

2022/23 Financial Management Report Annex

INDEX

Section	Page
1. Service Commentaries	3
2. Schools Finance	23
3. Housing Revenue Account	28
4. Investment Plan	32
5. Treasury Management & Cash Position	36
6. Collection Fund	38

SECTION 1 – SERVICE COMMENTARIES

- 1.1 Meetings have been held between finance officers and budget managers to review the forecast position for 2022/23, with the forecast being prepared on a prudent basis to give sight of the overall challenges at this stage in the financial year. In addition, 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.

1.2 Adults Services

- 1.2.1 Adults Services is showing a forecast variance of £5.510m against its £56.120m net controllable expenditure budget.

1.2.2 Table 1: Forecast Variation for Adults Services at September 2022

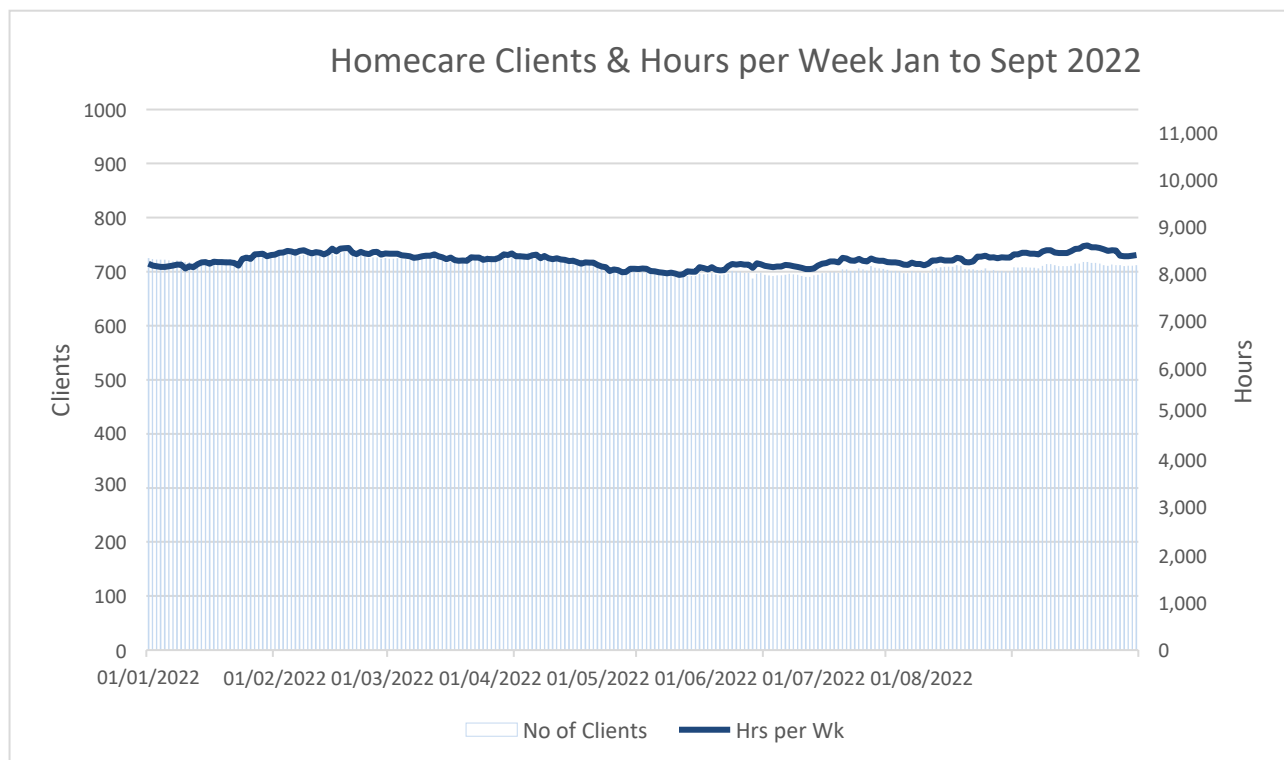
	Budget	Forecast Sept	Variance Sept	Variance July	Change since July
	£m	£m	£m	£m	£m
Central, Strategy and Transformation	1.180	1.275	0.095	0.146	(0.051)
Social Work and Associated Activity	7.384	7.188	(0.196)	0.396	(0.592)
Integrated Services	3.171	2.560	(0.611)	(0.393)	(0.218)
Business Assurance	0.304	0.320	0.016	0.028	(0.012)
Sub-total Operations	12.039	11.343	(0.696)	0.177	(0.873)
Commissioned Services – Wellbeing and Assessment	12.870	16.626	3.756	3.247	0.509
Commissioned Services – Learning Disability	26.864	27.735	0.871	0.478	0.393
Commissioned Services – Mental Health	3.607	5.715	2.108	1.210	0.898
Commissioned Services - Other	0.740	0.289	(0.451)	0.150	(0.601)
Sub-total – Commissioned Services	44.081	50.365	6.284	5.085	1.199
Total Adult Services	56.120	61.708	5.588	5.262	0.326

Main budget pressures across Adults Services

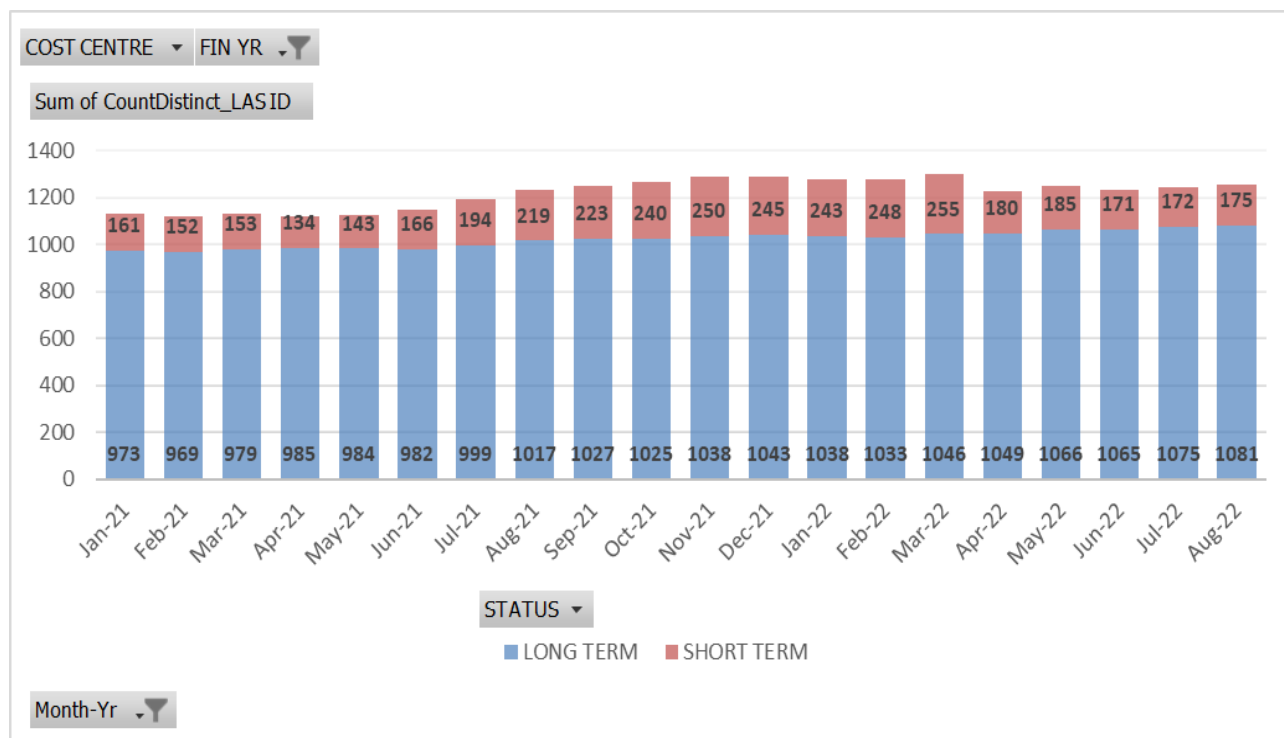
- 1.2.3 Adults Services continues to have residual impact from the Covid-19 pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus. Support includes new packages required to be put in place on discharge from hospital as well as those to prevent hospital admission. Work is also ongoing to support social care providers to maintain their vital services.
- 1.2.4 Adults Services 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 also from the cost-of-living increases currently being experienced across the country. The 2022/23 fee uplift has now been agreed with providers, but dialogue will continue to be informed by the national exercise being undertaken to establish a fair cost of care for older person's care homes and domiciliary care for all adults.
- 1.2.5 The analysis of sub service areas is reported to show the split between the operational aspects of the service and the externally commissioned care costs.
- 1.2.6 Forecast costs associated with the operational management of the service are showing an underspend of £0.696m. This position represents an improvement of £0.873m from the previously reported position and is due to an increase in vacant posts as well as delays in recruitment.
- 1.2.7 Commissioned Services are reporting a pressure of £6.284m, an increase of £1.199m on the previous reported pressure. This increase is a result of a net reduction in health income, for shared care and S256 mental health resettlement £1.012m, 2 significant Mental Health (MH) clients previously not communicated by Service Managers to Finance £0.200m and an increase in residential and nursing placements £0.500m due to the shortage of home care provision to meet demand. This is then offset against savings from an ongoing review of commissioned services.
- 1.2.8 Within the overall pressure on commissioned services, £2.484m relates to the increased agreed care fee inflation rates, reflecting pressures on energy costs as well as general inflation. It also reflects a change in demand and delivery compared to pre-covid patterns, the authority is seeing additional pressure of approx. £3.300m this is due to a shift in clients from homecare into residential care homes, including short term placement.
- 1.2.9 There has been an increased pressure around funding from the NHS for clients with shared care and mental health resettlement needs; negotiations continue around ensuring funding contributions from the NHS for clients with these health needs and will continue on an equitable basis.
- 1.2.10 Whilst the pressure within Adult Services continues, there has been on-going work around maximising resources and reducing costs. 2022/23 savings targets have been achieved with additional Extra Care placements being utilised and

reablement flats helping with the transition from hospital, allowing more clients to receive community-based care.

