	1,500	1,500	1,500	1,500	8,120
Section 106	9	0	0	0	0	9
Capital Receipts	32	0	0	0	0	32
Contribution from Reserves (Insurance)	244	0	0	0	0	244
BS026 Asset Planned Maintenance Total	2,405	1,500	1,500	1,500	1,500	8,405
BS029 Wallsend Customer First Centre						
Council Contribution	280	0	0	0	0	280
North of Tyne Combined Authority	250	0	0	0	0	250
BS029 Wallsend Customer First Centre Total	530	0	0	0	0	530
BS030 Public Sector Decarbonisation Scheme						
Low Carbon Skills Grant	3,289	0	0	0	0	3,289
BS030 Public Sector Decarbonisation Scheme Total	3,289	0	0	0	0	3,289
CO079 Playsites						
Section 106	82	0	0	0	0	82
CO079 Playsites Total	82	0	0	0	0	82
CO080 Burradon Recreation Ground						
Section 106	107	0	0	0	0	107
CO080 Burradon Recreation Ground Total	107	0	0	0	0	107
CO081 Gosforth Nature Reserve Grey Squirrel Control and Enhancements						
Section 106	65	0	0	0	0	65
CO081 Gosforth Nature Reserve Grey Squirrel Control and Enhancement	65	0	0	0	0	65
CO082 Sport and Leisure Facility Improvements						
Contribution from Reserves (Leisure)	18	0	0	0	0	18
CO082 Sport and Leisure Facility Improvements Total	18	0	0	0	0	18
CO083 Whitley Bay Crematoria						
Council Contribution	1,379	0	0	0	0	1,379
CO083 Whitley Bay Crematoria Total	1,379	0	0	0	0	1,379
COxxx Northumberland Park Labyrinth						
Section 106	19	0	0	0	0	19
Contribution from Friends of Northumberland Park	25	0	0	0	0	25
Revenue Contribution (05582)	2	0	0	0	0	2
COxxx Northumberland Park Labyrinth Total	46	0	0	0	0	46
DV058 Swan Hunters Redevelopment						
Council Contribution	13	0	0	0	0	13
DV058 Swan Hunters Redevelopment Total	13	0	0	0	0	13
DV064 Council Property Investment						
Council Contribution	735	300	0	0	0	1,035
DV064 Council Property Investment Total	735	300	0	0	0	1,035
DV066 Investment in North Tyneside Trading Co						
Council Contribution	1,959	0	0	0	0	1,959
Section 106	3,413	0	0	0	0	3,413
DV066 Investment in North Tyneside Trading Co Total	5,372	0	0	0	0	5,372
DV067 Northern Promenade						
Capital Receipts	223	0	0	0	0	223
Revenue Contribution (08252)	577	0	0	0	0	577
DV067 Northern Promenade Total	800	0	0	0	0	800
DV068 Southern Promenade						
Environment Agency Grant	193	0	0	0	0	193
DV068 Southern Promenade Total	193	0	0	0	0	193
DV071 Section 106 Contributions to Set Up Health Facilities						
Section 106	228	36	0	0	0	264
DV071 Section 106 Contributions to Set Up Health Facilities Total	228	36	0	0	0	264

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
DV073 Ambition for North Tyneside						
Council Contribution	0	654	1,225	2,000	0	3,879
Capital Receipts	63	254	0	0	0	317
Historic England - Heritage Action Zone	0	0	0	0	0	0
Revenue Contribution (08252)	0	746	500	0	0	1,246
DV073 Ambition for North Tyneside Total	63	1,654	1,725	2,000	0	5,442
DV074 North Shields Heritage Action Zone (Ambition)						
Council Contribution	705	116	87	0	0	908
Historic England - Heritage Action Zone	675	115	86	0	0	876
DV074 North Shields Heritage Action Zone (Ambition) Total	1,380	231	173	0	0	1,784
DV075 Town & Neighbourhood Centres (Ambition)						
ERDF	34	0	0	0	0	34
DV075 Town & Neighbourhood Centres (Ambition) Total	34	0	0	0	0	34
DV076 Getting Building Fund (North Shields Public Realm)						
NELEP - Getting Building Fund	3,386	0	0	0	0	3,386
DV076 Getting Building Fund (North Shields Public Realm) Total	3,386	0	0	0	0	3,386
ED075 Devolved Formula Capital						
Education Funding Agency (Devolved)	1,306	1,079	579	579	579	4,122
ED075 Devolved Formula Capital Total	1,306	1,079	579	579	579	4,122
ED120 Basic Need						
Education Funding Agency (Basic Need)	239	2,014	113	113	113	2,592
ED120 Basic Need Total	239	2,014	113	113	113	2,592
ED132 School Capital Allocation						
Education Funding Agency (SCA)	4,867	4,334	3,534	3,534	3,534	19,803
ED132 School Capital Allocation Total	4,867	4,334	3,534	3,534	3,534	19,803
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
ED190 High Needs Provision Capital Allocation						
Education Funding Agency (High Needs)	663	0	0	0	0	663
ED190 High Needs Provision Capital Allocation Total	663	0	0	0	0	663
EV034 Local Transport Plan						
Dept for Transport LTP ITA	958	958	958	958	958	4,790
Dept for Transport LTP Maint	1,951	1,947	2,000	2,000	2,000	9,898
Section 106	340	0	0	0	0	340
Public Transport Funding	28	28	28	28	28	140
EV034 Local Transport Plan Total	3,277	2,933	2,986	2,986	2,986	15,168
EV055 Surface Water Improvements						
Environment Agency Grant	421	0	0	0	0	421
NWL Contribution	40	0	0	0	0	40
EV055 Surface Water Improvements Total	461	0	0	0	0	461
EV056 Additional Highways Maintenance						
Council Contribution	195	2,000	2,000	2,000	2,000	8,195
Dept for Transport - Pothole Challenge Fund	1,851	0	0	0	0	1,851
EV056 Additional Highways Maintenance Total	2,046	2,000	2,000	2,000	2,000	10,046
EV069 Vehicle Replacement						
Council Contribution	1,602	762	1,248	1,676	1,123	6,411
EV069 Vehicle Replacement Total	1,602	762	1,248	1,676	1,123	6,411
EV076 Operational Depot Accommodation Review						
Council Contribution	339	0	0	0	0	339
ERDF	1,572	200	0	0	0	1,772
EV076 Operational Depot Accommodation Review Total	1,911	200	0	0	0	2,111
EV083 Street Lighting LED						
Council Contribution	957	2,135	1,386	0	0	4,478
EV083 Street Lighting LED Total	957	2,135	1,386	0	0	4,478

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
EV084 A189 Improvements Haddricks Mill to West Moor						
DFT National Productivity Fund	245	0	0	0	0	245
Section 278	0	0	0	0	0	0
EV084 A189 Improvements Haddricks Mill to West Moor Total	245	0	0	0	0	245
EV091 Other Initiatives Climate Change						
Council Contribution	127	0	0	0	0	127
EV091 Other Initiatives Climate Change Total	127	0	0	0	0	127
EV092 E-Cargo Bikes2						
DFT E-Cargo Grant	0	0	0	0	0	0
EV092 E-Cargo Bikes2 Total	0	0	0	0	0	0
EV094 Transforming Cities Tranche 22						
Council Contribution	2,053	0	0	0	0	2,053
Capital Receipts	447	0	0	0	0	447
Transforming Cities Fund	105	0	0	0	0	105
EV094 Transforming Cities Tranche 22 Total	2,605	0	0	0	0	2,605
EV095 Emergency Active Travel Tranche 1 & 2						
Dept for Transport Covid19 Emergency Travel Fund Tranche2	1,400	0	0	0	0	1,400
EV095 Emergency Active Travel Tranche 1 & 2 Total	1,400	0	0	0	0	1,400
EV096 Tanners Bank						
Dept for Transport LTP Maint	50	53	0	0	0	103
Dept for Transport - Highway Maintenance Challenge Fund	470	410	0	0	0	880
EV096 Tanners Bank Total	520	463	0	0	0	983
EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Bellway Homes)						
Section 106	4,241	0	0	0	0	4,241
EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Be	4,241	0	0	0	0	4,241
GEN03 Contingencies						
Council Contribution	2,759	2,000	2,000	2,000	500	9,259
GEN03 Contingencies Total	2,759	2,000	2,000	2,000	500	9,259
GEN12 Local Infrastructure						
Council Contribution	110	100	100	100	100	510
GEN12 Local Infrastructure Total	110	100	100	100	100	510
HS004 Disabled Facilities Grant						
Better Care Fund	1,400	2,580	0	0	0	3,980
HS004 Disabled Facilities Grant Total	1,400	2,580	0	0	0	3,980
HS051 Private Sector Empty Homes						
Council Contribution	441	393	0	0	0	834
Homes & Communities Grant	210	0	0	0	0	210
HS051 Private Sector Empty Homes Total	651	393	0	0	0	1,044
HS052 Killingworth Moor Infrastructure						
Housing Infrastructure Fund	0	0	0	0	0	0
HS052 Killingworth Moor Infrastructure Total	0	0	0	0	0	0
HS053 Green Homes Local Authority Delivery						
Green Homes Grant (LAD1b) - Dept for BEIS	2,162	0	0	0	0	2,162
Green Homes Grant (LAD2) - Dept for BEIS	1,154	0	0	0	0	1,154
HS053 Green Homes Local Authority Delivery Total	3,316	0	0	0	0	3,316
IT020 ICT Strategy						
Council Contribution	1,436	1,000	1,000	1,000	1,000	5,436
IT020 ICT Strategy Total	1,436	1,000	1,000	1,000	1,000	5,436
General Fund Total	56,366	25,714	18,344	17,488	13,435	131,347
HRA						
HS015 Refurbishment / Decent Homes Improvements						
See HRA Financing	26,554	20,664	21,248	21,745	22,877	113,088
HS015 Refurbishment / Decent Homes Improvements Total	26,554	20,664	21,248	21,745	22,877	113,088
HS017 Disabled Adaptations						

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
HR/ HS01 See HRA Financing	1,314	1,072	1,083	1,094	1,105	5,668
HS017 Disabled Adaptations Total	1,314	1,072	1,083	1,094	1,105	5,668
HS039 ICT Infrastructure Works See HRA Financing	273	608	1,109	360	112	2,462
HS039 ICT Infrastructure Works Total	273	608	1,109	360	112	2,462
HS044 HRA New Build See HRA Financing	3,606	3,930	3,960	6,750	7,330	25,576
HS044 HRA New Build Total	3,606	3,930	3,960	6,750	7,330	25,576
HRA Total	31,747	26,274	27,400	29,949	31,424	146,794
Total £000	88,113	51,988	45,744	47,437	44,859	278,141

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
Council Contribution	17,210	10,960	10,546	10,276	6,223	55,215
Council Contribution - Capital Receipts	765	254	0	0	0	1,019
Grants & Contributions	37,550	13,754	7,298	7,212	7,212	73,026
Revenue Contribution	579	746	500	0	0	1,825
Contribution from Reserves	262	0	0	0	0	262
General Fund Total	56,366	25,714	18,344	17,488	13,435	131,347
HRA Financing						
HRA Capital Receipts	2,047	1,886	2,871	2,689	2,984	12,477
HRA Revenue Contribution	10,759	9,831	9,485	11,932	12,760	54,767
HRA MRR	17,689	14,557	15,044	15,328	15,680	78,298
HRA Grants & Contributions	1,252	0	0	0	0	1,252
HRA Financing Total	31,747	26,274	27,400	29,949	31,424	146,794
Total £000	88,113	51,988	45,744	47,437	44,859	278,141

Finance Sub-committee 30 November 2021

Cabinet Report 29 November 2021

**2021/22 Financial Management Report to 30 September
2021**

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North Tyneside Council

Report to Cabinet

29 November 2021

Title: 2021/22 Financial Management Report to 30 September 2021

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Martin Rankin
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Report from: Finance

Responsible Officer: Janice Gillespie, Director of Resources **Tel: 643 5701**

Wards affected: All

PART 1

1.1 Executive Summary:

This report is the third monitoring report to Cabinet on the 2021/22 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 for 31 March 2022.

- 1.1.1 The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the on-going Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic is having on the Authority in 2021/22.
- 1.1.2 The projected outturn position, as at 30 September, is estimated at £5.962m against the approved net budget. This is made up of a forecast pressure of £1.801m on normal activities and £4.161m relating to the impact of Covid-19. The business-as-usual position is comparable with this stage of previous financial years, but the financial impact of Covid-19 is still having a significant bearing on the overall pressure faced by the Authority.
- 1.1.3 Significant financial support to residents and businesses passed through the Authority's books in 2020/21 and reconciling that work has challenged the sector. A large sum of financial support has been made available during 2021/22. The Authority has had £39.211m of grants funding available in 2021/22, to provide direct support for

businesses (£22.171m), residents (£10.527m), care homes (£3.981m) and schools (£2.532m); as at the end of September 2021, £18,743m has been allocated with the remaining balance fully committed.

- 1.1.4 In addition, the Authority has a further £8.596m of grant funding available to support services, £7.261m of Local Authority Support Grant and an estimate of £1.335m in relation to lost Sales, Fees and Charges income for April 2021 to June 2021. The total financial impact on services as a result of Covid-19 is forecast to be additional pressures of £17.274m, which leaves a net pressure of £4.161m following allocation of the £8.596m and £4.517m utilised from the sector specific grants outlined above.
- 1.1.5 The impact of the Covid-19 pandemic on the Authority's finances has been significant, as demonstrated in this projected position, creating a great deal of risk and uncertainty to manage. The Authority is managing these risks while trying to ensure the priorities set out by the Mayor and Cabinet are achieved. As the Authority transitions from its Covid-19 recovery phase to a business-as-usual state, focus is now on building a better North Tyneside. The Mayor and Cabinet are aware that the pandemic has been tough for people and as such are trying to protect those who are struggling the most. This report provides an update on the work that has taken place since the pandemic began to support our residents and also highlights the key work that will take place in the future to ensure our residents stay safe as we learn to live alongside the virus.
- 1.1.6 Section 11 of the annex documents how funding from Government, combined with an allocation of resources from the Authority, have enabled £13.305m to be allocated towards supporting residents in the borough. From the beginning of the pandemic to date, £8.952m of this allocation has been used, supporting our most vulnerable residents when they were required to shield, supporting residents when they were required to self-isolate and supporting young people in the borough with free schools meals during the school holidays. We were also able to remove the council tax liability from our most vulnerable residents.
- 1.1.7 The remaining £4.353m is committed to be spent on such activities as continuing to supply free school meals during the school holidays, support for the Bread-and-Butter programme and continuing to support the Community and Voluntary Sector through the distribution of support for food, fuel and essential items. The Authority is also exploring a range of projects it can support using the Household Support Grant, including support for the Welfare Provision team, support for care leavers, support for housing costs, support to reduce fuel poverty and support for clothing and school uniforms.
- 1.1.8 Areas of business as usual continue to face financial pressures in particular across areas of Social Care and demand-led services that have been reported over a number of years. These pressures are currently forecast at £1.801m as at 30 September 2021.
- 1.1.9 This report necessarily reflects these known pressures the Authority 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.
- 1.1.10 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 2021/22 Schools budgets, Schools funding and the forecast outturn for the Housing Revenue Account as at 30 September 2021.

1.1.11 The report also provides an update on the 2021/22 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan, which are presented to Cabinet for approval.

1.1.12 The report provides an update on the 2021/22 Treasury Management and Cash Position and, as an Appendix, the mid-year review of the Treasury Management Strategy Statement and Annual Investment Strategy. Also included is a performance report on the Collection Fund.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) as at 30 September 2021 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £1.927m new revenue grants (outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £20.795m to 30 September 2021 and the financing of the Plan to the end of the year (Annex section 8); and
- (d) approves variations of £10.470m (£6.155m for 2021/22) and reprogramming of (£0.637m) for 2021/22 within the 2021-2026 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 23 July 2021.