12.11 Chart 1: Number of Clients and Total Hours purchased for Homecare



12.12 Chart 2: Overall Numbers of Clients in Residential and Nursing Care



1.3 **Children's Services**

- 1.3.1 Children's Services is showing a forecast variance of £13.154m against its £21.489m net controllable expenditure budget. This forecast position excludes the application of contingency budgets £3.116m, set aside in Central Items for pressures in Children's Services. The Children's Services, Corporate Parenting & Placements budget has increased by £0.786m since the July position, to reflect the pressure for children under a Special Guardianship Order (SGO).
- 1.3.2 Within Children's Services there is a continuing high level of activity resulting from a combination of Covid related and household finance pressures impacting on family stability.

1.3.3 **Table 2: Forecast Variation for Children's Services at September 2022**

	Budget	Forecast	Variance	Variance	Change
	£m	Sept	Sept	July	since
		£m	£m	£m	July
					£m
Corporate Parenting & Placements	16.051	26.135	10.084	10.174	(0.090)
RHELAC Service	0.010	0.010	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.721	0.739	0.018	0.018	0.000
Early Help & Vulnerable Families	1.664	1.785	0.121	0.150	(0.029)
Employment & Skills	0.632	0.588	(0.044)	(0.030)	(0.014)
Integrated Disability & Additional Needs Service	2.219	4.956	2.737	2.173	0.564
School Improvement	0.360	0.598	0.238	0.235	0.003
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Total Children's Services	21.489	34.643	13.154	12.720	0.434

Main budget pressures across Children's Services

- 1.3.4 Children's Services continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures, and national policy changes. The £13.154m forecast pressure relates mainly to demand pressures of £10.084m in Corporate Parenting and Placements and £2.737m in Integrated Disability and Additional Needs. There is also a forecast pressure of £0.238m in School Improvement. The pressures were foreseen by Cabinet and backed by £3.116m of centrally held contingencies which, if transferred into Children's

Services, would reduce the forecast pressure to £10.038m. The ongoing impact of rising demand impacted by Covid and the cost-of-living crisis has led to additional challenges in delivering against savings targets and there are £3.000m of savings targets yet to be delivered.

- 1.3.5 The main factor behind the overall forecast position 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 and recruitment costs and a pressure resulting from savings targets not yet achieved.
- 1.3.6 The increased pressure of £0.434m since the July position is a result of new external residential care placements, net increase £0.100m. A block arrangement of 4 residential placements started from 1 August 2022, £0.300m, as well as 5 additional external supported placements £0.635m, including unaccompanied asylum-seeking children (UASC). There has been an increase in legal fees and S117 payments to families £0.100m, additional pressure in staffing for in-house establishments £0.100m and a reduction in income received from health £0.075m. This is offset by an ongoing review of supported accommodation and forecasts have been reduced accordingly.

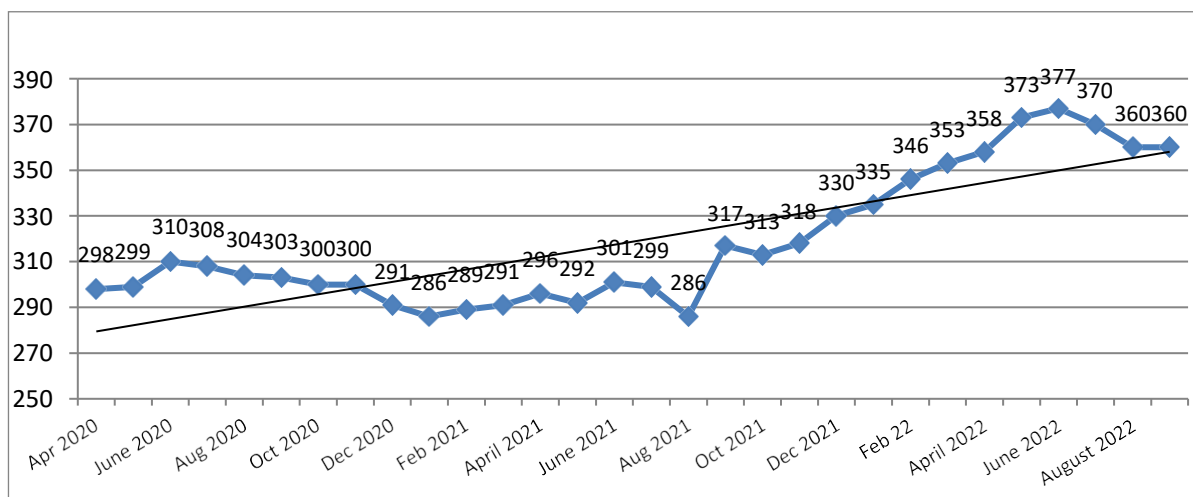
1.3.7 Table 3: Forecast Variation for Children's Services Split between Operational & Commissioned Care Costs

	Budget	Forecast	Variance	Variance	Change
	£m	Sept	Sept	July	since
	£m	£m	£m	£m	July
					£m
Externally Commissioned Services	3.479	8.065	4.586	4.582	0.004
In-house Service Provision	9.523	13.390	3.867	3.697	0.170
Staffing & Operations	8.655	13.356	4.701	4.441	0.260
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Total Children's Services	21.489	34.643	13.154	12.720	0.434

- 1.3.8 The Children's Services system is established to meet the statutory needs of approximately 1,400 children. However, the service is currently dealing with more than 1,700 children who reach that threshold. Referrals have increased by 25% compared to pre-Pandemic levels with the police and schools continuing to be the main sources. This level of activity is leading to a requirement for additional staff and contributes to significant pressure on budgets providing care for the children in most need.

- 1.3.9 In September 2022, the children in care numbers have remained at 360, reducing down from a high of 377 in May 2022 but are still significantly above the levels seen in previous financial years. There were under 300 for the first half of 2021/22 rising to 353 at the end of the financial year. The increase in demand is largely due to the impact of additional stress on family relationships during Covid lockdown restrictions leading to increase in parental mental health issues and domestic abuse but is exacerbated when combined with financial stressors caused by the cost-of-living crisis.
- 1.3.10 Current numbers include 23 UASC, an increase of 5 since the July position, which the Authority is mandated to take. The net cost to the Authority, after applying the UASC grant funding, is forecast to be £0.223m.
- 1.3.11 The overall rise in demand is a national issue, with North Tyneside seeing a rate of children in care per 10,000 of 88, which compares favourably both to the North-East average of 108 and to the average within our statistical neighbours of 103.

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



Corporate Parenting and Placements

1.3.13 Table 4: Analysis of Pressures in Corporate Parenting and Placements

Type of Service	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Care provision – children in care	8.995	14.954	5.959	6.363	(0.404)
Care provision – other children	3.957	4.611	0.654	0.686	(0.032)
Management & Legal Fees	(1.442)	0.574	2.016	1.911	0.105
Social Work	4.494	5.945	1.451	1.210	0.241
Safeguarding Operations	0.047	0.051	0.004	0.004	0.000
Total	16.051	26.135	10.084	10.174	(0.090)

- 1.3.14 The forecast has been developed based on the children in care as at the end of September 2022. As set out in paragraph 1.3.7, the number in care at the end of September was higher than the average of 315 during 2021/22 resulting in the forecast for the total number of care nights also being higher for 2022/23 at 112,664 nights compared to the total number of care nights delivered in 2021/22 which was 108,745.

1.3.15 Table 5: Forecast cost, forecast variance, average placement cost and placement mix

Placement Type	2022/23 Sept Variance £m	Average Annual Placement cost £m	2022/23 Forecast Bed Nights	2021/22 Outturn Bed Nights	Place- ment Mix	No. of children Sept 22	No. of children July 22
External Residential Care	1.744	0.254	9,314	8,163	8.6%	31	31
External Fostering	0.306	0.041	9,925	12,068	7.2%	26	23
In-House Fostering Service	0.957	0.024	80,615	68,812	59.7%	215	230
External Supported Accommodation	1.480	0.104	8,214	6,170	8.9%	32	27
In-House Residential Care	1.473	0.161	4,596	**	4.7%	17	16
Other*	0.000	**	**	13,532	10.8%	39	43
Total	5.960	0.584	112,664	108,745	100%	360	370

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility.