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 2021/22 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2022. This report is an interim view and it is expected this will change over the coming months as the recovery from 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 2021/22 approved budget savings plans; 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 2021/22 was approved by full Council at its meeting on the 18 February 2021. The net General Fund revenue budget was set at £150.154m. This included £4.337m of savings to be achieved, all of which had been identified in previous years.

The forecast overall pressure is estimated at £5.962m against the approved net budget. This is made up of a forecast pressure of £1.801m on normal activities and £4.161m relating to the impact of Covid-19. The pressure on normal activities in the services is driven mainly by Health, Education, Care and Safeguarding at £6.972m, reflecting the continued pressures in Children's Services, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £5.442m of pressures in Corporate Parenting and Placements, and £1.628m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2020/21 and arise from:

- Continued growth in demand in Children's Social Care Services;
- Growth in numbers of children with Education and Health Care Plans;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk; and,
- Increases in staffing costs.

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 £17.274m impact on services are also within Health, Education, Care and Safeguarding where £9.763m is for increased costs to the Authority. Significant Covid-19 related pressures also exist in Environment, Housing and Leisure (£4.220m) and in Commissioning & Asset Management (£2.441m).

1.5.3 New Revenue Grants

The following revenue grants have been received during August and September 2021:

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Education and Skills Funding Agency	Key Stage 2 Moderation and Key Stage 1 Phonics	To provide support for statutory duties for teacher assessment and monitoring	0.011
Health Education Care and Safeguarding	Education and Skills Funding Agency	Covid-19 mass testing for schools and colleges	To support mass testing in schools and colleges	0.308
Commissioning and Asset Management	European Social Fund (via Department for Work and Pensions)	Step to Employment	To support residents aged 29 and over along a journey into employment or self-employment	0.092
Central Items	Department of Health and Social Care	Infection Control and Testing Fund Round 3	To support care providers with Covid-19 infection control measures, to support rapid testing of staff and visitors and to support roll out of flu vaccinations to care staff	1.516
Total				1.927

1.5.4 School Funding

There is no further update since the previous Cabinet report on the position as at the end of July 2021. Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2021/22 is £5.132m. 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. The provisional outturn for the year ended 31 March 2021 showed a surplus of £3.721m, which reversed the trend of deficits over the previous few years. The forecast trend going forwards, however, is increasing deficit balances.

As well as school balances being forecast to reduce overall, some individual schools continue to face significant financial challenges. There are six schools with deficit budget plans for 2021/22, all of which continue to be in deficit following 2019/20. Cabinet will recall that the High Needs Block ended 2020/21 with a pressure of £8.720m. The latest forecast of the budget position for 2021/22 indicates an anticipated in-year pressure of £3.673m 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 2022 of £3.429m, assuming all identified Covid-19 related costs and income shortfalls are covered centrally. These balances are £0.417m higher than budget which was set at £3.012m, due mainly to the impact of the previous year's financial performance, but there is also an in-year estimated underspend of (£0.381m), against an in-year budget of £1.943m.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As at the end of September 2021, 3,306 North Tyneside Homes tenants had moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored during the year to identify any impacts on the budget position.

1.5.6 Investment Plan

The approved 2021-2026 Investment Plan totals £285.371m (£90.391m 2021/22) and is detailed in table 29 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2021/22, reprogramming and other variations identified through the Investment Programme Governance process.

The monthly monitoring of the Investment Plan has resulted in proposals for variations of £10.470m and reprogramming of £0.637m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £93.631m for 2021/22 and to the end of September 2021 spend of £20.715m had been incurred which represents 22.12% of the revised plan.

1.5.7 Performance against Council Plan

The 2021-2025 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, "Building A Better North Tyneside", has five key themes – a **thriving** North Tyneside, a **secure** North Tyneside, a **family-friendly** North Tyneside, a **caring** North Tyneside, and a **green** North Tyneside. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

A **caring** North Tyneside

- We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents

- We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the borough
- We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job
- We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;
- We will continue to be the destination of choice for visitors through the promotion of North Tyneside’s award-winning parks, beaches, festivals and seasonal activities We will reduce the number of derelict properties across the borough
- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

A **secure** North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour
- We will continue to invest £2m per year in fixing our roads and pavements
- We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside
- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty
- We will provide 5,000 affordable homes

A **family-friendly** North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic
- We will provide outstanding children’s services, events and facilities so North Tyneside is a great place for family life
- We will ensure all children are ready for school including through poverty proofing the school day – giving our kids the best start in life

A **caring** North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic
- We will work with the care provision sector to improve the working conditions of care workers;
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless
- We will support local community groups and the essential work they do
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making

A **green** North Tyneside

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes
- Council environmental hit squads will crack down on littering
- We will secure funding to help low income households to install low-carbon heating

- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

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 5.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

1.6 Decision Options:

The following decision options are available for consideration by Cabinet:

Option 1

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

Options 2

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

1.7 Reasons for Recommended Option:

Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex : Financial Management Report to 30 September 2021

Appendix 1: 2021 – 2026 Investment Plan

1.9 Contact Officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance and Schools matters – Tel. (0191) 643 8109
David Dunford – Corporate Finance and General 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

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 2021/22
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Revenue%20Budget%202021_22.pdf
- (b) Investment Plan 2021-26
<https://democracy.northtyneside.gov.uk/documents/s5460/Appendix%20D%20i%20-%202021-2026%20Investment%20plan%20-%20FINAL.pdf> (Agenda reports pack - Appendix D(i))
- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/documents/s5467/Appendix%20G%20Reserves%20and%20Balances%20Policy%202021-22.pdf> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s5469/Appendix%20I%20-%20202122%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20Development%20Committee%20Jan%202021.pdf>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 8 February 2022.

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 2021/22 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
- Director of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X

2021/22 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 2021/22 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 2022. The report explains where the Authority continues to manage financial pressures.

The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the ongoing Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic will have on the Authority in 2021/22. The Authority continues to see areas of pressure across Adults and Children's Social Care, but there are also significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

- 1.2 The Authority's approved net revenue budget of £150.154m is currently forecast to outturn with a pressure of £5.962m. Table 1 in paragraph 1.5 below sets out the variation summary across the General Fund.
- 1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to the impact of Covid-19 which currently is forecast to add pressures of £17.274m to the General Fund in 2021/22. The total Local Authority Support Grant received from Government for 2021/22 to date is £7.261m, of which £5.576m is new and £1.685m is carried forward from 2020/21. In addition, £4.517m of grants have been received to support specific activities, and an assumption has been made that the Authority will receive £1.335m of Sales, Fees and Charges funding, leaving a forecast pressure in the General Fund due to Covid-19 issues of £4.161m. The remaining pressure of £1.801m relates to normal ongoing activities.

Section 4 of this Annex sets out details of all grant funding received in respect of Covid-19 issues.

- 1.4 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.

1.5 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 30 September 2021

Services	Budget	Forecast Outturn September	Variance September	Previous Cabinet	Variance Change since July
	£m	£m	£m	£m	£m
Health, Education, Care and Safeguarding	74.144	81.116	6.972	7.281	(0.309)
Commissioning and Asset Management	8.013	9.271	1.258	0.884	0.374
Environment, Housing and Leisure	44.279	44.123	(0.156)	(0.036)	(0.120)
Regeneration and Economic Development	1.399	1.573	0.174	0.063	0.111
Corporate Strategy	0.711	0.741	0.030	0.077	(0.047)
Chief Executive's Office	(0.078)	(0.109)	(0.031)	(0.031)	0.000
Resources	3.416	3.933	0.517	0.369	0.148
Law and Governance	0.308	0.793	0.485	0.418	0.067
Central Items – BAU	(2.051)	(9.499)	(7.448)	(7.212)	(0.236)
Central Items – Covid-19	0.000	4.161	4.161	5.607	(1.446)
Support Services	20.013	20.013	0.000	0.000	0.000
Total Authority	150.154	156.116	5.962	7.420	(1.458)

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 No new savings were proposed as part of the budget approved by Council in February 2021 so the total savings the Authority has had to find in the eleven years following the 2010 Comprehensive Spending Review (CSR) remains at the 2020/21 total of £127.756m.

2.2 Table 2: Year on Year savings since 2010 CSR

Year	£m
2011/12	16.169
2012/13	16.739
2013/14	12.240
2014/15	16.552
2015/16	14.158
2016/17	15.737
2017/18	18.338
2018/19	10.143
2019/20	6.875
2020/21	0.805
2021/22	0.000
Total Savings	127.756

2.3 Although no new savings were proposed, a total of £1.180m of savings targets were agreed in prior years budget setting processes for delivery in 2021/22. Savings targets of £2.181m within Health, Education, Care and Safeguarding (HECS) were met in 2020/21 through Covid grants or alternative management actions with a further £0.482m met through one-year funding sources. This leaves a total of £3.843m savings targets within HECS which still require a permanent solution in 2021/22. A target of £0.082m from 2020/21 within Commissioning and Asset Management also requires achievement on a permanent basis in 2021/22. The total savings that need to be achieved in 2021/22 are therefore £4.537m.

2.4 The delivery of savings in 2021/22 is expected to continue to be impacted by the Covid-19 pandemic within HECS and Commissioning & Asset Management however, savings delivery has improved by £0.790m within HECS since the last report and now totals £1.557m.

2.5 Table 3: Efficiency Savings by Service at September 2021

Service	2021/22 Targets £m	Projected Delivery £m	In Year Actions £m	Yet to be achieved £m
HECS	3.843	1.557	0.830	1.456
Commissioning & Asset Management	0.264	0.093	0.000	0.171
Environment Housing & Leisure	0.430	0.430	0.000	0.000
TOTAL	4.537	2.080	0.830	1.627

- 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 variations in relation to the savings where delivery has been impacted by Covid are outlined in the sections below.

Health, Education, Care and Safeguarding (HECS)

- 2.7 HECS has achieved savings targets totalling £1.557m relating to Sector Led Improvement income (£0.100m), assistive technology (£0.120m), maximising children's (£0.297m) and Adults NHS income (£0.250m) with improvements in delivery since the July report in relation to Learning Disability services (£0.220m), Income Management (£0.050m), development on internal services for children (£0.400m) and reduced external fostering arrangements (£0.120m). An in-year saving of £0.830m has been identified through management actions of retaining vacancies and managing third party payments within Adult services.
- 2.8 This service has been significantly impacted by the Covid-19 pandemic and the level of response required through each phase as the Pandemic unfolded. 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 Covid-19 restrictions.
- 2.9 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 pursue deliverability of remaining schemes and to identify alternative proposals during 2021/22.

Commissioning and Asset Management

- 2.10 Within Commissioning and Asset Management the only savings target forecasted to be unmet in 2020/21 related to the target for an increase in school meals fees of £0.082m. This is now joined in 2021/22 by a further increase in this target of £0.082m. Both of these targets are forecasted as yet to be achieved pending decisions on school meal price increases. £0.093m of the target of £0.100m relating to SLA income is forecasted to be achieved, with the remaining £0.007m requiring an alternative solution following the departure of faith schools from the SLA.

Environment Housing and Leisure

- 2.11 All savings in this service are forecasted to be achieved.

SECTION 3 – NEW REVENUE GRANTS

3.1 New revenue grants have been received or notified during August and September 2021.

Table 4: Grants Received or Notified in August and September 2021

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health Education Care and Safeguarding	Education and Skills Funding Agency	Key Stage 2 Moderation and Key Stage 1 Phonics	To provide support for statutory duties for teacher assessment and monitoring	0.011
Health Education Care and Safeguarding	Education and Skills Funding Agency	Covid-19 mass testing for schools and colleges	To support mass testing in schools and colleges	0.308
Commissioning and Asset Management	European Social Fund (via Department for Work and Pensions)	Step to Employment	To support residents aged 29 and over along a journey into employment or self-employment	0.092
Central Items	Department of Health and Social Care	Infection Control and Testing Fund Round 3	To support care providers with Covid-19 infection control measures, to support rapid testing of staff and visitors and to support roll out of flu vaccinations to care staff	1.516
Total				1.927

SECTION 4 – IMPACT OF COVID-19

4.1 The Authority continues to play a key role in supporting businesses, residents, care homes and schools with financial support and additional Covid-19 related services throughout the Pandemic. Financial impacts remain, due to loss of income as a result of closures and restrictions on the facilities the Authority operates and additional costs resulting from Covid-19 in relation to its business-as-usual activities. The Authority has received a range of grants from Government to fund this additional activity and the financial impact on the Authority's normal services. The tables below outline the grants received, spend in year and the outcomes related to each grant.

4.2 **Table 5: Supporting Our Businesses**

Business Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Business Support Top-Up (Closed Business Lockdown Payments)	0.000	3.307	0.199	3.108	0.000
Local Restrictions Support 'Closed' & 'Open'	0.000	4.694	0.353	4.341	0.000
Additional Restrictions Grant	0.000	2.661	2.661	0.000	0.000
Additional Restrictions Grant – Top Up	1.012	0.000	0.021	0.991	0.000
Christmas Support 'Wet-Pubs'	0.000	0.047	0.047	0.000	0.000
Restart Grants	9.804	0.000	8.875	0.929	0.000
Capacity Fund	0.000	0.636	0.268	0.368	0.000
Travel Demand Management	0.000	0.010	0.010	0.000	0.000
Total	10.816	11.355	12.434	9.737	0.000

4.3 The Authority has £11.355m of grant funding brought forward from 2020/21 with a further £10.816m awarded in 2021/22 aimed at supporting businesses across the Borough. £12.434m of this has been allocated to date. Of the remaining £9.737m, £8.378m is being held in anticipation of repayment to Central Government. This relates to the Business Support Top-Up, Local Restrictions Grants and Restart Grant where the schemes have ended and the Authority was awarded more funding than was required. The remaining £1.359m is anticipated to be fully allocated during the remainder of 2021/22.

4.4 Table 6: Supporting Our Residents

Residents Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Test & Trace Programme Support Grant	0.000	0.782	0.437	0.345	0.000
Emergency Assistance Grant	0.000	0.080	0.022	0.058	0.000
Contain Outbreak Management Fund	1.439	5.302	1.178	5.563	0.000
Test & Trace (self-isolation) Support Payments	0.634	0.438	0.486	0.586	0.000
LA Practical Support Framework	0.354	0.000	0.010	0.344	0.000
Covid Marshalls	0.000	0.003	0.003	0.000	0.000
Clinically Extremely Vulnerable	0.236	0.303	0.118	0.421	0.000
Rough Sleepers Additional Grant	0.025	0.000	0.025	0.000	0.000
Winter Grant	0.012	0.000	0.012	0.000	0.000
Local Support Grant & Extension	0.759	0.000	0.759	0.000	0.000
Rapid Testing in the Community	0.160	0.000	0.160	0.000	0.000
Total	3.619	6.908	3.210	7.317	0.000

4.5 The Authority has been awarded £3.619m of new grant funding in 2021/22 to continue supporting its residents on top of a brought forward balance of £6.908m from 2020/21, meaning there is £10.527m of funding available. This funding ranges from ensuring our most vulnerable are protected, individuals that needed to self-isolated still have access to the services they required and ensuring residents can visit our coastline and other attractions safely, where guidelines allow, through the employment of Covid Marshalls and other safety measures. The Authority has spent £3.210m in the period to the end of September and is committed to spending the balance of £7.317m in this financial year. The majority of the committed balance relates to the Contain Outbreak Management Fund. This grant is to help the Authority support the prevention of Covid-19 outbreaks or manage any that do occur in the borough. A number of plans are in place to spend this money over the remaining months of 2021/22 as restrictions ease and recovery continues.