** The table has been updated to split out In-House residential Care – therefore no previous years comparison available.

- 1.3.16 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 effects of the Covid-19 restrictions and the cost-of-living crisis impact on families.

Care Provision – Children in Care

- 1.3.17 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. Unit costs for external residential care have also increased significantly with a further increase in rates expected to be confirmed in 2022/23 because of the rising cost of living. Children's Services have developed a small number of in-house services for children with very complex needs as a way of mitigating against high costs for external provision.

Care Provision – Children not in care

- 1.3.18 The pressure of £0.654m 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

- 1.3.19 This area has a forecast pressure of £2.016m. The pressure within this area is due to savings targets of £1.468m which are yet to be achieved, the increase this month is due to increased legal fees. The service is continuing to work on the delivery of planned savings targets and continues to review all budget areas for any other mitigating savings.

Social Work

- 1.3.20 Within the overall pressure of £10.084m for Corporate Parenting and Placements, there are social work-related pressures of £1.451m. There is an additional team in place of 6 posts costing circa £0.265m and the '14 Plus Team' adds a further £0.243m to the pressure. Market supplements have been superseded by the Social Worker regrading exercise contributing £0.191m to the position. There are S17 assistance costs forecast to be above budget level. Cabinet is aware of the challenges faced across the children's social care sector nationally. Caseloads per social worker have increased with increasing referrals (up 25% on pre-Pandemic levels) and are now at 28 compared to the national average of 16.3 (for 2020).

Integrated Disability and Additional Needs (IDANS)

- 1.3.21 IDANS is forecasting a pressure of £2.737m, net of an over achievement of £0.370m Children's Health Income. There has also been a reclassification of one of the children's homes from Corporate Parenting & Placements to IDANS, bringing an additional pressure of £0.369m. 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 1,102 in January 2018 to 2,138 in May 2022.
- 1.3.22 Within this service area the main pressures relate to operational staffing costs within in-house residential services of £1.311m. There are also forecast staffing pressures of £0.365m 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 £1.057m on externally commissioned short breaks and staffing pressures of £0.104m across the Statutory Assessment and Review Team and the Disability Team.

- 1.3.23 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.
- 1.3.24 The School Improvement Service is showing a forecast pressure of £0.238m driven by staffing and energy inflation.
- 1.3.25 These have been partly mitigated by utilising (£0.350m) of grant funding brought forward from 21/22. The service is working with HR and Finance officers to review the School Improvement structure and continues to explore other income streams that may be available to help mitigate the pressure in-year.

1.4 **Public Health**

- 1.4.1 Public Health is forecasted to outturn on budget, which is the same as the last Cabinet report in July.

1.4.2 **Table 6: Public Health Forecast Variation**

	Budget	Forecast Sept	Variance Sept	Variance July	Change since July
	£m	£m	£m	£m	£m
Public Health Ring Fenced Grant	(0.032)	(0.032)	0.000	0.000	0.000
0-19 Children's Public Health Service*	0.273	0.273	0.000	0.000	0.000
Community Safety	0.223	0.223	0.000	0.000	0.000
Public Protection	1.608	1.608	0.000	0.000	0.000
GRAND TOTAL	2.072	2.072	0.000	0.000	0.000

* the 0-19 Children's Public Health Service forms part of the Public Health Ring Fenced Grant

- 1.4.3 The return of the Public Protection service to the Authority's management, will have no impact and for 2022/23 will be balanced, using central funding if required. This includes any pressures in Taxi Licensing, market supplement payments and any other miscellaneous costs incurred, as a result of bringing the service back in-house.
- 1.4.4 0-19 Children's Public Health Services and are funded by the Public Health Ring-Fenced Grant and any balances are carried forward and have no impact on the General Fund.

1.5 Commissioning and Asset Management

- 1.5.1 Commissioning and Asset Management (C&AM) is showing a pressure of £5.100m as set out in Table 7, an increase of £0.304m since the July Cabinet report.
- 1.5.2 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 2.

1.5.3 Table 7: Commissioning and Asset Management (C&AM) Forecast Variation

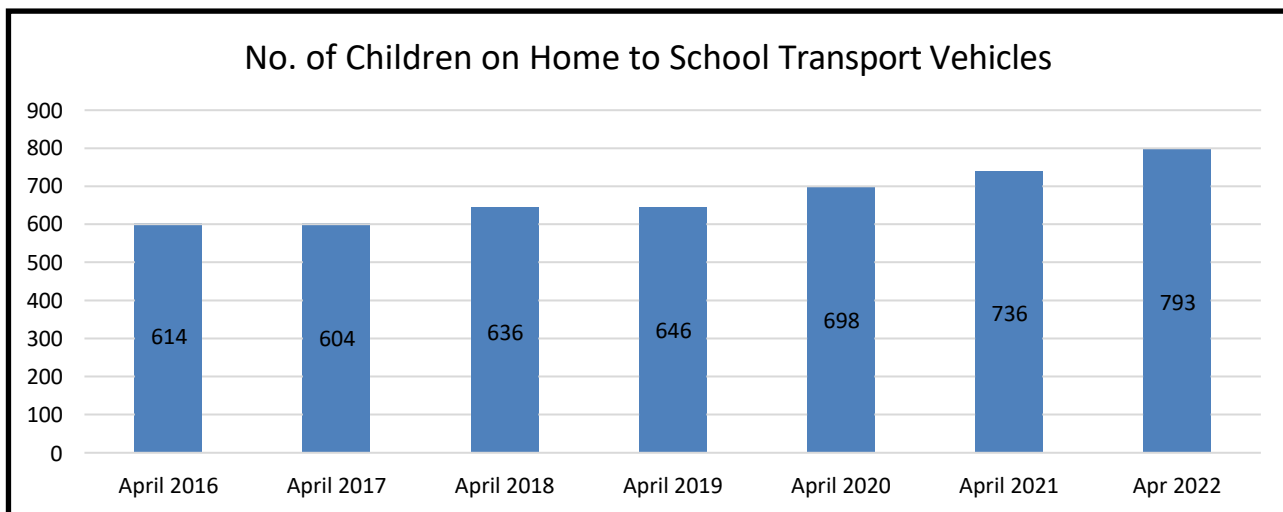
	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
School Funding & Statutory Staff Costs	5.561	5.461	(0.100)	(0.095)	(0.005)
Commissioning Service	0.439	0.465	0.026	0.099	(0.073)
Facilities & Fair Access	0.410	4.688	4.278	4.109	0.169
Community & Voluntary Sector Liaison	0.435	0.435	0.000	0.000	0.000
Strategic Property & Investment	0.814	1.540	0.726	0.467	0.259
Property	(0.979)	(0.979)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.165	0.169	0.004	0.004	0.000
Procurement	(0.112)	0.054	0.166	0.212	(0.046)
GRAND TOTAL	6.733	11.833	5.100	4.796	0.304

- 1.5.4 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing a forecast pressure of £4.278m (July forecast pressure of £4.109m).
- 1.5.5 There is a pressure on the catering service of £2.900m, an increase of £0.804m since July due to more actual data now being available for 2022/23 to provide a more established accurate forecast. Further information based on the Autumn term will be updated for the next report. The pressure is due to paid school meals and other catering income not forecast to return to pre Covid levels (£0.750m) and inflationary pressures of £1.272m. There are pressures on wages of £0.378m and other operational income pressures of £0.017m. Current and previous years paid school meals and SLA income target savings will not now be achievable in their original planned way, due to the number of schools that have left the SLA adding £0.164m to the pressure. The service is currently reviewing all costs associated with SLA provision to mitigate the loss of income. The management & central

establishment element of the catering SLA cannot now be recovered from the schools that have left the SLA adding a further £0.319m to the position.

- 1.5.6 Cleaning has a pressure of £0.090m which results from inflationary pressures of £0.058m and sickness/maternity cover of £0.032m. These are partially offset by salary savings on the Access Service of (£0.056m).
- 1.5.7 There is a pressure on Strategic Property and Investment of £0.726m which relates to energy charges, of which £0.536m relates to the Killingworth site. The service has, and continues to, undertake several initiatives to minimise energy consumption and costs at the Killingworth site by the decommissioning of Block C and solar panel installations. There are pressures on the Procurement service of £0.166m due to a cross-cutting savings target of £0.174m and other operational pressures £0.042m, which is partially offset by additional income of (£0.050m) from a one off KPI failure in the Technical Partnership. The Commissioning service area is also reporting operational pressures of £0.026m. These are partially offset by savings on teachers early/ill health retirement costs of (£0.100m).
- 1.5.8 There are pressures on car parking income of £0.101m in relation to charges at Quadrant being removed and a corporate sustainability savings target of £0.100m. These are partially offset by other operational savings of £0.072m.
- 1.5.9 The Home to School Transport position, a pressure of £1.344m, relates to the sustained increase in children with complex needs attending special schools £0.356m and inflationary pressures of £0.988m. Demand pressures in High Needs is a known national issue and is also impacting on the High Needs budget within the Dedicated Schools Grant (see paragraphs 2.16 to 2.20 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 793 in April 2022 as shown in Chart 4 below. Work is on-going to identify the number of children expected to use transport. Work is also continuing with route rationalisation using the new 'QRoute' system as well as looking at new options about transport delivery.

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



1.6 Environment

1.6.1 Environment is forecasting a pressure of £1.667m against the £37.197m budget, as set out in Table 8 below, an increase of £0.708m since the July report.

1.6.2 The main cause of the pressure is increased energy costs, though Sports & Leisure income is still to recover back to pre-pandemic levels.

1.6.3 Table 8: Forecast Variation in Environment

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Fleet Management	0.991	0.991	0.000	(0.026)	0.026
Head of Service Environment & Leisure	0.139	0.106	(0.033)	(0.033)	0.000
Local Environmental Services	7.744	8.296	0.552	0.238	0.314
Sport, Leisure & Community	8.634	10.381	1.747	0.982	0.765
Street Lighting PFI	5.123	5.123	0.000	0.000	0.000
Waste Management	14.566	13.967	(0.599)	(0.202)	(0.397)
GRAND TOTAL	37.197	38.864	1.667	0.959	0.708

1.6.4 The following paragraphs 1.6.5 to 1.6.12 outline the pressures in each service area with details of any variances greater than £0.050m.

Local Environmental Services

1.6.5 Local Environmental Services includes Security, Street Environment and Bereavement teams and is predicting a net forecast pressure of £0.552m. This is due to increased employee and operational expenditure plus higher energy and business rates costs within Bereavement of £0.120m, as well as Security income shortfalls (including the £0.050m loss of the annual Nexus contract income and

the one-off impact of a £0.075m credit note covering the cancellation of 2021/22 and 2022/23 income) together with employee and operational cost pressures amounting to a £0.194m pressure.

- 1.6.6 There are additional pressures linked to third party elements and high-profile coastal patrols across Community Protection of £0.065m. Income shortfalls and operational costs pressures (including £0.067m for higher Energy/Premises cost pressures) result in a £0.046m pressure across Parks & Horticulture. Employee and operational expenditure pressures across Environmental Protection & Street Cleansing add £0.099m to the projected position. The combined increased £0.340m variance change from the previously reported position can be attributed to; a net £0.110m adverse change linked to reduced forecast Security income, Higher Premises (including Energy and Business Rates) and operational cost pressures in Bereavement resulting in an adverse £0.099m variance change, an increase in the combined cross-service Employee, Premises and Operational expenditure plus reduced income across the rest of Street Environment.

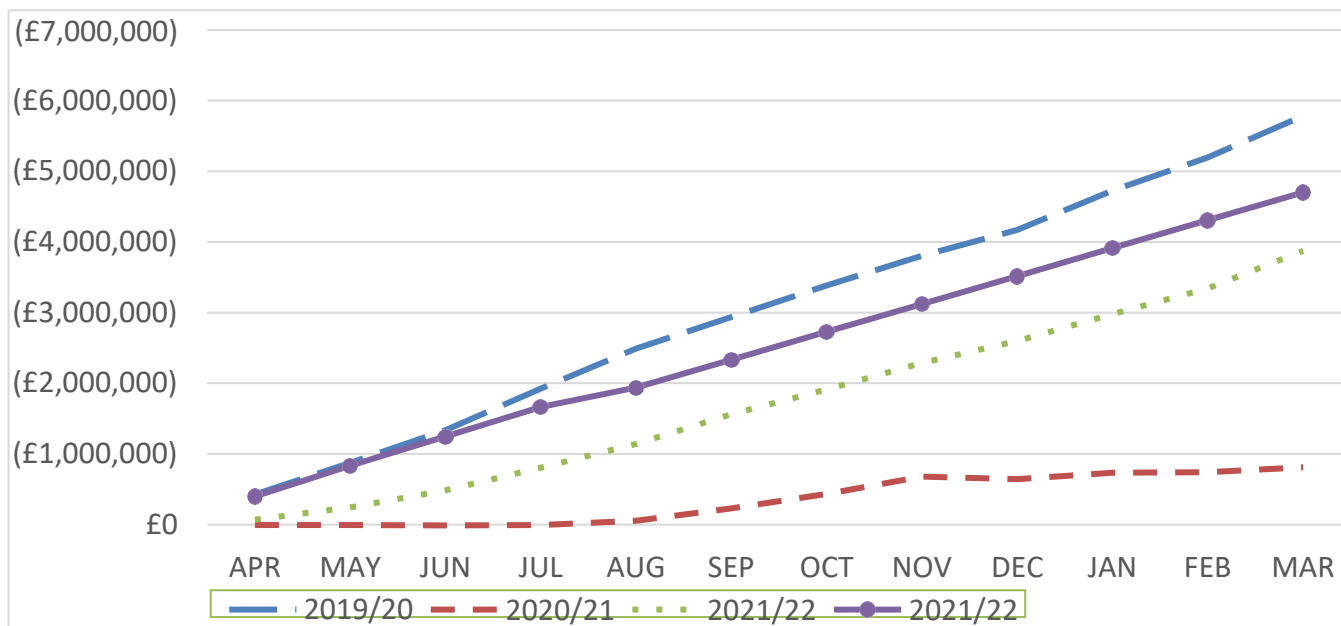
Waste Management including Recycling and Disposal

- 1.6.7 A combined underspend of (£0.599m) is now forecast which reflects employee savings as vacant posts are being held within Waste & Recycling Contracts. There are significant expenditure underspends compared to the July report (savings of £0.555m) which is linked to Home Recycling Disposal which are now forecast to reflect the lower global market rate on the cost per tonne. Additionally, a combined overachievement on income (of £0.149m) across Commercial Waste & Special Collections is forecast within Refuse & Waste Management. The aforementioned income overachievement fully mitigates forecast cost pressures of £0.136m associated with the Waste Disposal Contract as well as Marshalling costs at the Household Waste Recycling Centre.

Sport, Leisure & Community

- 1.6.8 Sports and Leisure is forecasting a pressure of £1.422m. The service is forecast to have a pressure of £0.300m against the £5.600m income target for sports and leisure centres. This pressure reflects that service income is still recovering and improving whilst looking to attain to income generation levels pre-pandemic.
- 1.6.9 Libraries & Community Centres is forecasting a £0.325m pressure, mainly linked to forecast premises costs being higher than the budget as well as reduced and unachievable income generation available around Wallsend & North Shields Customer First Centres. A change of £0.965m in the reported variance since the previously reported position across this service area is the adverse forecast costs associated with energy costs; combined cost pressures mainly around electricity and gas of £1.098m are now forecast (based on actual spend from April-June) which is partially offset by vacant posts and staff turnover within Libraries & Community Centres.

1.6.10 Chart 5: Income levels in Sports & Leisure for the last 4 Years



Street-Lighting PFI

- 1.6.11 The Street-Lighting PFI is expected to have energy inflation pressures of £1.433m. It is assumed, as in previous years, that the impact of energy pressures for this PFI would be taken to the PFI reserve. Officers are continuing to review the position across all PFI contracts and further updates will be included in future financial management reports.
- 1.6.12 The service continues to reflect vacancy and other operational cost savings as it is resourced to meet the new level of participation.

1.7 Regeneration and Economic Development

- 1.7.1 Regeneration and Economic Development (R&ED) has expanded with service areas previously managed under Environment, Housing & Leisure. R&ED is forecasting a pressure of £0.378m, as shown in Table 9 below, which is an improvement of (£0.054m) since the July Cabinet report.

1.7.2 Table 9: Forecast Variation for Regeneration and Economic Development

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Culture	1.572	1.736	0.164	0.278	(0.114)
Business & Enterprise	0.760	0.742	(0.018)	0.023	(0.041)
Regeneration	0.416	0.741	0.325	0.251	0.074
Resources & Performance	0.300	0.301	0.001	0.001	0.000
Technical Package - Planning	0.296	0.257	(0.039)	(0.039)	0.000
Technical Package - Transport & Highways	7.447	7.392	(0.055)	(0.082)	0.027
GRAND TOTAL	10.791	11.169	0.378	0.432	(0.054)

- 1.7.3 Culture is forecasting a pressure of £0.164m which is an improvement of (£0.114m) since the July Cabinet report. The movement reflects an improvement in the staffing forecast following a budget transfer from Environment as a result of the splitting of the former Environment, Housing and Leisure directorate. The remaining pressure is mainly due to events in the Borough (Queens Baton Relay, Platinum Jubilee Activities, National Festival of Archaeology) combined with a pressure at the Whitley Bay Playhouse of £0.035m due to increased fees to the external operating contractor. Culture service staffing costs and reduced forecast income across the service makes up the remaining pressure of £0.063m.
- 1.7.4 Transport and Highways is forecasting an underspend of £0.055m which is as a result of client team recharges for work on Section 38 and 278 schemes.
- 1.7.5 The small pressure on Resource and Performance has remained the same. It is anticipated that the projected cost of the proposed management structure will be funded from central funding.
- 1.7.6 The forecast pressure with Regeneration is mainly due to an ongoing issue at the former Swans site in relation to costs and income shortfalls relating to the Centre for Innovation (CFI) building which are expected to continue in 2022/23. Despite the shortfall, the service is still actively marketing vacant units and looking to attract tenants.