4.6 Table 7: Supporting Our Care Homes

Care Sector Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Infection Control	1.278	0.544	0.687	1.135	0.000
Infection Control and Testing Grant	1.237	0.000	0.000	1.237	0.000
Rapid Testing – Care Homes	0.922	0.000	0.794	0.128	0.000
Total	3.437	0.544	1.481	2.500	0.000

4.7 The Authority has been awarded £3.437m to support the care homes within the borough, as well as having £0.544m carried forward from 2020/21. The majority of this funding is passed over directly to the care homes. The remaining funding is used to support the Authority’s adult social care services for infection control and testing activities.

4.8 Table 8: Supporting Our Schools

Schools Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 01.04.21-30.09.21	Value Committed @ 30.09.21	Value Available @ 30.09.21
	£m	£m	£m	£m	£m
Digital Inclusion	0.000	0.076	0.051	0.025	0.000
Schools Catch-up Premium	0.880	0.000	0.880	0.000	0.000
Mental Health in Schools	0.024	0.000	0.000	0.024	0.000
Additional Home to School Transport	0.184	0.000	0.184	0.000	0.000
Mass Testing for Schools	0.074	0.233	0.233	0.074	0.000
Recovery Premium	1.061	0.000	0.270	0.791	0.000
Total	2.223	0.309	1.618	0.914	0.000

4.9 Grant funding of £2.223m has been awarded for 2021/22 with a brought forward balance from 2020/21 of £0.309m giving a balance available to spend on our maintained schools during 2021/22 of £2.532m. This funding is to help support schools to be able to continue to offer a Covid-safe environment and deliver services to ensure children are not detrimentally impacted by being unable to attend classes in school.

Supporting Council Services

4.10 The Authority's services have been heavily impacted by the Covid-19 pandemic. These services are being supported in 2021/22 by £5.576m of Local Authority Support Grant and a brought forward balance of £1.685m. There is also utilisation of £4.517m of specific grants supporting services, and an estimate of £1.335m of grant funding to cover losses on Sales, Fees and Charges, which together with the Local Authority Support Grant amounts to a total grant availability of £13.113m. The tables below, summarised in Table 15, show that the forecasted total impact of Covid-19 on general fund services in 2021/22 is expected to be £17.274m, which will therefore leave a pressure on Covid-19 of £4.161m over the funding currently available.

The figures in the tables below are forecasts based on a range of assumptions relating to when the service areas predict their services will see the financial impact of Covid-19 reduce and activity return to a pre pandemic level. These forecasts will continue to be updated as new Government guidance is considered and implemented.

4.11 Table 9: Supporting Our Council Services in Commissioning & Asset Management

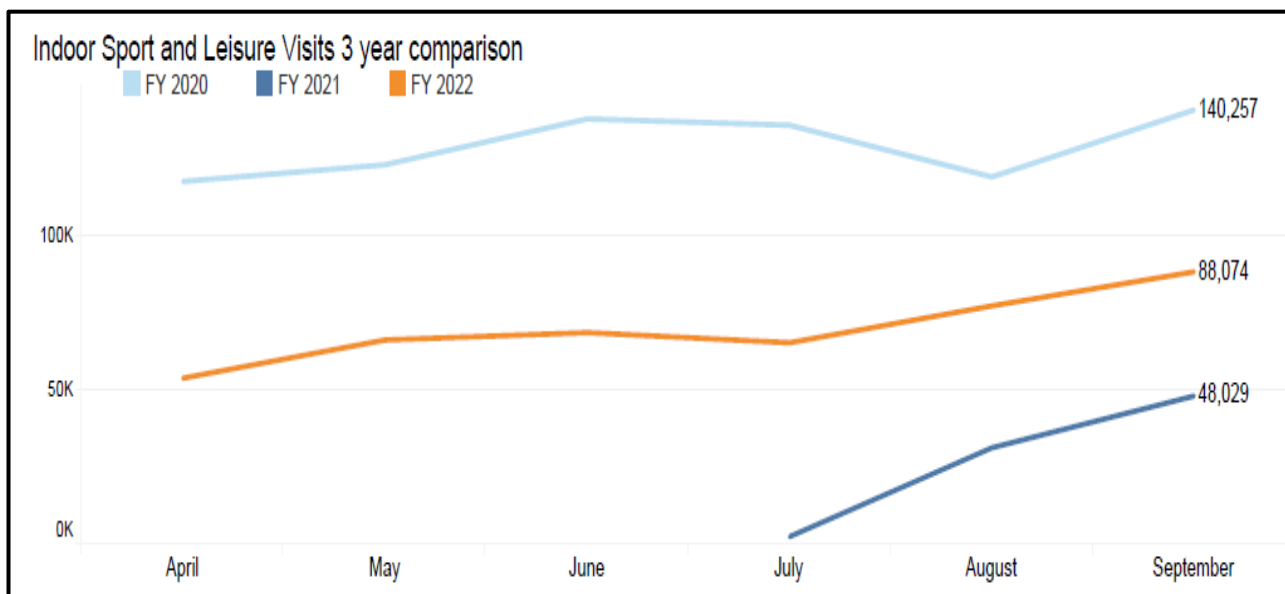
Commissioning & Asset Management	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Free School Meals	1.496	0.000	1.496
Asset Management	0.050	0.000	0.050
LA7 Home to School Transport	0.000	0.184	0.184
Clinically Extremely Vulnerable	0.000	0.539	0.539
Electricity	(0.013)	0.000	(0.013)
Cleaning	0.046	0.000	0.046
Rents General	0.036	0.000	0.036
Car Parks (season tickets)	0.042	0.000	0.042
Penalty Notices (absence from School)	0.026	0.000	0.026
Contractor Payments	0.002	0.000	0.002
General Fund PPE	0.033	0.000	0.033
Total	1.718	0.723	2.441

4.12 Table 10: Supporting Our Council Services in Environment, Housing & Leisure

Environment Housing & Leisure	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Sport & Leisure	2.521	0.000	2.521
Environmental Services	0.182	0.000	0.182
Waste Management	0.456	0.000	0.456
Highways & Transport	0.505	0.000	0.505
Cultural Services	0.209	0.000	0.209
Homelessness	0.015	0.000	0.015
Marshalls	0.000	0.174	0.174
Environment & Regulatory	0.073	0.000	0.073
Planning & Development	0.085	0.000	0.085
Total	4.046	0.174	4.220

The main pressure within EHL relates to Sport & Leisure, where closures and reduced visits during the pandemic have significantly impacted on income. Chart 1 below shows that visitor numbers have improved in 2021/22 compared to 2020/21 but the number is still much lower than pre-pandemic levels.

Chart 1: Sport & Leisure Visits



4.13 **Table 11: Supporting Our Council Services in Health, Education, Care & Safeguarding**

Health, Education, Care & Safeguarding	Main Grant £m	Other Specific Grant £m	Total Claimed £m
CYPL - School Improvement	0.317	0.000	0.317
CYPL - Front Door & safe and support	1.464	0.000	1.464
CYPL - Placement Costs	1.615	0.000	1.615
CYPL - Residential Staffing	0.656	0.000	0.656
CYPL - Adoption Agency (NTC share)	0.089	0.000	0.089
ASC - Adult Services	2.640	0.000	2.640
ASC - Rapid Testing in Social Care	0.000	0.922	0.922
ASC - Infection Control Grant	0.000	1.278	1.278
CYPL & ASC sub total	6.781	2.200	8.981
PH - Test & Trace Support Service	0.000	0.782	0.782
Total	6.781	2.982	9.763

4.14 **Table 12: Supporting Our Council Corporate Strategy**

Corporate Strategy	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Corporate Strategy	0.120	0.000	0.120
Total	0.120	0.000	0.120

4.15 **Table 13: Supporting Our Council Resources and Central Items**

Resources & Central Items	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Corporate ICT	0.334	0.000	0.334
Finance / Corporate Services	0.082	0.000	0.082
Provision for Bad Debt	0.167	0.000	0.167
Total	0.583	0.000	0.583

4.16 Table 14: Supporting Our Council in Law and Governance

Law & Governance	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Law & Governance	0.147	0.000	0.147
Total	0.147	0.000	0.147

4.17 Table 15: Covid-19 Support to Services Summary

Service Area/ Category	Main Grant £m	Other Specific Grant £m	Total Claimed £m
Total Impact on Services	13.395	3.879	17.274
Local Authority Support Grant	(7.261)	0.000	(7.261)
Sales, Fees and Charges*	0.000	(1.335)	(1.335)
Specific Covid Grants	0.000	(4.517)	(4.517)
Unallocated in Reserve	6.134	(1.973)	4.161

*This figure is an estimate of the value the Authority will be claiming in relation to the funding available to support losses on Sales, Fees and Charges. Currently, this grant is only available in 2021/22 to cover losses incurred in April 2021 to June 2021.

SECTION 5 – SERVICE COMMENTARIES

5.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2021/22, with forecasts being prepared on a prudent basis at this stage in the financial year. Challenge sessions are planned to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Service Directors and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

5.2 Health, Education, Care & Safeguarding (HECS)

5.2.1 HECS is showing a forecast variance of £6.972m against its £74.144m net controllable expenditure budget, an improvement of £0.309m from the July position of £7.281m. This position is after adjusting for a total of £9.763m of Covid-19 related cost and income pressures which are now shown within Central Items. The forecasted pressure is mostly within Children’s Services and excludes the application of contingency budgets set aside in Central Items for pressures in Children’s Services of £3.116m.

5.2.2 The HECS service continues to be 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 is also ongoing to support social care providers to maintain their vital services. Further details on Covid impacts are shown in Section 4 above.

5.2.3 Table 16: Forecast Variation for HECS at September 2021

	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Corporate Parenting & Placements	15.802	21.244	5.442	5.720	(0.278)
RHELAC Service	0.008	0.008	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.708	0.718	0.010	0.014	(0.004)
Early Help & Vulnerable Families	1.543	1.392	(0.151)	(0.172)	0.021
Employment & Skills	0.591	0.565	(0.026)	(0.021)	(0.005)

	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Integrated Disability & Additional Needs Service	2.284	3.912	1.628	1.624	0.004
School Improvement	0.319	0.359	0.040	0.022	0.018
Regional Adoption Agency	0.000	0.000	0.000	0.000	0.000
Children's Services Sub-total	21.255	28.198	6.943	7.187	(0.244)
Central, Strategy and Transformation	1.131	1.163	0.032	0.030	0.002
Social Work and Associated Activity	7.211	7.446	0.235	0.394	(0.159)
Integrated Services	2.751	2.336	(0.415)	(0.412)	(0.003)
Business Assurance	0.296	0.340	0.044	0.082	(0.038)
Sub-total Operations	11.389	11.285	(0.104)	0.094	(0.198)
Commissioned Services – Wellbeing and Assessment	11.250	10.112	(1.138)	(1.072)	(0.066)
Commissioned Services – Learning Disability	25.435	25.364	(0.071)	(0.250)	0.179
Commissioned Services – Mental Health	3.312	4.623	1.311	1.291	0.020
Commissioned Services - Other	1.262	1.293	0.031	0.031	0.000
Sub-total – Commissioned Services	41.259	41.392	0.133	0.000	0.133
Adult Services Sub-total	52.648	52.677	0.029	0.094	(0.065)
Public Health	0.241	0.241	0.000	0.000	0.000
Total HECS	74.144	81.116	6.972	7.281	(0.309)

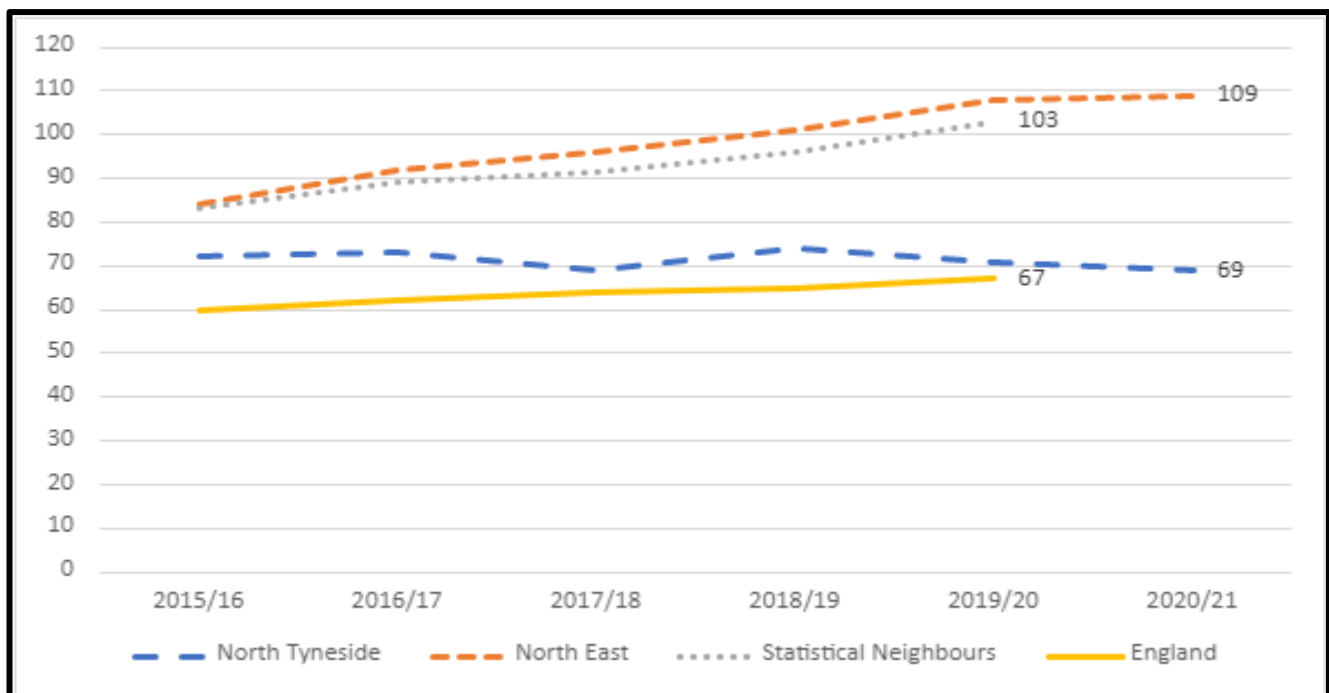
Main budget pressures across HECS

- 5.2.4 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of care homes within the borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring funding contributions from the NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.
- 5.2.5 The main factor behind the overall forecast position, however, is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. There is also a pressure relating to services for children with additional needs. In addition to care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs.

Children's Services

- 5.2.6 In Children's Services the £6.943m forecast pressure relates mainly to pressures of £5.442m in Corporate Parenting and Placements and £1.629m in Integrated Disability and Additional Needs. The pressures were foreseen by Cabinet and backed by £3.116m of centrally held contingencies. This position excludes Covid-19 related pressures of £4.141m which have been transferred to Central Items.
- 5.2.7 The movement in the variance since the July report is mainly due to a net transfer of care costs for children in care to Central Items to be set against Covid grants. Additional Covid related costs were identified as part of a line-by-line review of each individual child's circumstances highlighting Covid related delays to the placement of children and young people in the most appropriate settings for their needs.
- 5.2.8 North Tyneside Council, unlike many authorities in the region, has managed to maintain the level of children in care at a stable rate during the Pandemic and at a rate which compares favourably with our neighbours.
- 5.2.9 The most recent available national comparators from 2019/20, as demonstrated by Chart 2 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

5.2.10 **Chart 2: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



5.2.11 Although an amount of £3.116m is held as a contingency budget for children’s services within Central Items, the budget within the service for the costs of looking after children who need to come into care is not sufficient for the relatively stable level of children who require these services. The costs for children who are formally not classed as in care but who required costed services also continues, as in previous years, to be significantly above budget. The service is currently undertaking an exercise in conjunction with colleagues in Finance, Performance and HR to identify growth requirements and saving opportunities as part of the ongoing development of the Medium-Term Financial Plan.