1.8 Corporate Strategy

- 1.8.1 Corporate Strategy is forecasting a £0.462m pressure, an increase of £0.078m since the July Cabinet report. The variance reflects a forecast underachievement in a cross-service income target of £0.157m within Corporate Strategy Management, as well higher forecast employee resource costs as workload and service demand activities are leading to a requirement for additional staffing capacity within Children's Participation and Advocacy.

1.8.2 Table 10: 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	0.267	0.416	0.149	0.100	0.049
Corporate Strategy Management	(0.129)	0.063	0.192	0.173	0.019
Elected Mayor & Executive Support	0.022	0.038	0.016	0.014	0.002
Marketing	0.302	0.346	0.044	0.036	0.008
Policy Performance and Research	0.162	0.223	0.061	0.061	0.000
GRAND TOTAL	0.624	1.086	0.462	0.384	0.078

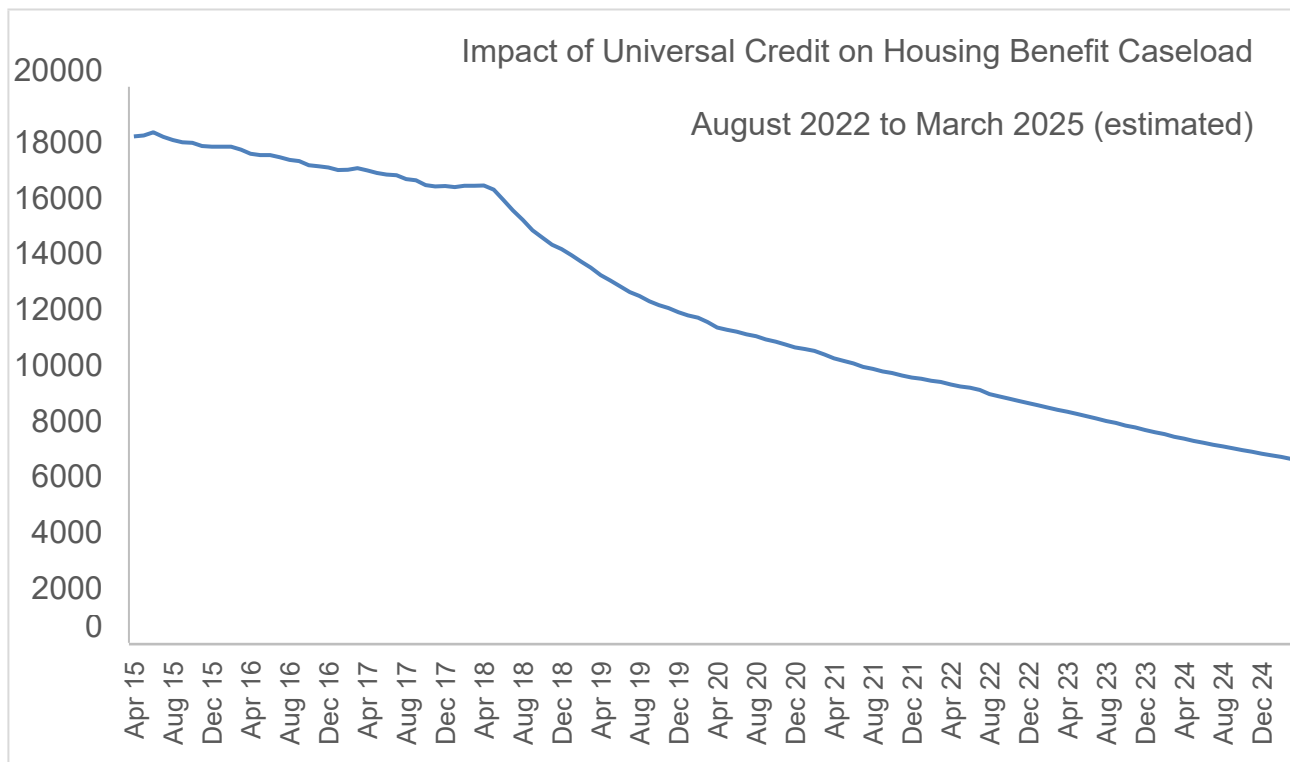
1.9 Resources and Chief Executive Office

- 1.9.1 Since the last Cabinet report in July, Law and Governance has moved into the Resources directorate. This report shows the forecast position for the full Resources directorate and the Chief Executive Office, which is showing a pressure of £1.785m, which is a decrease of £0.313m since the last Cabinet report in July.

1.9.2 Table 11: 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	(0.076)	(0.076)	0.000	0.000	0.000
Finance	(0.563)	(0.724)	(0.161)	0.000	(0.161)
ICT	2.455	2.455	0.000	0.000	0.000
HR & Organisational Development	0.259	0.259	0.000	0.000	0.000
Internal Audit and Risk Management	0.032	0.032	0.000	0.000	0.000
Revenues and Benefits	0.629	1.518	0.889	0.932	(0.043)
Director of Resources	0.000	0.000	0.000	0.000	0.000
Customer, Governance and Registration	(0.066)	(0.026)	0.040	0.058	(0.018)
Democratic and Electoral Services	(0.002)	0.076	0.078	0.077	0.002
Information Governance	0.175	0.063	(0.112)	(0.096)	(0.017)
Legal Services	0.152	0.988	0.836	1.002	(0.166)
North Tyneside Coroner	0.294	0.509	0.215	0.125	0.090
GRAND TOTAL	3.289	5.074	1.785	2.098	(0.313)

1.9.3 Chart 6: Impact of Universal Credit on Housing Benefit Claims



1.9.4 Benefits processing has seen a reduction of 50% in caseloads since universal credit (UC) was introduced. By 2024/25 this is expected to drop to a third of original cases. This has a large impact on subsidy grants from the department for Work and Pensions (DWP) in four key areas:

- Benefits subsidy grants for claims paid out has dropped in line with the value of the claims. This has nil impact on the Authority's finances.
- The number and value of overpayment income recovery cases has dropped with caseload, reducing both the grant on eligible overpayment and the amount of overpayments that can be recovered via enforcement activities. This drop in income recovery has a detrimental impact on the forecast position.
- In opposition to this, the drop in overpayment cases reduces the Authority's bad debt liability in relation to housing benefits overpayments. However, any reviews of overpayments requested by the DWP now have a larger proportional impact on the value of bad debts.
- There is a knock-on impact connected to enforcement of bad debt collection. Whilst bad debt enforcement targets have remained static, the drop in caseload and relaxed recovery on specific case types to chase bad debt reduce the ability to hit these targets.

1.9.5 The impact on the current forecast position is expected to manifest as follows:

- Enforcement income is currently forecast to be below target by around £0.500m, based on the outturn and known position at September, which is no change from the July position. This reflects reduced court caseloads whilst the Authority supported vulnerable residents in difficult times by not adding to debt in the borough. The service will continue to work with our partners to review the impact of the service returning to normal protocols.
- Overpayment income recovery is expecting a pressure of £0.677m against targets due the reduction in Housing Benefit claimants caused by the move to Universal Credit (UC), which is down from £0.691m in the previous Cabinet report. The service is continuing to review and refresh the profile of change that is anticipated as the roll out of UC continues.
- The overpayment income pressure is partially offset (£0.261m, which is an improvement on the reported £0.210m at the last Cabinet report) by an in-year reduction in the Bad Debt Provision requirement, due to the reduction of overpayment income debt.
- The Benefits subsidy grant is expected to show a net saving of £0.027m, which is a slight worsening of the position (£0.076m) since the last report. However, the good performance overall for subsidy is masking a situation regarding lost subsidy for Housing Benefit on Bed and Breakfast accommodation for homeless persons. This area is forecast to have a pressure of £0.147m for the year due to increased demand and also due to the increased cost of Bed and Breakfast accommodation, which is above the limit subsidy can be claimed on and so therefore the Local Authority has to fund the balance. Discussions are ongoing with Housing regarding more sustainable solutions in the future, such as increased General Needs stock being available where possible.

1.9.6 Finance is showing an underspend of (£0.161m) compared to £0.000 at the last report. This is due to the allocation of new burdens funding relating to the administration of Covid 19 business grants.

1.9.7 The other areas are being forecast to come in on budget at this point in the year.

Law and Governance

- 1.9.8 Law and Governance is now incorporated into the Resources Directorate. The main budget issue in this area relates to Legal Services, with the variance reflecting forecasted cost pressures in Legal Services of £0.830m relating to the employment of locums and staff costs in response to staffing pressures and reduced income for legal fees. This has improved since the July Cabinet report due to additional central funding being allocated to assist the service (£0.234m). The Legal Service has had difficulty in attracting and retaining permanent staff to meet existing vacancies and additional pressures relating to increased demand for their services from other departments, which senior management in the service are actively looking to resolve.
- 1.9.9 Democratic and Electoral Services are forecasting a pressure of £0.079m due to the cost of the staffing of the 2022 Local Elections and By-Elections and also the expected cost of the canvas in the Autumn.
- 1.9.10 In addition, there is an expected £0.215m pressure to deliver North Tyneside Coroner Services, an increase of £0.090m, due to increased forecast costs from all areas of the service (NHS, Partner Local Authority, Funeral Directors, Doctors) arising from increased activity levels. Other areas within Law and Governance are forecast to mitigate these pressures. There are net savings forecast that can be attributed to an expected overachievement on Information Governance work carried out on behalf of schools under the SLA. In addition, vacant post savings result in a net £0.113m underspend.

1.10 General Fund Housing

- 1.10.1 General Fund Housing is reporting a forecast £0.350m pressure which is an increase of £0.145m since the last Cabinet report in July. This change reflects ongoing increased cost pressures of materials and subcontractors of £0.500m, less 2022/23 grant funding of (£0.150m). The Repairs and Maintenance pressure is a continuation of the pressure previously identified in 2021/22 due to the impact of higher costs of raw materials required to carry out repairs on the Authority's properties. There has also been a number of one-off high costs repairs which have completed in the period.

1.10.2 Table 12: Forecast Variation for General Fund Housing

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
GF Housing	1.789	2.139	0.350	0.205	0.145
Building Control	(0.429)	(0.429)	0.000	0.000	0.000
GRAND TOTAL	1.360	1.710	0.350	0.205	0.145

1.11 Central Items

- 1.11.1 Central Items is forecasted to be in surplus by (£12.984m) which is an improvement of (£5.243m) since the July Cabinet report. The improvement relates

to two items; a part year reversal of the National Insurance increase (£0.316m) and the inclusion of (£4.927m) relating to Minimum Revenue Provision (MRP) savings following the review by Link Treasury Services Limited. The MRP savings from 2022/23 were allocated to a new MRP reserve but with the adverse position forecast in 2022/23 it is likely these savings will be needed to support the outturn position and is therefore available, if required.

1.11.2 Table 13: 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	2.925	2.906	(0.019)	(0.019)	0.000
Other Central Items	0.731	(12.234)	(12.965)	(7.722)	(5.243)
GRAND TOTAL	3.656	(9.328)	(12.984)	(7.741)	(5.243)

SECTION 2 - SCHOOLS FINANCE

Update on School Budgets

- 2.1 Finance are working with schools to produce an update on school finances on the position reported previously to cabinet. A report of this update will be presented to Cabinet in the next finance report. Table 14 below shows the current movement in budget and actual from 2021/22 to 2022/23.

Table 14: Schools three-year budget plan summary by phase

Phase	Budget Plan 2021/22 £m	Outturn 2021/22 £m	Budget Plan 2022/23 £m	Budget Movement £m
Nursery	0.082	0.086	0.004	(0.078)
First	0.832	1.410	0.814	(0.018)
Primary	3.061	5.816	4.139	1.077
Middle	0.414	1.408	0.716	0.303
Secondary	(9.808)	(5.943)	(9.907)	(0.099)
Special / PRU	(0.574)	0.621	(1.299)	(0.725)
Total	(5.993)	3.398	(5.532)	0.461

National Funding Formula Consultation for 2023/24

- 2.2 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 2022/23, North Tyneside have agreed with Schools Forum to adopt the NFF factors in their LFF.
- 2.3 For 2023/24 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 £0.730m 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.
- 2.4 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.

School Deficits

- 2.5 Cabinet will recall from the previous finance updates that some individual schools expected to face significant financial challenges. During the year, the Authority and Cabinet paid particular attention to those schools with approved deficits.

- 2.6 There were six schools identified with planned deficits in 2021/22, including two classed as structural deficits, which were supported with a total approved deficit value of £13.799m. Schools Forum and senior officers worked closely and collaboratively with these schools during the year, with all schools improving their closing position against their budgeted deficit and contributing to an improved outturn of £11.832m, a movement of £1.967m. The progress of individual schools is outlined in Table 15 below:

2.7 **Table 15: Schools in an expected deficit position 2022/23**

Deficit School Positions 2021/22	Outturn 2021/22 £m	Budget Plan 2022/23 £m	Movement £m	Comments
Coquet Park	0.036	(0.020)	(0.056)	New Deficit
Holystone	0.015	(0.069)	(0.085)	New Deficit
Balliol Primary	0.012	(0.025)	(0.037)	New Deficit
Wallsend St Peter's	0.093	(0.107)	(0.200)	New Deficit
Monkseaton High	(5.328)	(5.799)	(0.471)	Structural Deficit
Ivy Road Primary	(0.139)	(0.162)	(0.023)	Existing Deficit
Longbenton High	(2.095)	(1.863)	0.231	Existing Deficit
Norham High	(3.684)	(4.130)	(0.446)	Existing Deficit
Beacon Hill	(0.521)	(1.794)	(1.274)	Existing Deficit
Total	(11.611)	(13.971)	(2.360)	

- 2.8 Nine schools are expected to request deficit approval in 2022/23.
- 2.9 The Education and Skills Funding Agency (ESFA) have offered support to schools in the form of School Resource Management Advisors (SRMAs). For the four schools new to deficit, along with Beaconhill and Monkseaton High School, the SRMAs will work through the schools' finances and management structure to then provide a report to these schools and the Authority in the autumn term. Initial deficit challenge sessions for these schools have taken place throughout October.

Falling Rolls

- 2.10 Following an initial assessment there were four schools identified as being eligible for falling roll funding with a total value of £0.113m. The details of these schools and the funding identified for each school is included in Table 16. The total falling roll funding available for distribution is £0.300m (£0.050m carried forward and £0.250m in year allocation). As in previous years, a proportion of the surplus funding will be transferred back to academies, the current estimate is that this will be around £0.030m. If approved, this will leave a balance of £0.157m of which £0.107m will be transferred to the headroom fund, leaving a closing balance of £0.050m.

2.11 Table 16: Breakdown of Falling Rolls Eligibility

School	Value £m
Monkseaton Middle	0.044
St Bernadette's RC Primary	0.025
Star of the Sea RC Primary	0.027
Percy Main Primary	0.017
Total	0.113

Schools in Financial Difficulty (Headroom Funding)

- 2.12 The opening balance for de-delegated funds for Schools in Financial Difficulty (Headroom funding) in 2022/23 was £0.335m. Assuming Schools Forum approve the Falling Rolls applications as mentioned above, £0.107m will be transferred from Falling Rolls to Schools in Financial Difficulty (Headroom), giving a balance of £0.442m. This balance will be available to fund Headroom applications still to be submitted by schools for consideration by Schools Forum Sub-Group.

Growth Policy 2022/23

- 2.13 The DfE established a separate fund in the School Block of the DSG for growth in 2019/20. In North Tyneside this fund was not used for growth and was instead added into the remaining balances to be redistributed to all schools. When setting the 2022/23 School Block allocation, Schools Forum agreed to set aside £0.250m of the identified growth funding, with a further £0.071m carried forward from 2021/22. Total Growth Funding available in 2022/23 is therefore £0.321m.
- 2.14 Officers from the Authority have reviewed all schools' projected pupil numbers for September 2022 using the latest information available from the Admissions Team, then applied the criteria in the Growth Funding Policy to identify eligible schools. Five schools, with a total funding allocation of £0.311m were eligible and approved by Schools Forum Sub-Group, subject to each school providing a response to our request for evidence. If all funding payments are approved the 2022/23 closing balance will be £0.010m surplus which will be held and carried forward into 2023/24.

2.15 Table 17: Growth Funding Eligibility 2022/23

Growth Funding	Value £m	Eligibility
Wellfield	0.057	Subject to response to request for evidence
Norham	0.058	Subject to response to request for evidence
Burnside	0.072	Subject to response to request for evidence
North Gosforth	0.064	Subject to response to request for evidence
Backworth	0.060	Growing School Criteria
Total	0.311	

High Needs Block

2.16 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 £3.413m in July, which would have raised the cumulative pressure on the block to £16.924m.

2.17 The forecast for the High Needs Block as at September 2022 is now an anticipated in-year pressure of £5.111m reflecting a further rise in demand for special school places within the Authority. A breakdown of the in-year pressure is shown in Table 18.

2.18 Table 18: Breakdown of High Needs Pressures at September 2022

Provision	Budget £m	Forecast Variance September £m	Comment
Special schools and PRU	16.715	2.884	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
Additional Resource Provision/Top ups	4.705	0.927	Pressures in mainstream pre 16 top-ups
Out of Borough	3.316	1.255	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.974	0.045	
Unallocated budget	1.073	0.000	High Needs additional funding to be allocated
Subtotal	29.783	5.111	
2021/22 Balance	0.000	13.511	
Total	29.783	18.622	

Dedicated School Grant (DSG) Management Plan

2.19 In July 2022, the Authority was formally invited by the Department for Education (DfE) to take part in the 'safety valve' intervention programme, with the aim of agreeing a package of reform to the Authority's high needs system that will bring the Dedicated School Grant (DSG) overspend under control. The Authority is required to demonstrate this package of reform within a DSG Management Plan which shows that we can create lasting sustainability, effective for children and young people, which includes reaching an in-year balance within five years. Where the Authority does this, the DfE will enter into an agreement with the Authority, subject to Ministerial approval. Where there is evidence of progress in reaching that in year balance, the DfE will provide additional funding over time, with a view to removing the Authority's DSG deficit.