Corporate Parenting and Placements

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

Table 17: Analysis of Pressures in Corporate Parenting and Placements

Type of Service	Budget £m	Variance Sept £m	Variance July £m	Change Since July £m
Care provision – children in care	9.188	2.922	3.189	(0.267)
Care provision – other children	3.147	0.926	0.917	0.009
Management & Legal Fees	(0.948)	0.699	0.808	(0.109)
Social Work	4.369	0.891	0.802	0.089
Safeguarding Operations	0.046	0.004	0.004	0.000
Total	15.802	5.442	5.720	(0.278)

5.2.13 The forecast has been developed based on the children in care as at the end of September 2021. The number in care at the end of September was 317 which was a net increase of 16 from the May figure of 301. The September forecast for the total number of care nights is now 109,473, an increase of 5,358 from the July forecast of 104,115, and is now higher than the total number of care nights delivered in 2020/21 which was 108,745.

5.2.14 Table 18: Forecast cost, forecast variance, average placement cost and Placement mix

Placement Type	2021/22 Sept Variance	Average Annual Placement cost (£m) *	Forecast Bed Nights Sept	Forecast Bed Nights July	Placement Mix	No. of children Sept 21	No. of children July 21
External Residential Care	1.320	0.275	8,140	8,553	7%	27	28
External Fostering	0.208	0.046	10,313	8,820	10%	26	28
In-House Fostering Service	0.455	0.024	67,915	65,762	62%	193	182
External Supported Accommodation	0.160	0.130	3,953	3,552	4%	17	16
Other*	0.779	various	19,152	17,428	17%	54	47
Total	2.922		109,473	104,115	100%	317	301

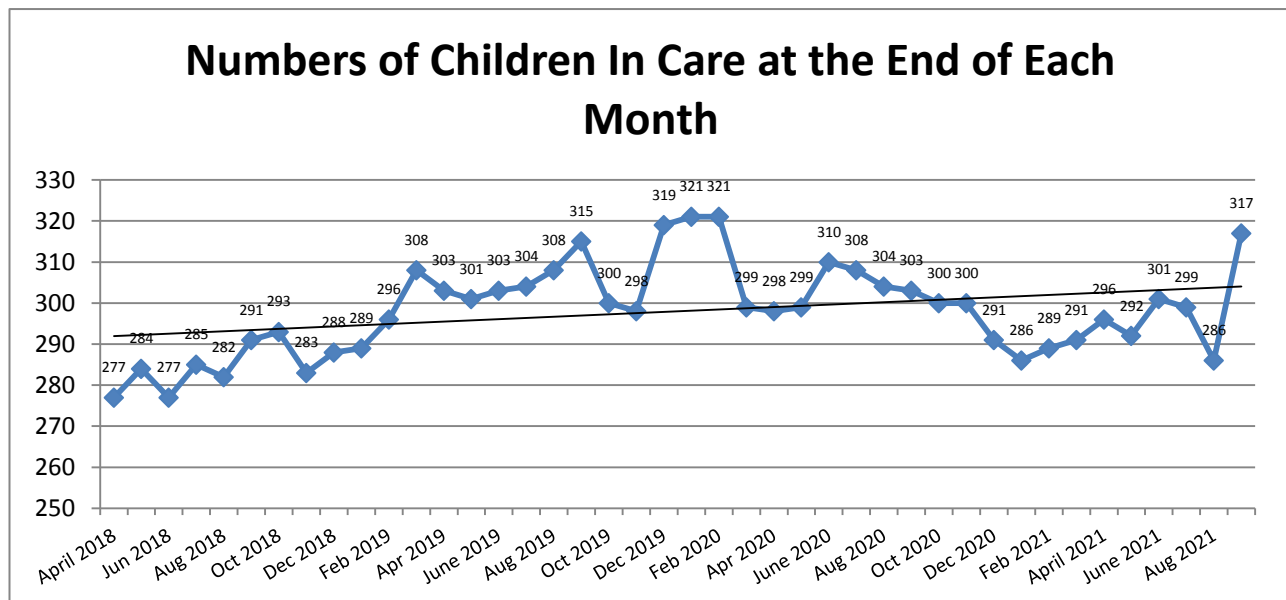
*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes; the Annual Average Placement Cost represents the potential costs for a full year of those children in placements as at 30 September 2021.

5.2.15 The number of children in care can be volatile and costs for individual children can be very high. There is a potential risk that the forecast could increase if numbers of care nights delivered on complex cases starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the potential economic effects of the Covid-19 crisis impact on families.

Care Provision – Children in Care

5.2.16 Over recent years, there has been an increasing trend nationally in demand for children’s residential placements but with no corresponding increase in government-funded provision. The trend in North Tyneside over the last few years is that the overall number of children in care has mirrored the increases being felt nationally. There has been an increase in September to 317 children and this trend is being watched carefully.

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



Care Provision – Children not in care

5.2.18 The pressure of £0.926m (July variance, £0.917m) relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). Cabinet will recall that the Authority’s policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £3.116m established in Central Items was, in part, intended to mitigate against these costs.

Management and Legal Fees

5.2.19 This area has a forecast pressure of £0.699m (July variance, pressure of £0.808m). The improvement relates mainly to reduce forecasts around interim management following a successful recruitment process. Pressures remain in relation to historic income targets and legal fees.

Social Work

- 5.2.20 Within the overall pressure of £5.442m for Corporate Parenting and Placements, there are social work-related pressures of £0.891m (July, £0.802m). Of the £0.891m pressure, £0.656m relates to employee costs with £0.235m relating to non-pay costs. There is an additional team in place of 6 posts costing £0.244m and market supplements across the service amounting to £0.142m. There are s17 assistance costs forecasted above budget level by £0.051m, transport and travel pressures of £0.027m and legal and professional fee pressures of £0.105m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. Caseloads per social worker remain high at just over 20 compared to the national average of 16.3 (for 2020). The additional social work costs within Children's services reflects the commitment not to use agency staff within front line teams.

Integrated Disability and Additional Needs (IDANS)

- 5.2.21 IDANS is forecasting a pressure of £1.628m (July variance was £1.624m). Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs). Within North Tyneside, the number of children with an EHCP has risen from 1102 in January 2018 to 2009 in September 2021. Within this service area the main pressures relate to operational staffing costs within in-house residential services of £0.239m and associated unachieved health income target of £0.213m. There are also forecast staffing pressures of £0.276m in Educational Psychology relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. There are pressures of £0.670m on externally commissioned short breaks and staffing pressures of £0.195m across the Statutory Assessment and Review Team and the Disability Team.
- 5.2.22 The IDANS service is continuing to carefully review planned provision to identify any areas of spend which can be reduced without adverse impacts on the children and families receiving support.

Adult Services

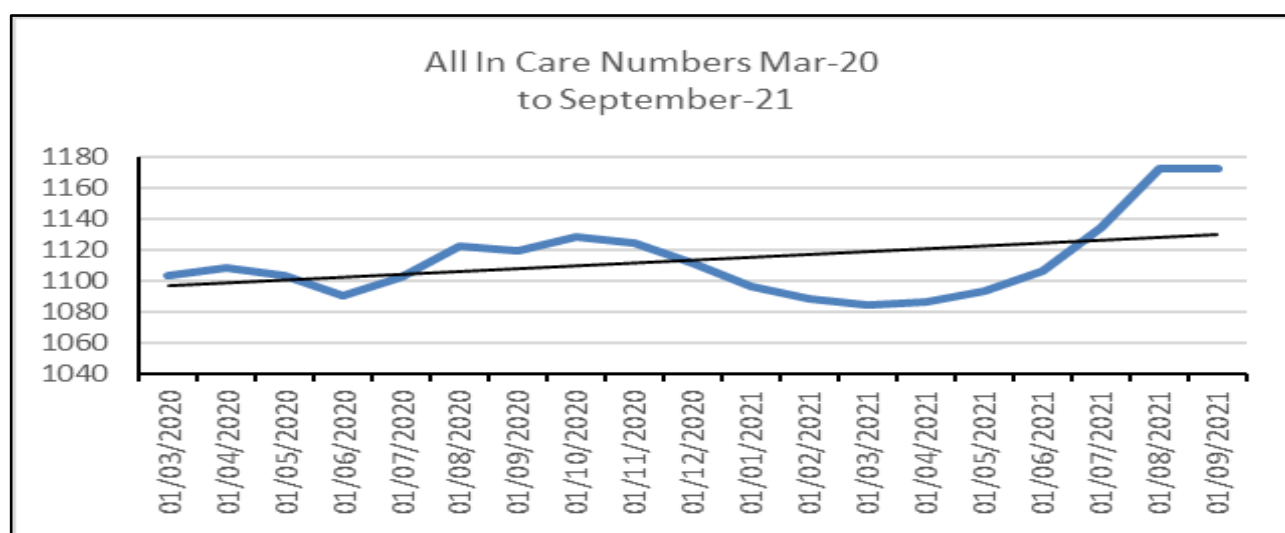
- 5.2.23 Adult Services are forecasted to show a pressure of £0.029m which compares to a forecast pressure of £0.094m in July. This position is after a total of £4.840m of Covid costs are transferred to Central Items to be offset against Covid related grants.
- 5.2.24 Adult Services continues to be heavily impacted by the Pandemic and other external factors. The lack of capacity in the homecare market reported in July has continued as care providers struggle to recruit and retain staff in a buoyant jobs market. The lack of homecare capacity has contributed to higher levels of short-term placements into residential care. Hospital discharges have fallen since the July level of around 275 per month to 229 and 222 respectively in August and September but remain higher than pre-Covid-19 levels of approximately 160.

5.2.25 Forecasted costs associated with the operational management of the service are showing an underspend of £0.104m, reduced from the July position of a pressure of £0.094m. The reduction is due to changed assumptions around recruitment into vacancies. Pressures within social work teams are partially offset by an underspend in Integrated Services due to vacancies.

5.2.26 There is a pressure within Commissioned Services – Mental Health due to three new high-cost clients who entered the service in March and April 2021 (£0.940m). There are also pressures due to increased client numbers relating to residential and nursing care within Mental Health.

5.2.27 Forecasted pressures in Commissioned Services – Mental Health are offset by budget surpluses across Commissioned Services in Wellbeing and Assessment and Learning Disabilities. The overall numbers in residential and nursing care continued to rise in August before remaining steady in September.

5.2.28 Chart 4: Overall Numbers of Clients in Residential and Nursing Care



5.3 Commissioning and Asset Management

5.3.1 Commissioning and Asset Management (C&AM) is showing a pressure of £1.258m (July, pressure of £0.884m) as set out in Table 19.

5.3.2 C&AM has also been heavily impacted by the Covid-19 Pandemic, particularly in relation to supporting schools and in relation to lost income with details shown in Section 4.

5.3.3 **Table 19: Commissioning and Asset Management (C&AM) Forecast Variation**

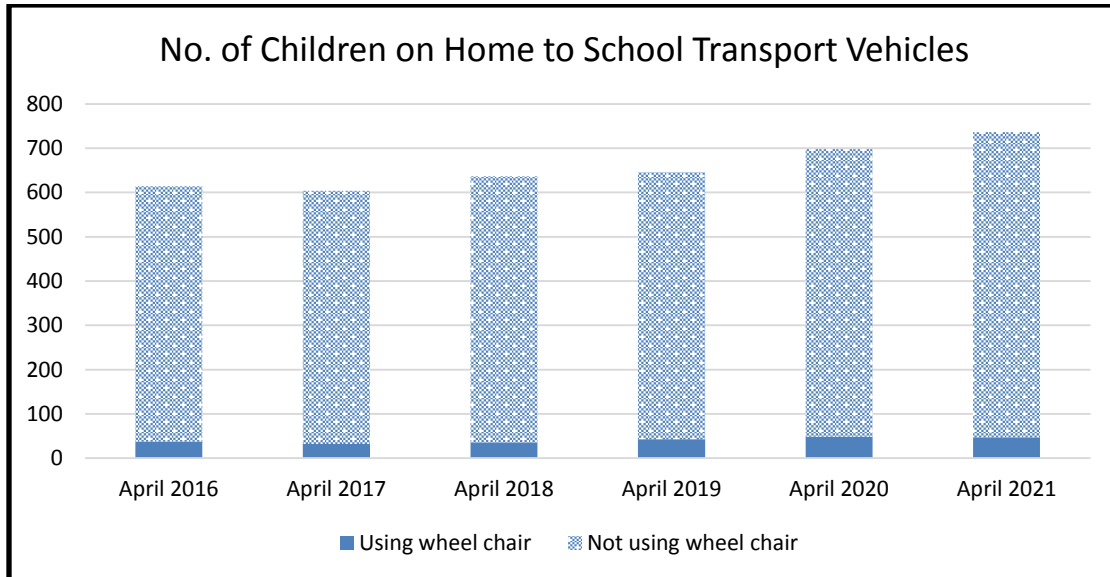
	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
School Funding & Statutory Staff Costs	5.410	5.308	(0.102)	(0.082)	(0.020)
Commissioning Service	0.406	0.417	0.011	0.023	(0.012)
Facilities & Fair Access	0.412	1.681	1.269	0.893	0.376
Community & Voluntary Sector Liaison	0.441	0.406	(0.035)	(0.029)	(0.006)
Strategic Property & Investment	1.918	2.040	0.122	0.080	0.042
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000
Property	(0.727)	(0.727)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.161	0.161	0.000	(0.001)	0.001
Procurement	(0.008)	(0.015)	(0.007)	0.000	(0.007)
Grand Total	8.013	9.271	1.258	0.884	0.374

5.3.4 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressure of £1.269m (July, forecast pressure of £0.893m). The pressure mainly relates to Home to School Transport which has increased from £0.742m in July to £1.100m in September as additional routes have been added for the new school term. Pressures on the catering service have also risen to £0.182m (July; £0.161m) due to increasing numbers of benefit-based free school meals and the consequential impact on loss of paid income. Inflationary pressures within Catering are also have an impact. There is also a pressure of £0.059m on car parking income in relation to Quadrant.

5.3.5 The Home to School Transport position, a pressure of £1.100m, relates to the sustained and increase in children with complex needs attending special schools. 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 6.5 to 6.10 for more details). As a result of the increase in demand for home to school transport for children with additional needs, the number of children in vehicles has risen from 614 in April 2016 to 736 in April 2021 as shown in Chart

5 below. Work is also continuing on route rationalisation using the new QRout system however the requirement for continued social distancing has limited rationalisation opportunities.

5.3.6 Chart 5: Increase in Numbers of Children Accessing Home to School Transport



5.3.7 In addition to Facilities and Fair Access, within Strategic Property and Investment, the repairs and maintenance budget is forecasted to show a pressure of £0.150m due to the cost of essential repairs across the Authority’s buildings. This is partially offset by recharges to capital budgets and other savings across this service area.

5.4 Environment, Housing & Leisure (EHL)

5.4.1 EHL is forecasting an underspend of £0.156m against the £44.279m net budget, as set out in Table 20 below. The position includes a planned £0.583m draw-down of reserves for the street-lighting PFI contract and PFI buildings.

5.4.2 The Covid-19 Pandemic continues to impact on EHL mainly in relation to lost income with £3.193m of the £4.360m estimated impact is due to income-generating services being expected to operate at a lower level. This forecast is based on a high-level impact assessment of on-going income modelled on actual operating levels to September, with operations assumed to continue at lower than pre-pandemic levels for the remainder of the financial year.

5.4.3 Table 20: Forecast Variation in Environment Housing & Leisure

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Cultural Services	6.825	6.879	0.054	0.049	0.005
Local Environmental Services	7.528	7.538	0.010	(0.007)	0.017
Fleet Management	1.123	1.085	(0.038)	(0.038)	0.000
General Fund Housing	1.198	1.268	0.070	0.005	0.065
Head of Service and Resilience	0.245	0.245	0.000	(0.034)	0.034
Security & Community Safety	0.107	0.059	(0.048)	0.036	(0.084)
Sport & Leisure	2.719	2.642	(0.077)	(0.036)	(0.041)
Street Lighting PFI	4.717	4.717	0.000	0.000	0.000
Consumer Protection & Building Control	0.987	0.979	(0.008)	(0.009)	0.001
Planning	0.247	0.247	0.000	0.000	0.000
Transport and Highways	7.187	7.222	0.035	0.035	0.000
Waste	11.396	11.242	(0.154)	(0.037)	(0.117)
GRAND TOTAL	44.279	44.123	(0.156)	(0.036)	(0.120)

5.4.4 The variance reflects forecast pressures against Cultural Services & General Fund Housing of £0.054m and £0.070m with smaller pressures in Security and Community Safety and General Fund Housing which are mitigated by combined savings forecasted across Fleet Management, Sports & Leisure, Street Environment and Waste & Recycling Disposal. Technical Package budgets are balanced across the contract with Capita.

5.4.5 The following paragraphs outline the pressures in each service area with details of any variances or movement greater than £0.050m.

Sport & Leisure

5.4.6 Sport & Leisure is now expecting to report a forecast underspend of £0.077m which is an improvement of £0.041m from the last reported position. The main causes for the improved forecast underspend are a one off in-year £0.050m refund on water and sewerage costs at Tynemouth Pool, reduced operational activity and savings from vacancies during recruitment processes.

Waste Delivery & Management

5.4.7 Overall, the waste service areas are now expecting to report a forecast underspend of £0.154m which is an improvement of £0.117m from the last reported position. The main causes for the improved forecast underspend due to delays in filling posts, with vacancies being held open longer than previously predicted.

Cultural Services

5.4.8 Cultural Services is forecasting a pressure of £0.054m. The service area has a pressure caused by the expected losses on the Playhouse due to reduced take-up in addition to income shortfalls against budget across other funding streams.

Regeneration and Economic Development

5.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.174m at September 2021, as shown in Table 21 below.

5.5.2 Table 21: Forecast Variation for Regeneration and Economic Development

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Business & Enterprise	0.751	0.700	(0.051)	(0.004)	(0.047)
Regeneration	0.445	0.591	0.146	(0.009)	0.155
Resources & Performance	0.203	0.282	0.079	0.076	0.003
Grand Total	1.399	1.573	0.174	0.063	0.111

5.5.3 The £0.111m adverse change in variance since the last Cabinet report reflects actual unforeseen expenditure being incurred and forecast across the Swan Hunter site following the sale of the development in December 2020, with reduced income (from vacant non-tenanted space) as well as higher premises & external costs at Swans Centre for Innovation.

Corporate Strategy

5.6.1 Corporate Strategy is forecasting to report a £0.030m pressure. The variance changes from the previous reported position are as a result of improving income forecasts across Policy, Performance & Research, as well as increased staff recharges administering the Holiday Activities and Food Programme which have contributed to reduce the pressure from £0.077m down to £0.030m.

5.6.2 Included within the forecast are assumptions a mix of corporate reserves and Covid-19 grant will be drawn down to meet the employee costs associated with the Customer Service and Covid-19 Recovery Programme posts, mitigating the impact of the income target pressure.

5.6.3 Table 22: Forecast Variation Corporate Strategy

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Children's Participation & Advocacy	0.258	0.243	(0.015)	(0.005)	(0.010)
Corporate Strategy Management	0.006	0.147	0.141	0.102	0.039
Elected Mayor & Executive Support	0.018	0.026	0.008	0.007	0.001
Marketing	0.289	0.245	(0.044)	(0.002)	(0.042)
Policy Performance and Research	0.140	0.080	(0.060)	(0.025)	(0.035)
Grand Total	0.711	0.741	0.030	0.077	(0.047)

5.7 Resources and Chief Executive Office

5.7.1 Overall Resources and Chief Executive Office are currently forecasting a joint pressure of £0.486m.

5.7.2 Table 23: Forecast Variation Resources and Chief Executive

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Chief Executive	(0.078)	(0.109)	(0.031)	(0.031)	0.000
Finance	0.002	0.378	0.376	0.228	0.148
ICT	0.538	0.539	0.001	0.140	(0.139)
Human Resources	2.876	3.016	0.140	0.001	0.139
Grand Total	3.338	3.824	0.486	0.338	0.148

5.7.3 Within the Finance service there continues to be forecast pressures due to the impact of funding managed by the Revenues and Benefits service, an increased pressure of £0.148m since the July report. This is due mainly to the full case reviews, which are currently being undertaken and are expected to continue. The full pressure for Revenues & Benefits is made up of:

- Subsidy reporting an overall pressure of £0.176m, which has increased from an underspend of £0.058m, due to eligible overpayments for which the Authority only receives 40% from the Department of Work and Pensions. The payments to Private and Council Tenants are starting to show a levelling out trend based on data for the last 12 weeks.
- Overpayment income is now showing a reduced pressure of £0.075m compared to £0.240m the previous month, due to the additional overpayment income generated during the full case reviews.

- The Bad Debt Provision is showing a pressure of £0.275m, which is an increase from £0.197m last month due to the additional overpayment income raised.
- Enforcement income is currently forecasted to be in line with budget and will be updated on a monthly basis using the cost of collection statistics.

These forecasts are being carefully managed by the service management and will continue to be refined as the year progresses.

- 5.7.4 The Finance service is forecasting staffing savings across nearly all teams which mitigates these pressures. These staffing savings are a mix of vacancy savings and additional funding where the service area supports external organisations such as North of Tyne Combined Authority.
- 5.7.5 There is a pressure within ICT as a result of the transfer of Education ICT income targets with a forecast £0.140m shortfall in SLA income within the service.
- 5.7.6 The remaining service areas within Resources are all forecasting small underspends for the year.
- 5.7.7 The Chief Executive's office is showing a saving of £0.031m, due to forecast savings in staffing and other operational spend.

5.8 Law and Governance

- 5.8.1 Law and Governance is forecasting a £0.485m pressure. This variance reflects forecasted cost pressures in Legal Services of £0.288m relating to the employment of Locums and other staff costs and £0.175m pressure for delivering North Tyneside Coroner services.

5.8.2 **Table 24: Forecast Variation for Law and Governance**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Customer, Governance & Registration	(0.071)	(0.041)	0.030	0.033	(0.003)
Democratic and Electoral Services	0.031	0.098	0.067	0.094	(0.027)
Information Governance	0.159	0.084	(0.075)	(0.068)	(0.007)
Legal Services	(0.105)	0.183	0.288	0.251	0.037
North Tyneside Coroner	0.294	0.469	0.175	0.108	0.067
Grand Total	0.308	0.793	0.485	0.418	0.067

- 5.8.3 The variance change compared from the last reported forecast to Cabinet is due to higher forecast expenditure delivering North Tyneside Coroners service demands (£0.046m; Body Storage & Post Mortem charges), together with

increased operational expenditure forecast across the service (£0.022m; varied cross service costs).

5.9 **Central Items**

5.9.1 Central Items is forecasted to be in surplus by £7.448m, an improvement of £0.236m from the July report. The surplus figure of £7.448m includes the contingency budgets of £5.404m of which £3.116m of that budget provision relates to the pressure being experienced in Children’s Services. The other main areas impacting the position are summarised below:

- Strain on the fund savings of £1.074m, due to minimum in-year costs anticipated this financial year. This saving has reduced by £0.314m since the July report;
- Minimum revenue provision savings of £0.550m, an improvement of £0.200m since the July report; and,
- Interest savings on borrowing of £0.500 (July, £0.150m), both of these arising from re-profiling of the Investment Programme and use of cash balances to minimise borrowing.

5.9.2 Corporate and Democratic Core may see savings in 2021/22 due to anticipated pressures not being seen to materialise to date and the costs of pensions out of revenue but is prudently forecasted to be balanced at this stage in the year. This may reduce across the rest of the year and provide some sustainable savings.

5.9.3 **Table 25: Forecast Variation Central Budgets and Contingencies**

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Corporate & Democratic Core	4.315	4.315	0.000	0.000	0.000
Other Central Items	(6.366)	(13.814)	(7.448)	(7.212)	(0.236)
Grand Total	(2.051)	(9.499)	(7.448)	(7.212)	(0.236)

SECTION 6 - SCHOOLS FINANCE

Update on School Budgets

- 6.1 There is no update on school finances since the position reported previously to cabinet. A report of this update will be presented to cabinet in the next finance report.

National Funding Formula Consultation for 2022/23

- 6.2 The method for allocating funding to schools is still set by a local funding formula (LFF), though DfE are considering making their national funding formula (NFF) mandatory in the future. For 2021/22, North Tyneside have agreed with Schools Forum to adopt the NFF factors in their LFF.
- 6.3 For 2022/23 the Authority will ask Schools Forum to consider modelling a potential option to transfer the maximum funding from Schools Block to High Needs. Guidance states that a local authority can transfer up to 0.5% with agreement from the local Schools Forum. This would amount to approximately £0.700m on indicative grant values. If the Schools Forum do not agree to the transfer, the local authority can ask the Secretary of State to approve the transfer, although this is usually only agreed by exception.
- 6.4 Modelling scenarios will be presented to schools during October/November. The preferred model will then be confirmed with Schools Forum in November then taken to Cabinet for final agreement as part of the Authority's budget setting process.

High Needs Block

- 6.5 Cabinet will recall from the previous finance report that the High Needs block of the Dedicated Schools Grant (DSG) was anticipating an in-year pressure of £3.491m in July, which would raise the cumulative pressure on the block to £12.291m.
- 6.6 The forecast for the High Needs Block at September 2021 is now an anticipated in-year pressure of £3.673m reflecting a further rise in demand for special school places within the Authority. A breakdown of the in-year pressure is shown in Table 26.

6.7 **Table 26: Breakdown of High Needs Pressures at September 2021**

Provision	Budget £m	Forecast Variance September £m	Comment
Special schools and PRU	15.520	2.050	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	4.120	0.825	Pressures in pre 16 top ups e.g. Norham ARP
Out of Borough	2.890	0.737	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.888	0.061	
Subtotal	26.418	3.673	
2020/21 Balance		8.720	
Adjustment		0.160	
Subtotal	26.418	12.553	

High Needs Recovery Plan

- 6.8 As previously noted, North Tyneside is an outlier in terms of the total number of Education Health and Care Plans (EHCPs) currently maintained. The most recent figures (January 2021) suggest that the Authority is around 1% above the national average in terms of whole population which equates to around 500 more plans than would be seen to be typical. The Authority also has a significantly higher proportion of children in specialist provision than the England average (40.6% compared with 35.8%). Conversely, the proportion of children in mainstream schools is much lower than the England average (32% compared with 39.9%). These factors are the main contributors to the pressures on the High Needs Block. They also have a significant impact on all the services that work with our children and young people with additional needs.
- 6.9 A proposed High Needs Recovery Plan was shared with the Education Skills and Funding Agency (ESFA) in August. The Authority is awaiting formal feedback on this proposal. In the meantime, an officer working group has continued to develop appropriate workstreams to take action and reduce the pressure on the High Needs Block. The programme of work to reduce pressures on the High Needs Block will need significant time and committed resource to ensure delivery in line with our ambition. In addition, there is ongoing consultation and engagement with Schools Forum and North Tyneside head teachers around the recovery plan and how best

to use the Authority's resources. A new senior officer Strategic Education & Inclusion Programme Board has been established to provide the governance and oversight for this work.

- 6.10 As noted previously, the themes of the recovery plan link clearly to our SEND Inclusion Strategy and our Ambition for Education Strategy:
- Improved SEND Graduated Approach to support more young people to have success in their local school;
 - Review of commissioned services with a focus on maintaining young people in their local school;
 - Annual EHCP reviews are focussed, timely and include 'value for money';
 - The banding and mechanisms the Authority uses to fund schools are brought in line with our graduation aspirations;
 - Use of capital funding to address issues around capacity;
 - More effective place planning to ensure that there are sufficient resources in place; and,
 - Working with our partners and stakeholders across education, health and care.

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 27 below is based on the results to September 2021. Currently the HRA is forecasting an underspend of £0.381m, which includes £0.016m of Covid-19 related costs (see Table 28). Throughout the year, costs will be monitored closely across all areas with additional focus on Rent Arrears and the effect this has on the bad debt provision. In addition, changes to prudent assumptions around rental income, Council Tax voids, Contingency and staffing vacancies will be monitored which could lead to improvements in the forecast position.

7.2 Table 27: Forecast Variance Housing Revenue Account

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.520	2.482	(0.038)
Management – Operations	4.767	4.737	(0.030)
Management – Strategy & Support	3.588	3.610	0.022
Capital Charges – Net Effect	12.969	12.969	0.000
Contingencies, Bad Debt & Transitional Protection	1.280	0.793	(0.487)
Contribution to Major Repairs Reserve – Depreciation	13.276	13.276	0.000
Interest on Balances	(0.050)	(0.050)	0.000
PFI Contracts – Net Effect	2.043	2.343	0.300
Rental Income - Dwellings, Direct Access Units, Garages	(60.995)	(61.091)	(0.096)
Rental Income – HRA Shops and Offices	(0.356)	(0.403)	(0.047)
Revenue Support to Capital Programme	10.551	10.551	0.000
Repairs	12.350	12.345	(0.005)
Total	1.943	1.562	(0.381)

7.3 The Covid-19 costs for HRA relate to unproductive workforce costs, as can be seen in Table 28 below.

7.4 **Table 28: Forecast Impact of Covid-19 on HRA for 2021/22**

Service Area	Covid Cost Pressure £m	Covid Income Pressure £m	Total Covid Pressure £m	Description
HRA – Workforce	0.016	0.000	0.016	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
Total	0.016	0.000	0.016	

Rental Income

7.5 There have been some small trending improvements in different elements of Rental Income which have led to the previous on budget forecast increasing to an overall forecast underspend of (£0.143m). This is made up of improvements in General Needs Income (£0.005m); Service Charge Income (£0.057m); Garage Rents (£0.034m); and rental income from other properties (£0.047m). This improving position will be monitored closely to see if there could be any further shift in the forecast during the second half of the year.

Bad Debt Provision and Management Contingency

7.6 Main changes in the forecast relate to the Bad Debt Provision, as Arrears continue to rise but at a much slower rate than anticipated this will result in a forecast £0.301m underspend in-year. In addition, the Management Contingency is forecast to be significantly underspent (£0.186m), which accounts for the overall £0.487m underspend in this area.