- 2.20 The Authority is undertaking engagement with partners across SEND to co-create the Dedicated School Grant Management Plan. An initial draft has been submitted to the DfE and together, with them, we will continue to refine before a final submission is made on 3 February 2023. The Secretary of State for Education will inform the Authority in March 2023 if we have been successful to enter onto the programme.

SECTION 3 - HOUSING REVENUE ACCOUNT

Forecast Outturn

- 3.1 The forecast set out in Table 19 below is based on the results to September 2022. Currently the Housing Revenue Account (HRA) is forecasting an underspend of £0.090m. 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. The main area of pressure is in the Repairs budget where the impact of inflationary increases, higher than anticipated pay awards, increasing difficulty in recruiting certain trades and an increased reliance on sub-contractors allied to supply chain issues in accessing key materials are driving the pressure.

3.1.1 Table 19: Forecast Variance Housing Revenue Account

Row Labels	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.535	2.535	0.000
Management – Operations	4.958	4.962	0.004
Management – Strategy & Support	3.756	3.744	(0.012)
Capital Charges – Net Effect	12.484	12.484	0.000
Contingencies, Bad Debt & Transitional Protection	0.990	0.844	(0.146)
Contribution to Major Repairs Reserve – Depreciation	13.741	13.741	0.000
Interest on Balances	(0.050)	(0.075)	(0.025)
PFI Contracts – Net Effect	2.094	2.094	0.000
Rental Income - Dwellings, Direct Access Units, Garages	(62.891)	(63.079)	(0.188)
Rental Income – HRA Shops and Offices	(0.356)	(0.430)	(0.074)
Revenue Support to Capital Programme	10.311	10.301	(0.010)
Repairs	12.799	13.160	0.361
Total	0.371	0.281	(0.090)

3.2 Rental Income

Rental Income overall across all areas including general dwelling rent, service charges, garage rents and income from shops and other premises is currently forecast to be performing slightly better than budget (£0.188m). This is helped by the level of Empty Homes continuing to trend at well below 1% which increases the level of rent that is collectable. However, a note of caution is that the Right to Buy (RTB) levels in the first few months are still trending at higher than anticipated levels which could erode this forecast position. Therefore, the current rental forecasts could change as the year progresses if the level of RTB sales continues. The impact of Universal Credit on arrears and the bad debt provision also continues to be closely monitored.

3.3 Management Costs

Management Costs are currently forecast to come in slightly under budget (£0.008m). However, some pressures being faced are contained within existing budgets, notably in relation to costs of energy and the pay award for 2022/23 which with a flat rate increase currently waiting to be confirmed will cost considerably more than the 2% that was budgeted for. There may still be some improvement in this position depending on levels of staff turnover, and recruitment attached to the Unified Systems project including backfilling internally seconded staff.

3.4 Bad Debt Provision and Contingency

Current trends in rate of increase in arrears suggest that this will be contained within the Bad Debt Provision budget for the year, and a small underspend is now being forecast (£0.071m). In addition, Contingency is also being forecast to underspend (£0.070m), albeit this is helping to absorb the pressures elsewhere in the budget caused by the likes of the pay award for 2022/23.

3.5 Repairs

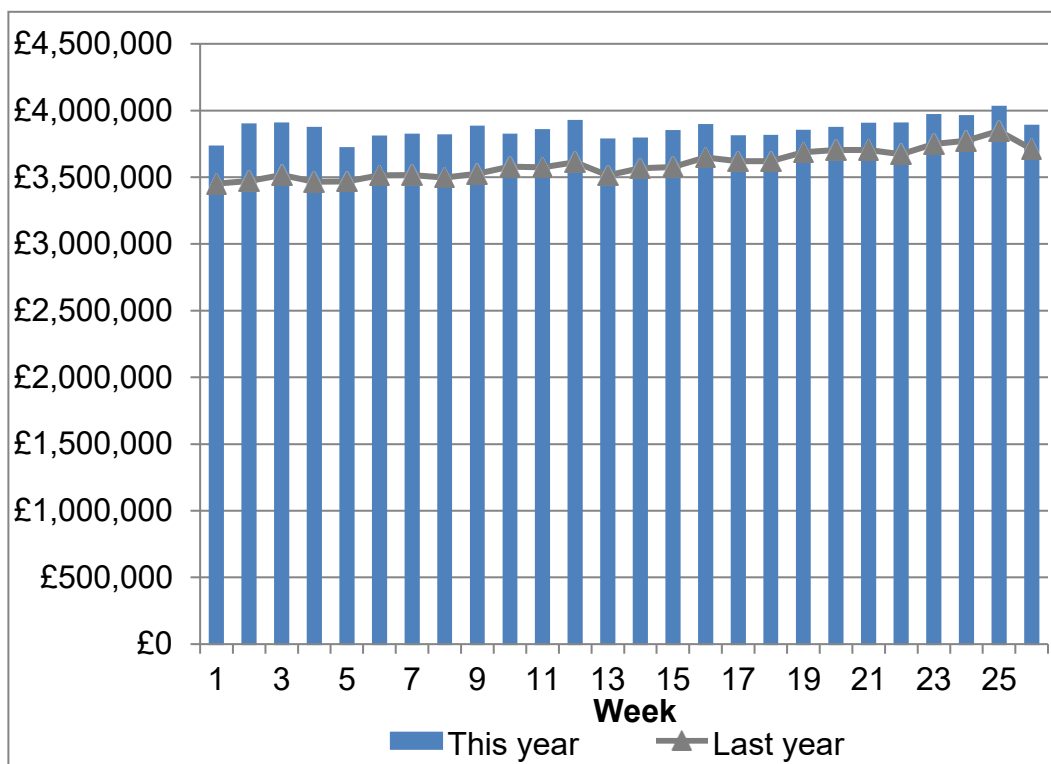
The Housing Repairs budget is starting to feel the pressure from a number of sources, mainly caused by the current economic turbulence being experienced across the world. The current rates of inflation in material and sub-contractor prices, plus difficulty even accessing certain materials and services within the supply chain are providing several challenges. There are difficulties recruiting to certain trades which then places more reliance on sub-contractors and agency staff. In addition to this the Authority is dealing with the implications of the Housing White Paper which arose from the Grenfell Disaster, which is placing a whole range of additional responsibilities on Landlords e.g., the need for carbon monoxide detectors to be placed in all properties, and more frequent periodic electrical testing. The Authority also now knows that the pay award for 2022/23 will have an impact of more than the 2% budgeted. All of which effectively means most of the in-year contingencies are already committed to known spend. This results in a pressure on this budget for 2022/23 (£0.361m), which is an increase of £0.063m on the July position reported to Cabinet, and this position will be closely monitored to assess if they can be contained as we head into the winter period or will increase before year-end.

3.6 Rent Arrears

Current Rent Arrears have continued to rise gradually in the first six months of 2022/23 as compared to 2021/22, with an increase of £0.219m being seen in this period since the start of April 2022. Chart 7 below shows the value of current rent arrears in 2022/23 compared to the same period in 2021/22. 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 for the second year in a row, which has led to a reduction in the budgeted provision made for 2022/23, so the position will need to be monitored closely to maintain confidence that the overall forecast increase in arrears can be contained within the budgeted

provision made. This will also be impacted potentially by the amount of debt being written off, which the Authority will seek to identify as quickly as possible. This will not only help inform the in-year monitoring position but will also be pivotal in helping to refreshing the HRA Business Plan as part of the next budget round. Of course, as always, 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.

3.6.1 Chart 7: Rent Arrears in Weeks 1-26 (April-Sept) 2022/23 compared to 2021/22



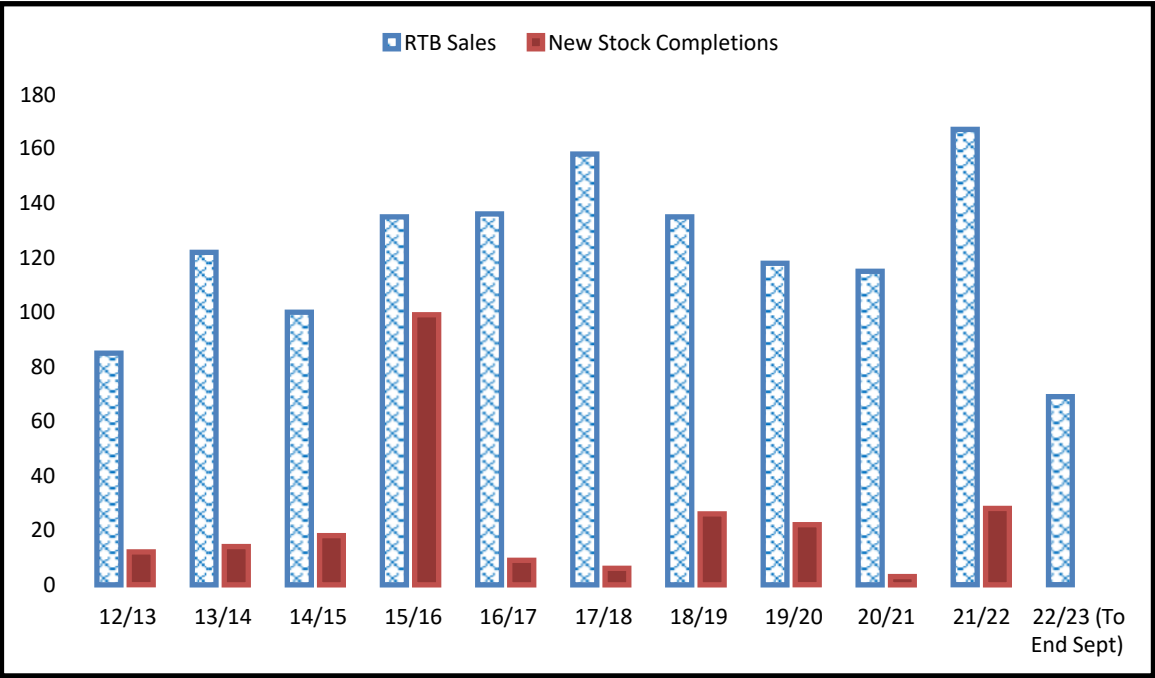
- 3.7 UC was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. As of early June 2022, there were 3,915 tenants of North Tyneside Homes on UC, with arrears totalling £2.934m. At the end of September 2022 there were 3,999 tenants on UC (an increase of 287 tenants) with related arrears of £3.171m (an increase of £0.237m). For wider comparison, as at the beginning of 2021/22, there were 3,297 tenants on UC with arrears of £2.680m, which increased during the 2021/22 financial year to 3,712, an increase of 415 tenants with an increase in arrears of £0.254m.