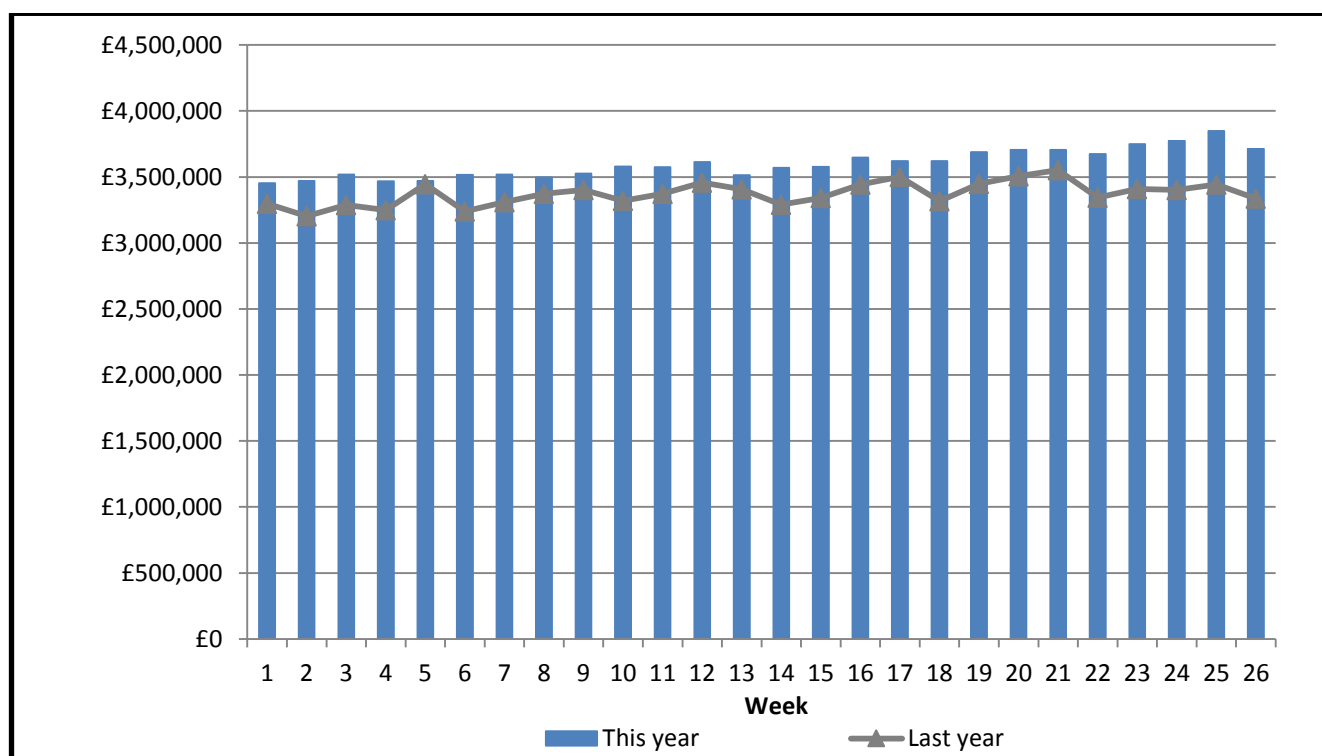
PFI Contract Costs

7.7 Following the precedent set in the previous two years because of the forecast overall improved position relating mainly to the Bad Debt Provision, the Authority is proposing to make an additional in-year contribution to the North Tyneside Living PFI Reserve (£0.300m), in order to bring the position back in line with the financial model more quickly, following a number of Use of Reserves decisions which borrowed over £4.000m from the Reserve, namely purchase of the HPC Fleet and the one-off £1.5m Settlement Agreement signed with the PFI Construction Contractor.

Rent Arrears

7.8 The impact of rent arrears has risen in the first six months of 2021/22 as compared to 2020/21, however the rate of increase during the first six months is slower than originally forecast, with current arrears increasing by around £0.260m during the period since the start of April 2021. Chart 5 below shows the value of current rent arrears in 2021/22 compared to the same period in 2020/21. 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. Last year saw a significant underspend against the bad debt provision, which had overspent for the previous two years. Based on the current rate of increase in arrears and the anticipated amount of bad debt to be written off has led to the underspend declared above. This will also be considered in relation to the refresh of the HRA Business Plan which forms the basis of the budget proposals being considered by this meeting of Cabinet. The impact of Universal Credit (UC) continues to be monitored, as significant increases in numbers on UC could adversely affect the rate at which arrears grow.

7.9 **Chart 6: Rent Arrears in Weeks 1-26 (April-Sept) 2021/22 compared to 2020/21**

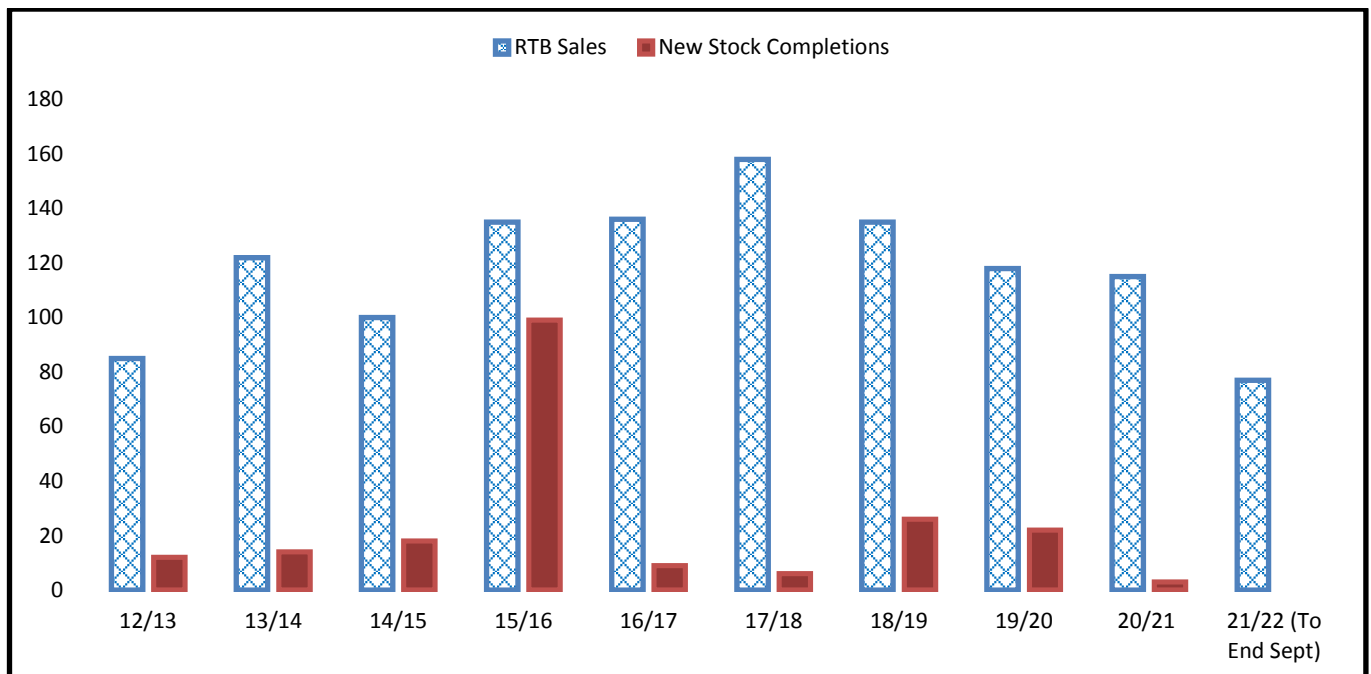


7.10 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 31 March 2021 there were 3,306 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.689m. By the end of September 2021 there were 3,505 tenants on Universal Credit (increase of 199 tenants) with related arrears of £2.804m (increase of £0.115m). These figures seem to bear out the reduced rate of increase in arrears mentioned above.

Right to Buy (RTB) Trends

7.11 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 7 below shows the trend in RTB sales since that time. There has been an upturn in sales in 2021-22, as 77 properties were sold in the first quarter compared to 54 at the same stage last year.

7.12 **Chart 7: Yearly RTB Sales v New Stock Completions**



SECTION 8 - INVESTMENT PLAN

- 8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers continue to plan the delivery of those key projects included within the 2021/22 Investment Plan and regularly review the impact of Covid-19.
- 8.2 There is currently an emerging risk around the supply of materials and increased cost that could impact the works and services the Authority delivers. This is a national issue with material supply not being able to keep pace with delivery programmes alongside a range of rising costs. Work is on-going with both material suppliers and the wider supply chain to understand how significant these impacts could be on the delivery and cost of works and services during this year. Specific areas of concern are around the supply and costs of all steel based and softwood products, along with growing concerns around the supply of cement and glazing. A risk register around material supply is currently being developed to monitor the likelihood and impact of these risks materialising, however it looks increasing likely that the Authority will have some supply issues and increased costs that will impact our works and services over the coming months. This will be reported through the bi-monthly monitoring reports to Cabinet.
- 8.3 Some of the key highlights of the Investment Plan due to be delivered during 2021/22 are summarised below:

Affordable Homes New Build and Conversion Works

- 8.4 There are currently 4 affordable home projects that will progress during 2021/22, these include:
- 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;
 - Refurbishment and remodelling works to create 7 new affordable units at Charlotte Street, Wallsend; and,
 - Convert a Brownfield garage site in Falmouth Road, into 9 new affordable homes.

Housing Investment Work

- 8.5 The Housing Capital delivery programme will see the following works delivered across the borough during 2021/22:
- Kitchens and bathrooms to 678 homes;
 - Heating upgrades to 600 homes;
 - Window and doors replacements to 30 homes;
 - Boundary improvements to 830 homes;
 - Roof replacements to 227 homes;
 - External Brickwork Repairs to 223 homes;
 - Damp Proof Course restoration works to 26 homes;
 - Footpath repairs throughout the borough; and,
 - Fire door replacement to 55 communal blocks.

Education Investment Works

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

Asset Investment works

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

Highways and Infrastructure Works

- 8.8 The main Highways & Infrastructure works include:
- Delivery of the LTP including the annual resurfacing programme and integrated transport projects. Larger projects are the construction phase of the Pier Road stabilisation scheme the demolition of Borough Road Bridge;
 - Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities; and,
 - Progression of the Tanners Bank highway improvement scheme at various junctions in North Shields.

Regeneration Works

- 8.9 Regeneration Works for 2021/22 include:
- North Shields – continuation of works for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street and initial works for the transport hub;
 - Segedunum – completion of the project initiation document to enable the development of proposals and a strategy to secure match funding;
 - Work is ongoing examining the potential options for the enhancement of the facilities at Killingworth Lake; and,
 - Development of outline scope for the Waggonways project.

Variations to the 2021-2026 Investment Plan

- 8.10 Variations of £10.470m and reprogramming of £0.637m to the Investment Plan have been identified and are included in tables 29 and 30 below. Further details are provided in paragraph 8.11.

8.10.1 **Table 29: 2021 - 2026 Investment Plan changes identified**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	Total £m
Approved Investment Plan – Council 18 February 2021	68.611	43.305	42.858	90.796	245.570
Previously Approved Reprogramming/Variations					
2020/21 Monitoring	11.398	0.000	0.000	0.000	11.398
2020/21 Outturn	13.497	0.000	0.000	0.000	13.497
2021/22 August Cabinet	5.087	0.237	0.000	0.000	5.324
2021/22 September Cabinet	(10.480)	8.446	2.886	1.500	2.352
Approved Investment Plan	88.113	51.988	45.744	92.296	278.141
Aug/Sep 21 Monitoring Variations					
Reprogramming	6.155	1.475	2.650	0.190	10.470
	(0.637)	0.637	0.000	0.000	0.000
Total Variations	5.518	2.112	2.650	0.190	10.470
Revised Investment Plan	93.631	54.100	48.394	92.486	288.611

8.11 Details of the main variations are shown below:

- (a) **BS030 Public Sector Decarbonisation (Low Carbon Skills) £0.450m –** Alongside the tender process for the main works the Project Team took the opportunity to also include some additional essential mechanical works required at Waves Pool which were outside of the SALIX funding arrangements but had been included as a priority project within the 2021/22 Asset Planned Maintenance Programme. The associated Asset Planned Maintenance Funding for this element of additional works is £0.350k is to be included in this project. Also following the return of all tenders, a detailed value engineering exercise was carried out by the Project Team to ensure that the Authority was getting value for money on all aspects of the project and to ensure the four projects could be delivered with the available funding, this identified a shortfall of £0.100m which has been requested to be funded from Project EV091 Other Initiatives Climate Change;
- (b) **BS026 Asset Planned Maintenance £0.350m credit –** See (a) above;
- (c) **EV091 Other Initiatives Climate Change £0.100m credit –** See (a) above;
- (d) **DV067 Northern Promenade £0.150m –** Officers have now concluded the formal tender process for this project which has resulted in receiving tenders for £0.950m (£0.150m above the current £0.800m budget). The additional costs are a direct result of inflation, market conditions and covid risks arising from the pandemic. Cabinet is requested to approve the allocation of £0.150m from the contingencies budget to support the delivery of the Northern Promenade Project;
- (e) **GEN03 Contingencies £0.150m credit –** See (d) above;

- (f) **DV077 Tyne Brand Development Site £4.340m** - Funding from the North of Tyne Combined Authority's Brownfields Housing Fund has been secured for the former Tyne Brand Site. It will provide for the commissioning of professional surveys, land acquisition and remediation of the land. This will facilitate the construction of at least 114 new homes. The new development is a key site within the North Shields Master Plan and will improve the built environment at one of the access points to the Fish Quay. Its successful development would complete the transformation of this economically important area and open the area immediately adjacent to much wider development potential;
- (g) **DV074 Heritage Action Zone £0.590m** – Two additional grants have been awarded from Historic England's Heritage Action Zone fund. The first £0.300m towards Howard Street Public Realm works and £0.290m towards works at the Saville Exchange;
- (h) **DV064 Council Property Investment £1.300m** - The Authority has been successful in bidding for North of Tyne Brownfield Funding in relation to the demolition and remediation of the site;
- (i) **EV034 Local Transport Plan £1.000m** – As part of the 2021/22 capital allocations from central government the annual maintenance block grant was unexpectedly reduced. Alongside this £1.253m of Pothole funding was awarded. It is recommended that £1.000m of the pothole funding be used to alleviate the grant reduction in the LTP. The allocation of the remaining £0.253m is still to be determined; and,
- (j) **EV094 Transforming Cities Tranche 2 £3.240m** – The North East Transport Committee has agreed advanced funding for the North Shields Transport Interchange.

8.12 In addition to the variations reported, there has been £0.637m reprogramming identified. The reprogramming is reflected in the following projects:

- (a) **GEN03 Contingencies £0.500m** – Funding is to be reprogrammed into 2022/23 as it is not required in 2021/22; and,
- (b) **EV096 Tanners Bank £0.137m** – In order to ensure the highways works are coordinated with North Shields regeneration work.

8.13 The impact of the above changes on capital financing is shown in table 30 below.

8.13.1 **Table 30: Impact of variations on Capital financing**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	Total £m
Approved Investment Plan	88.113	51.988	45.744	92.296	278.141
Council Contribution	(0.500)	0.500	0.000	0.000	0.000
Grants and Contributions	6.018	1.612	2.650	0.190	10.470
Total Financing Variations	5.518	2.112	2.650	0.190	10.470
Revised Investment Plan	93.631	54.100	48.394	92.486	288.611

Capital Receipts – General Fund

8.14 General Fund Capital Receipts brought forward at 1 April 2021 were £2.583m. The capital receipts requirement for 2021/22, approved by Council in February 2021, was £0.423m (2021-26 £0.677m). There was reprogramming of capital receipts from 2020/21 of £0.342m giving a revised requirement of £0.765m for 2021/22 (2021-26 £1.019m). To date £0.100m useable capital receipts have been received in 2021/22, that are to be used to repay debt. In addition, £4.125m has been received from Aurora to repay loans. The receipts position is shown in table 31 below.

8.14.1 **Table 31: Capital Receipt Requirement – General Fund**

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	2021-26 Total £m
Requirement reported to 8 February 2021 Council	0.423	0.254	0	0	0.677
Reprogramming 2020/21 Outturn	0.342	0	0	0	0.342
Revised Requirement	0.765	0.254	0	0	1.019
Receipts Brought Forward	(2.583)	(1.818)	(1.564)	(1.564)	(2.583)
Total Receipts received 2021/22	(4.225)	0	0	0	(4.225)
Receipts used to repay capital loans	4.125	0	0	0	4.125
Receipts used to repay debt	0.100				0.100
Net Useable Receipts	0	0	0	0	0
Surplus Receipts	(1.818)	(1.564)	(1.564)	(1.564)	(1.564)

Capital receipts – Housing Revenue Account

8.15 Housing Capital Receipts brought forward on 1 April 2021 were £8.263m. The housing receipts are committed against projects included in the 2021-2026

Investment Plan. The approved Capital Receipt requirement for 2021/22 was £0.750m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £2.047m. To date, receipts of £4.335m have been received in 2021/22. Previously pooling of receipts was paid quarterly to Central Government but the requirement has changed to an annual pooling payment. Therefore, subject to future pooling, this leaves a surplus balance of £10.551m to be carried forward to fund future years.

8.15.1 Table 32: Capital Receipt Requirement - Housing Revenue Account

	2021/22 £m	2022/23 £m	2023/24 £m	2024-26 £m	2021-26 £m
Requirement reported to February 2021 Council	0.750	1.886	2.871	5.673	11.180
Reprogramming 2020/21 Outturn	1.124	0.000	0.000	0.000	1.124
Variations August 21 Cabinet	0.173	0.000	0.000	0.000	0.173
Revised Requirement	2.047	1.886	2.871	5.673	12.477
Receipts Brought Forward	(8.263)	(10.551)	(8.665)	(5.794)	(8.263)
Receipts Received 2021/22	(4.335)	0.000	0.000	0.000	(4.335)
Receipts Pooled Central Government	0.000	0.000	0.000	0.000	0.000
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	(10.551)	(8.665)	(5.794)	(0.121)	(0.121)

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2021/22.

Investment Plan Monitoring Position to 30 September 2021

8.16 Actual expenditure for 2021/22 in the General Ledger was £20.715m; 22.12% of the total revised Investment Plan at 30 September 2021. This is after adjusting for £0.060m of accruals relating to 2020/21 expenditure.

8.16.1 Table 33: Total Investment Plan Budget & Expenditure to 30 September 2021

	2021/22 Revised Investment Plan £m	Actual Spend to 30 Sept 2021 £m	Spend as % of revised Investment Plan %
General Fund	61.884	11.095	17.93%
Housing	31.747	9.620	30.30%
TOTAL	93.631	20.715	22.12%

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

9.1 The Authority's current available cash balance as at the end of September 2021 is £47.258m, with £25.000m invested externally with other UK Local Authorities. All investments are made in line with the approved Treasury Management Strategy.

9.2 Table 34: Investment Position as at 30/09/2021

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	40.000	01 Oct 2021
Barclays	Call	2.258	n/a
Lloyds Bank	Call	5.000	n/a
Inter – LA	Fixed	25.000	30 Aug 2022*

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

9.3 Due to the continued low interest rate environment the strategy will remain to repay maturing debt.

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. Forecast investment income for the FY 2021/22 excluding DMO investment is anticipated to be £0.081m.

9.4 The approach of maintaining low cash balances has been part of the strategy for a number of years and has generated substantial savings year on year. The government's Debt Management Office (DMO) have been paying on average 0.01% into the quarter ending Sept 2021, 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 35 below. PWLB rates also continue to remain low due to the low Gilt yields, which they are tracked against.

9.5 Table 35: Summary of Borrowing Levels

Temporary Market		PWLB	
Tenor	Level	Tenor	Level
1 week	0.01%	2 years	1.36%
1 month	0.01%	5 years	1.65%
3 months	0.01%	10 years	2.06%
6 months	0.04%	20 years	2.42%
9 months	0.05%	30 years	2.43%
12 months	0.07%	50 years	2.23%

**Please note interest rates are as 07 Oct 2021*

PWLB rates do not include certainty rate reductions,

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

Borrowing Position

- 9.7 Table 36 shows the Authority's current debt position, the current total borrowing maturing in 2021/22 of £5.000m.
The final temporary borrowing loan maturing on the 1st Oct 2021

Table 36: Current Debt Position

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	377.443	20.000	5.000	402.443
Debt Maturing 2021/22	0.000	0.000	5.000	5.000

Covid-19 Impact on Cash

- 9.8 The Authority continues to remain relatively liquid and has done throughout the pandemic, the drawdown of £25.000m of PWLB in March 2020 as well as several large front loaded COVID grants have bolstered the Authority's cashflow position. The Authority has taken a prudent and cautious approach to new borrowing and has repaid debt as its matured without the need to take on new borrowing.

However, this position may unwind in future years as the impact of COVID reverses and enabled the Authority to return to business as usual.

There remains uncertainty around future interest rates. Rates remain at historical lows; therefore, the risk is on the upside to interest rates.

The Authority has not taken any new borrowing since March 2020 and the Authority has repaid all outstanding temporary borrowing.

The Authority remains under-borrowed to the amount of £95.166m.

There is also the added uncertainty of unspent COVID grants requiring to be paid back to central government. There continues to be a programme to distribute COVID grants however the unspent amounts will not be known until COVID support measures are withdrawn fully.

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.

SECTION 10 – COLLECTION FUND: COUNCIL TAX AND BUSINESS RATES RECOVERY

Council Tax and Business Rates Collection

- 10.1 The budgeted Council Tax debit for 2021/2022 is £118.315m, of which the retained share for the Authority is £104.330m. For Business Rates (NNDR) the opening net debit for 2021/2022 is £27.417m, following adjustment for the previous year's deficit position on NNDR, the budget retained share for the Authority for 2020/21 is £13.449m. 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 £33.954m. Tables below set out the in-year collection performance against the Council Tax and Business Rates net debit.
- 10.2 As at 30 September 2021, the actual current year Council Tax net liability has increased to £120.774m. The Authority has collected £63.670m (52.7%) compared to £60.867m (52.6%) at the same point in 2020/21. Further details are shown in table 37 below.
- 10.3 Collection is slightly ahead of 2020/21 but behind against the percentage collected in 2019/20 at the same point. All working age Council Tax Support claimants received additional support of up to £150.00 again this year to help pay their Council Tax and this meant around 58% had no liability for 2021/22 to pay. This reduced the liability to collect by around £1.500m. More households have moved onto 12 monthly instalments rather than 10 as households feel the challenge of meeting household bills and there are now 35,457 households (35.4%) paying over 12 months. However long-term rate of collection is expected to be maintained at the budgeted level of 98.5%.

Table 37: Council Tax Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Dwellings administered	95,874	96,428	97,123	98,199	99,315	99,795	100,245
In year collection £m	44.477	49.574	52.751	55.923	59.009	60.867	63.670
In year %	52.39	55.19	54.7	53.8	53.4	52.6	52.7
Target %	53.19	52.39	55.0	55.0	55.0	55.0	55.0

- 10.4 In relation to Business rates, as at 30 September 2021, the Authority had collected £24.761m (47.0%) of the current net liability of £52.691m compared to £16.908m (53.0%) at the same point in 2020/21. The reduced liability and the amount being collected to date are reflective of the increased reliefs being offered by Government as a result of Covid-19. Further details are shown in table 38 below.

Table 38: Business Rates Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Properties administered	5,464	5,564	5,618	6,031	6,046	6,190	6,218
In year collection £m	35.783	35.770	35.564	34.780	34.828	16.908	24.761
In year %	59.1	57.0	58.7	57.4	57.6	53.0	47.0
Target %	57.7	59.1	56.5	56.5	56.5	56.5	56.5

SECTION 11 – SUPPORT TO RESIDENTS

11.1 Section 4 looks specifically at the Covid-19 grants the Authority has received and provides a snapshot of the position as at 30 September 2021. As the Authority transitions from recovery to building a better North Tyneside, this section will look in more detail at the support the Authority has been able to offer to its residents, how it has utilised the funding provided by Government and how it has also put forward funding of its own to keep the most vulnerable in the Borough safe and supported during the pandemic.

11.2 From the start of the pandemic, the Government has provided the Authority with £7.841m of Covid-19 grants aimed at supporting Residents, a further £4.110m of grant funding has been supplied to the Authority to support Residents during the recovery from Covid-19 during 2021/22. Cabinet created the Poverty Intervention Fund in 2020/21, allocating £1.000m to support its most vulnerable Residents. In total £13.305m has been earmarked to supporting Residents. Table 39 breaks down this funding in more detail.

Table 39: Funding to Support Residents

Name of Grant / Source	Amount Awarded £m	Expenditure (Inception to Date) £m	Amount Committed £m	Amount Available £m
Covid-19 Grants				
Test & Trace Grant	(1.140)	0.795	0.345	0.000
Test & Trace Support Payments	(1.535)	1.058	0.477	0.000
Hardship Grant 2020/21	(2.024)	1.734	0.290	0.000
Emergency Assistance Grant	(0.256)	0.200	0.056	0.000
Practical Support Framework	(0.354)	0.010	0.344	0.000
Clinically Extremely Vulnerable	(0.705)	0.284	0.421	0.000
Winter Grant	(0.845)	0.845	0.000	0.000
Rapid Testing in the Community	(0.225)	0.284	(0.059)	0.000
Local Support Grant	(0.756)	0.986	(0.230)	0.000

Name of Grant / Source	Amount Awarded £m	Expenditure (Inception to Date) £m	Amount Committed £m	Amount Available £m
Other Government Funding				
Hardship Fund 2021/22	(2.066)	1.918	0.148	0.000
Holiday Activities & Food Programme	(0.789)	0.556	0.233	0.000
Household Support Grant	(1.610)	0.000	1.610	0.000
Authority Support				
Poverty Intervention Fund	(1.000)	0.282	0.718	0.000
Total	(13.305)	8.952	4.353	0.000

11.3 The £8.952m has been utilised in a number of ways to ensure the residents of the Borough stayed safe. The key highlights of the activity undertaken during the height of the pandemic are summarised below:

- £0.845m of the Covid-19 Winter Grant was used to cover costs of food and warmth for vulnerable residents including funding food vouchers, replacement household goods, clothing, food, hot meals and utility bills;
- 1,242 residents impacted financially by the need to isolate were supported through the Test & Trace Support grant;
- A Local Support System was developed which redeployed 85 employees and made over 19,000 welfare calls to our vulnerable residents who had to shield. Such innovations helped North Tyneside Council to be hailed as 'best practice' by the then Ministry for Housing, Community and Local Government;
- Over 28,000 copies of a series of magazines entitled 'Navigating or Living Well' were delivered to residents on the shielding list;
- Our residents without a permanent home were provided with emergency bed and breakfast accommodation to ensure they were safe and had access to essential hygiene supplies;
- 87 schools were provided with a hybrid school meal offer for vulnerable students or students of critical workers to ensure all pupils were offered a meal who needed one;
- Customer Services established a dedicated Covid-19 line to support residents who were required to shield or self-isolate;
- Volunteers from the customer services team supported the voluntary sector in preparing 300 Christmas food parcels for those who were shielding;
- System developed to enable residents to pre-pay for their shopping and £0.081m of payments were processed enabling vulnerable residents to stay safe and self-isolate; and,
- Administered a meal voucher scheme to provide vouchers during the school holidays for those children entitled to free school meals. 7,021 vouchers were

issued by the summer term 2021, providing support to those families in greatest need.

11.4 We know that we must continue to live alongside the virus. The successful completion of the recovery programme signalled a response to the Authority's emergency response and a return to a business-as-usual state, with the focus on building a better North Tyneside, creating the conditions for a Borough that continues to thrive. As part of that and a refreshed Our North Tyneside Plan the Authority will continue to support its Residents through the allocation of the remaining funding outlined in the above table. Some of the key projects are:

- As restrictions started to lift focus moved to how best to help Clinically Extremely Vulnerable residents to reintegrate; many had not left their homes and doing so caused extreme anxiety. The Authority used the CEV funding to increase capacity within the Good Neighbours project to support people with a buddy service, supporting with going shopping, going for a walk and helping residents leave their home and navigate new ways of life i.e. with shopping (wearing masks / one way systems etc);
- Funding was given to Age UK for a project using people to visit Older People who had become frailer and needed help to rebuild muscle tone and confidence before they felt able to leave the house;
- Supported LD:NE (Learning Disability North East) who worked to support residents to attend activities – resulting in 715 activities being accessed by people with a Learning Disability;
- Ran training for staff and volunteers on loss and bereavement, due to the success of this the Authority will be running further sessions over the coming months;
- Funding provided to Citizens Advice Bureau to increase support for debt work;
- Additional funding provided to the Foodbank to recognise an increase in demand for their services;
- Run the Spirit of North Tyneside awards to celebrate the contribution made by our residents to improving the lives of others and the environment;
- Planning a grant fund of £400,000 for VCSE organisations that will be a collaboration between NTC and North Tyneside CCG and administered by VODA. The funding will be aimed at delivering initiatives aimed at people affected by the pandemic and health inequalities.
- Developing a Covid Exhibition and memorial to covid centred on our waggon ways.
- Through the Household Support Grant Cabinet has committed to continue to support free school meals during the school holidays and will support the Bread-and-Butter programme; a project aiming to provide a link between food banks and supermarkets, allowing residents to purchase food at reduced costs;
- A range of other projects are being developed using the Household Support Grant which include;
 - Support for direct help to residents through the Welfare Provision Team as demand grows from residents struggling due to reduction in income or losses through Universal Credit and those struggling with rising fuel costs as we enter the winter period;

- Support for Care Leavers via a one-off grant to help with food or fuel costs. Often these are young people who can struggle to manage costs of independent living;
- Continued support to the Community and Voluntary Sector, who have played a vital role so far in supporting residents and helping the Authority deliver assistance via support for food, fuel and essential items;
- Support for housing costs for those that fall out of main support available via Housing Benefit, Universal Credit or Discretionary housing payments with grant could help;
- Support for clothing and school uniforms; and
- Support to reduce fuel poverty via grants to help repair or replace boilers where needed and also help clear fuel arrears' or help with winter fuel costs.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
BS026 Asset Planned Maintenance						
Council Contribution	1,770	1,500	1,500	1,500	1,500	7,770
Section 106	9	0	0	0	0	9
Capital Receipts	32	0	0	0	0	32
Contribution from Reserves (Insurance)	244	0	0	0	0	244
BS026 Asset Planned Maintenance Total	2,055	1,500	1,500	1,500	1,500	8,055
BS029 Wallsend Customer First Centre						
Council Contribution	280	0	0	0	0	280
North of Tyne Combined Authority	250	0	0	0	0	250
BS029 Wallsend Customer First Centre Total	530	0	0	0	0	530
BS030 Public Sector Decarbonisation Scheme						
Council Contribution	450	0	0	0	0	450
Low Carbon Skills Grant	3,289	0	0	0	0	3,289
BS030 Public Sector Decarbonisation Scheme Total	3,739	0	0	0	0	3,739
CO079 Playsites						
Section 106	82	0	0	0	0	82
CO079 Playsites Total	82	0	0	0	0	82
CO080 Burradon Recreation Ground						
Section 106	107	0	0	0	0	107
CO080 Burradon Recreation Ground Total	107	0	0	0	0	107
CO081 Gosforth Nature Reserve Grey Squirrel Control and Enhancements						
Section 106	65	0	0	0	0	65
CO081 Gosforth Nature Reserve Grey Squirrel Control and Enhancement	65	0	0	0	0	65
CO082 Sport and Leisure Facility Improvements						
Contribution from Reserves (Leisure)	18	0	0	0	0	18
CO082 Sport and Leisure Facility Improvements Total	18	0	0	0	0	18
CO083 Whitley Bay Crematoria						
Council Contribution	1,379	0	0	0	0	1,379
CO083 Whitley Bay Crematoria Total	1,379	0	0	0	0	1,379
CO085 Northumberland Park Labyrinth						
Section 106	19	0	0	0	0	19
Contribution from Friends of Northumberland Park	25	0	0	0	0	25
Revenue Contribution (05582)	2	0	0	0	0	2
CO085 Northumberland Park Labyrinth Total	46	0	0	0	0	46
DV058 Swan Hunters Redevelopment						
Council Contribution	13	0	0	0	0	13
DV058 Swan Hunters Redevelopment Total	13	0	0	0	0	13
DV064 Council Property Investment						
Council Contribution	735	300	0	0	0	1,035
North of Tyne Combined Authority - Brownfield Housing Fund	1,300	0	0	0	0	1,300
DV064 Council Property Investment Total	2,035	300	0	0	0	2,335
DV066 Investment in North Tyneside Trading Co						
Council Contribution	1,959	0	0	0	0	1,959
Section 106	3,413	0	0	0	0	3,413
DV066 Investment in North Tyneside Trading Co Total	5,372	0	0	0	0	5,372
DV067 Northern Promenade						
Council Contribution	150	0	0	0	0	150
Capital Receipts	223	0	0	0	0	223
Revenue Contribution (08252)	577	0	0	0	0	577
DV067 Northern Promenade Total	950	0	0	0	0	950
DV068 Southern Promenade						
Environment Agency Grant	193	0	0	0	0	193
DV068 Southern Promenade Total	193	0	0	0	0	193

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Gen DV071 Section 106 Contributions to Set Up Health Facilities						
Section 106	228	36	0	0	0	264
DV071 Section 106 Contributions to Set Up Health Facilities Total	228	36	0	0	0	264
DV073 Ambition for North Tyneside						
Council Contribution	0	654	1,225	2,000	0	3,879
Capital Receipts	63	254	0	0	0	317
Historic England - Heritage Action Zone	0	0	0	0	0	0
Revenue Contribution (08252)	0	746	500	0	0	1,246
DV073 Ambition for North Tyneside Total	63	1,654	1,725	2,000	0	5,442
DV074 North Shields Heritage Action Zone (Ambition)						
Council Contribution	705	116	87	0	0	908
Historic England - Heritage Action Zone	1,265	115	86	0	0	1,466
DV074 North Shields Heritage Action Zone (Ambition) Total	1,970	231	173	0	0	2,374
DV075 Town & Neighbourhood Centres (Ambition)						
ERDF	34	0	0	0	0	34
DV075 Town & Neighbourhood Centres (Ambition) Total	34	0	0	0	0	34
DV076 Getting Building Fund (North Shields Public Realm)						
NELEP - Getting Building Fund	3,386	0	0	0	0	3,386
DV076 Getting Building Fund (North Shields Public Realm) Total	3,386	0	0	0	0	3,386
DV077 Tyne Brand Development Site						
North of Tyne Combined Authority - Brownfield Housing Fund	25	1,475	2,650	190	0	4,340
DV077 Tyne Brand Development Site Total	25	1,475	2,650	190	0	4,340
ED075 Devolved Formula Capital						
Education Funding Agency (Devolved)	1,306	1,079	579	579	579	4,122
ED075 Devolved Formula Capital Total	1,306	1,079	579	579	579	4,122
ED120 Basic Need						
Education Funding Agency (Basic Need)	239	2,014	113	113	113	2,592
ED120 Basic Need Total	239	2,014	113	113	113	2,592
ED132 School Capital Allocation						
Education Funding Agency (SCA)	4,867	4,334	3,534	3,534	3,534	19,803
ED132 School Capital Allocation Total	4,867	4,334	3,534	3,534	3,534	19,803
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
ED190 High Needs Provision Capital Allocation						
Education Funding Agency (High Needs)	663	0	0	0	0	663
ED190 High Needs Provision Capital Allocation Total	663	0	0	0	0	663
EV034 Local Transport Plan						
Dept for Transport LTP ITA	958	958	958	958	958	4,790
Dept for Transport LTP Maint	1,951	1,947	2,000	2,000	2,000	9,898
Section 106	340	0	0	0	0	340
Public Transport Funding	28	28	28	28	28	140
Dft Pothole Funding 21/22	1,000	0	0	0	0	1,000
EV034 Local Transport Plan Total	4,277	2,933	2,986	2,986	2,986	16,168
EV055 Surface Water Improvements						
Environment Agency Grant	421	0	0	0	0	421
NWL Contribution	40	0	0	0	0	40
EV055 Surface Water Improvements Total	461	0	0	0	0	461
EV056 Additional Highways Maintenance						
Council Contribution	195	2,000	2,000	2,000	2,000	8,195
Dept for Transport - Pothole Challenge Fund	1,851	0	0	0	0	1,851
EV056 Additional Highways Maintenance Total	2,046	2,000	2,000	2,000	2,000	10,046
EV069 Vehicle Replacement						
Council Contribution	1,602	762	1,248	1,676	1,123	6,411
EV069 Vehicle Replacement Total	1,602	762	1,248	1,676	1,123	6,411

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Gen EV076 Operational Depot Accommodation Review						
Council Contribution	339	0	0	0	0	339
ERDF	1,572	200	0	0	0	1,772
EV076 Operational Depot Accommodation Review Total	1,911	200	0	0	0	2,111
EV083 Street Lighting LED						
Council Contribution	957	2,135	1,386	0	0	4,478
EV083 Street Lighting LED Total	957	2,135	1,386	0	0	4,478
EV084 A189 Improvements Haddricks Mill to West Moor						
DFT National Productivity Fund	245	0	0	0	0	245
Section 278	0	0	0	0	0	0
EV084 A189 Improvements Haddricks Mill to West Moor Total	245	0	0	0	0	245
EV091 Other Initiatives Climate Change						
Council Contribution	27	0	0	0	0	27
EV091 Other Initiatives Climate Change Total	27	0	0	0	0	27
EV092 E-Cargo Bikes2						
DFT E-Cargo Grant	0	0	0	0	0	0
EV092 E-Cargo Bikes2 Total	0	0	0	0	0	0
EV094 Transforming Cities Tranche 22						
Council Contribution	2,053	0	0	0	0	2,053
Capital Receipts	447	0	0	0	0	447
Transforming Cities Fund	3,345	0	0	0	0	3,345
EV094 Transforming Cities Tranche 22 Total	5,845	0	0	0	0	5,845
EV095 Emergency Active Travel Tranche 1 & 2						
Dept for Transport Covid19 Emergency Travel Fund Tranche2	1,400	0	0	0	0	1,400
EV095 Emergency Active Travel Tranche 1 & 2 Total	1,400	0	0	0	0	1,400
EV096 Tanners Bank						
Dept for Transport LTP Maint	50	53	0	0	0	103
Dept for Transport - Highway Maintenance Challenge Fund	333	547	0	0	0	880
EV096 Tanners Bank Total	383	600	0	0	0	983
EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Bellway Homes)						
Section 106	4,241	0	0	0	0	4,241
EV097 Weetslade & Westmoor Roundabouts, Great Lime Road (S106 Be	4,241	0	0	0	0	4,241
GEN03 Contingencies						
Council Contribution	2,109	2,500	2,000	2,000	500	9,109
GEN03 Contingencies Total	2,109	2,500	2,000	2,000	500	9,109
GEN12 Local Infrastructure						
Council Contribution	110	100	100	100	100	510
GEN12 Local Infrastructure Total	110	100	100	100	100	510
HS004 Disabled Facilities Grant						
Better Care Fund	1,400	2,580	0	0	0	3,980
HS004 Disabled Facilities Grant Total	1,400	2,580	0	0	0	3,980
HS051 Private Sector Empty Homes						
Council Contribution	441	393	0	0	0	834
Homes & Communities Grant	210	0	0	0	0	210
HS051 Private Sector Empty Homes Total	651	393	0	0	0	1,044
HS052 Killingworth Moor Infrastructure						
Housing Infrastructure Fund	0	0	0	0	0	0
HS052 Killingworth Moor Infrastructure Total	0	0	0	0	0	0
HS053 Green Homes Local Authority Delivery						
Green Homes Grant (LAD1b) - Dept for BEIS	2,162	0	0	0	0	2,162
Green Homes Grant (LAD2) - Dept for BEIS	1,154	0	0	0	0	1,154
HS053 Green Homes Local Authority Delivery Total	3,316	0	0	0	0	3,316
IT020 ICT Strategy						
Council Contribution	1,436	1,000	1,000	1,000	1,000	5,436
IT020 ICT Strategy Total	1,436	1,000	1,000	1,000	1,000	5,436

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund Total	61,884	27,826	20,994	17,678	13,435	141,817
HRA						
HS015 Refurbishment / Decent Homes Improvements See HRA Financing	26,554	20,664	21,248	21,745	22,877	113,088
HS015 Refurbishment / Decent Homes Improvements Total	26,554	20,664	21,248	21,745	22,877	113,088
HS017 Disabled Adaptations See HRA Financing	1,314	1,072	1,083	1,094	1,105	5,668
HS017 Disabled Adaptations Total	1,314	1,072	1,083	1,094	1,105	5,668
HS039 ICT Infrastructure Works See HRA Financing	273	608	1,109	360	112	2,462
HS039 ICT Infrastructure Works Total	273	608	1,109	360	112	2,462
HS044 HRA New Build See HRA Financing	3,606	3,930	3,960	6,750	7,330	25,576
HS044 HRA New Build Total	3,606	3,930	3,960	6,750	7,330	25,576
HRA Total	31,747	26,274	27,400	29,949	31,424	146,794
Total £000	93,631	54,100	48,394	47,627	44,859	288,611

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
General Fund						
Council Contribution	16,710	11,460	10,546	10,276	6,223	55,215
Council Contribution - Capital Receipts	765	254	0	0	0	1,019
Grants & Contributions	43,568	15,366	9,948	7,402	7,212	83,496
Revenue Contribution	579	746	500	0	0	1,825
Contribution from Reserves	262	0	0	0	0	262
General Fund Total	61,884	27,826	20,994	17,678	13,435	141,817
HRA Financing						
HRA Capital Receipts	2,047	1,886	2,871	2,689	2,984	12,477
HRA Revenue Contribution	10,759	9,831	9,485	11,932	12,760	54,767
HRA MRR	17,689	14,557	15,044	15,328	15,680	78,298
HRA Grants & Contributions	1,252	0	0	0	0	1,252
HRA Financing Total	31,747	26,274	27,400	29,949	31,424	146,794
Total£000	93,631	54,100	48,394	47,627	44,859	288,611

£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 2021, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2021. The Director 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	2021/22	2021/22
	budget	estimate
	£m	£m
Capital Expenditure		
Non – HRA (General Fund)	£39.012	£58.644
HRA	£26.362	£31.747
TOTAL	£65.374	£90.391
Ratio of financing costs to net revenue stream		
Non – HRA (General Fund)	18.85%	17.15%
HRA	27.90%	27.88%
Ratio of financing costs for Prudential Borrowing to net revenue stream		
Non – HRA (General Fund)	13.53%	12.32%
HRA	5.85%	5.87%
Gross borrowing requirement General Fund (CFR excluding PFI)		
brought forward 1 April	£275.935	£269.975
carried forward 31 March	£276.394	£266.387
in year borrowing requirement	£0.459	£3.588
Gross borrowing requirement HRA (CFR excluding PFI)		
brought forward 1 April	£245.008	£242.634
carried forward 31 March	£241.177	£238.803
in year borrowing requirement	(£3.831)	(£3.831)
Gross borrowing requirement (CFR excluding PFI)	£517.572	£505.190

Capital Financing Requirement (including PFI)		
Non – HRA	£315.208	£305.029
HRA	£310.343	£307.662
TOTAL	£625.551	£612.692
Annual change in Capital Financing Requirement		
Non – HRA	(£1.247)	(£3.588)
HRA	(£5.386)	(£3.831)
TOTAL	(£6.633)	(£7.419)
2. TREASURY MANAGEMENT INDICATORS	2021/22	2021/22
	budget	estimate
	£m	£m
Authorised Limit for external debt -		
borrowing	£1,040.000	£1,040.000
other long term liabilities	£135.000	£135.000
TOTAL	£1,175.000	£1,175.000
Operational Boundary for external debt -		
borrowing	£520.000	£520.000
other long term liabilities	115.000	115.000
TOTAL	£635.000	£635.000
Actual external debt (including PFI)	£528.206 (31/03/2021)	£509.945

Maturity structure of fixed rate borrowing during 2020/21	upper limit	lower limit
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%

Appendix 3

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

2022 / 23

Date: October 2021
Owner: Strategic Finance



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Foreword

- 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 2021/22. 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 2021/22;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22;
 - A review of the Authority's investment portfolio for 2021/22;
 - A review of the Authority's borrowing strategy for 2021/22; and,
 - A review of compliance with Treasury and Prudential Limits for 2021/22 (detailed in Reference to appendix 2).

Economic Performance and Outlook Summary

- 2.1 Economic performance continues to be driven by Covid-19 and the continued fallout for this worldwide pandemic. The Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10% and has remained at this level since.
The easing of restrictions in Q2 of 2021 have led to significant inflationary pressure resulting in the first potential reaction from the Bank of England use monetary policy tools to manage inflation.
- 2.2 Inflation remains the hot topic over the MTFP, inflation recently rose above the 2% target to 3.1% in September.
The increases in energy prices, pent-up demand post COVID as well as labour shortages have all contributed to the sharp rise in inflation.
Markets have factored in the first rate rise since the start of the pandemic, however the Bank of England remain cautious with the tone from the MPC to await for sufficient data

Interest Rate Forecast

- 3.1 Link Asset services currently forecast Bank of England base rate to increase from the current 0.10% during Q2 of 2022.

Table 1: Link Asset Services BoE base rate forecast

Month	Dec-21	Dec-22	Dec-23
BBR Rate	0.10%	0.25%	0.50%

- 3.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings. As indicated in table 1, one increase in Bank Rate from 0.10% to 0.25% has now been included in 2022, a second increase to 0.50% in 2023 and a third one to 0.75% in 2024.
- 3.3 Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%.

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

- 4.1 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Federal Reserve (Fed), the Bank of England and the European Central Bank (ECB), to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target, and the target rate could not be exceeded. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.
- 4.2 The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- 4.3 The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- 4.4 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

- 4.5 Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- 4.6 Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.
- 4.7 North Tyneside Council has previously borrowed only from the PWLB as its main source of long-term funding; the changing market means the Authority should 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.

Balance of Risk to the UK

- 5.1 The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.
- 5.2 There is a balance of upside risks to forecasts for medium to long term PWLB rates.

Annual Investment Strategy

- 6.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 18 February 2021. 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 18 February 2021 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 2021.
- 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 2021

Investments	30/09/2021 £m	Average rate of Return %	Interest Earned period to 30/09/2021
Debt Management Office	40.000	0.01%	£1,609
Other Local Authority	25.000	0.10%	£76,605
Bank Deposits	5.000	0.01%	£249
Cash at Bank	2.258	0.00%	£0

- 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.

Borrowing

- 7.1 The Authority's total capital financing requirement (CFR) including PFI for 2021/22 is £617.417. 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 2021. Total external debt including PFI's is £512.109m.
- 7.2 There was net decrease in borrowing during the quarter ended 30 September 2021.

Table 3: Total External Debt 30 September 2021

Principal £m	
	External Borrowing
377.443	Public Works Loan Board (PWLB)
20.000	Lender Option Borrower Option (LOBO)
5.000	Other Local Authorities
402.443	Total
	Other External Debt
109.666	PFI & Finance Lease (as at 01 Apr 21)
512.109	Total External Debt
	Split of External Borrowing
244.672	Housing Revenue Account
157.771	General Fund
402.443	Total

- 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 2021, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2021/22. All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.