Right to Buy (RTB) Trends

- 3.8 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 8 below shows the trend in RTB sales since that time. The first six months of 2022/23 saw 69 completed RTB sales, which continues the increased trend in 2021/22 where the Authority saw the highest number of RTB sales at 167 since the changes were introduced in 2012. These trends will need again to be closely monitored as they may impact not only on in-year forecasts, but significantly on future refreshes of the HRA 30-year Business Plan.

3.8.1 Chart 8: Yearly RTB Sales v New Stock Additions



SECTION 4 - INVESTMENT PLAN

Review of Investment Plan

- 4.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers will continue to plan the delivery of those key projects included within the 2022/23 Investment Plan and regularly review the impact of Covid-19, inflationary cost pressures and supply issues attributable to the conflict in Ukraine.
- 4.2 There are worldwide inflationary cost pressures being seen across all industries and sectors. Although contingencies are set aside, the likely full Investment Plan impact is currently unknown. The Authority's view is to manage project expenditure within existing budgets and where possible, reprofiling spend, undertaking value engineering or reducing scheme scoping where the impact is minimal or can be managed. Any request to utilise contingencies will be reviewed on a case-by-case basis.

Variations to the 2022-2027 Investment Plan

- 4.3 Variations of £1.972m to the 2022-2027 Investment Plan have been identified and are included in tables 20 and 21 below. Further details are provided in paragraph 4.4 and 4.5.

4.3.1 Table 20: 2022 - 2027 Investment Plan changes identified

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Approved Investment Plan – Council 17 February 2022	64.632	51.594	49.829	47.561	51.358	264.974
Previously Approved Reprogramming/Variations						
2021/22 Monitoring	9.654	0.000	0.000	0.000	0.000	9.654
2021/22 Outturn	39.629	8.832	1.071	0.252	0.252	50.036
2022/23 Monitoring	2.544	2.101	0.000	0.000	0.000	0.365
Approved Investment Plan	116.459	62.527	50.900	47.813	51.610	329.309
September 22 Monitoring Variations						
Reprogramming	0.347 (13.283)	1.435 12.046	0.090 1.031	0.100 0.206	0.000 0.000	1.972 0.000
Total Variations	(12.936)	13.481	1.121	0.306	0.000	1.972
Revised Investment Plan	103.523	76.008	52.021	48.119	51.610	331.281

4.4 The proposed significant variations to the Investment Plan in 2022/23 are shown below:

- (a) **NEW The Parks Sports Centre £0.350m** – Transfer of £0.350m from contingencies to support investment in the provision of additional fencing and CCTV
- (b) **DV082 Wallsend Town and High Street Programme £0.130m** - Additional planned investment following the award of £1.490m of funding as part of the North of Tyne Combined Authority Town and High Street Innovation Programme, funding public realm, building, cycling, and walking infrastructure improvements.
- (c) **CO091 Neighbourhood Parks £0.065m** – Investment relating to the use of S106 contributions to fund improvements at the Rising Sun Country Park, Benton Quarry, and Wallsend Parks.
- (d) **IT020 ICT Strategy S31 Security Grant £0.150m** – Additional resources have been included within the Investment Plan following receipt of external funding relating to cyber security improvements.

4.5 The proposed reprogramming includes the following:

- (a) **EV094 Transforming Cities Fund North Shields Transport Hub (£8.936m)** – This reflects the latest delivery programme provided by the contractor relating primarily to the Embankment Walkway element of the scheme.
- (b) **EV100 Active Travel 3 – Permanent Seafront Scheme (£3.231m)** – Resources have been reprofiled to future years because of additional cost pressures, which have resulted in the need to reconsider the scheme scope and liaise with funders to identify additional external funding opportunities.
- (c) **HS051 Private Sector Empty Homes (£0.616m)** – Re-profiling of resources to 23/24 reflecting the delivery plans for the scheme and progress made in identifying and converting suitable properties.
- (d) **ED075 Devolved Formula Capital (£0.500m)** – Decision making regarding the use of these resources rest with Schools and their Governing Bodies, however it is proposed to re-profile resources to 23/24 following a review of the existing spend and plans for the remainder of the financial year.

4.6 The impact of the changes detailed above on capital financing is shown in table 21 below.

4.6.1 Table 21: Impact of variations on Capital financing

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Approved Investment Plan	116.459	62.527	50.900	47.813	51.358	329.309
Council Contribution	(0.992)	(0.245)	1.031	0.206	0.000	0.000
Grants and Contributions	(11.944)	13.726	0.090	0.100	0.000	1.972
HRA Capital Receipts	0.000	0.000	0.000	0.000	0.000	0.000
HRA Grants	0.000	0.000	0.000	0.000	0.000	0.000
HRA Major Repairs Reserve	0.000	0.000	0.000	0.000	0.000	0.000
Total Financing Variations	(12.936)	13.481	1.121	0.306	0.000	1.972
Revised Investment Plan	103.523	76.008	52.021	48.119	51.610	331.281

Capital Receipts – General Fund

- 4.7 General Fund Capital Receipts brought forward at 1 April 2022 were £3.017m. The capital receipts requirement for 2022/23, approved by Council in February 2022, was £0.317m (2022-27 £0.317m). To date £0.020m of capital receipts have been received in 2022/23. The receipts position is shown in table 22 below.

4.7.1 Table 22: Capital Receipt Requirement – General Fund

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Requirement reported to 17 February 2022 Council	0.317	0.000	0.000	0.000	0.000
Receipts Brought Forward	(3.017)	(0.000)	(0.000)	(0.000)	(0.000)
Total Receipts received 2022/23	0.020	0.000	0.000	0.000	0.000
Receipts used to repay capital loans	0.000	0.000	0.000	0.000	0.000
Net Useable Receipts	0.000	0.000	0.000	0.000	0.000
Surplus Receipts	(2.720)	(2.720)	(2.720)	(2.720)	(2.720)

Capital receipts – Housing Revenue Account

- 4.8 Housing Capital Receipts brought forward at 1 April 2022 were £10.094m. The housing receipts are committed against projects included in the 2022-2027 Investment Plan. The approved Capital Receipt requirement for 2022/23 was £2.104m. To date, receipts of £3.747m have been received in 2022/23 of which £nil has been pooled as part of the quarterly returns to Central Government as these are now payable on an annual basis. In total, subject to future pooling, this leaves a surplus balance of £11.737m to be carried forward to fund future years.

4.8.1 Table 23: Capital Receipt Requirement - Housing Revenue Account

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Requirement reported to February 2022 Council	2.104	1.584	1.700	1.851	1.956
Variations to be reported to November 22 Cabinet	0.000	0.000	0.000	0.000	0.000
Revised Requirement	2.104	1.584	1.700	1.851	1.956
Receipts Brought Forward	(10.094)	(11.737)	(10.153)	(8.453)	(6.602)
Receipts Received 2022/23	(3.747)	0.000	0.000	0.000	0.000
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)	(11.737)	(10.153)	(8.453)	(6.602)	(4.646)

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2022/23.

Investment Plan Monitoring Position to 30 September 2022

- 4.9 Actual expenditure for 2022/23 in the General Ledger was £26.751m; 25.84% of the total revised Investment Plan at 30 September 2022.

4.9.1 Table 24: Total Investment Plan Budget & Expenditure to 30 September 2022

	2022/23 Revised Investment Plan £m	Actual Spend to 30 Sept 2022 £m	Spend as % of revised Investment Plan %
General Fund	73.010	17.020	23.3%
Housing	30.513	9.731	31.9%
TOTAL	103.523	26.751	25.84%

SECTION 5 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

- 5.1 The Authority's current available cash balance as at the end of September 2022 is £33.803m, with £20.000m invested externally with other UK Local Authorities or institutions. All investments are made in line with the approved Treasury Management Strategy.

5.1.1 Table 25: Investment Position as at 30 September 2022

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	20.750	1 October 2022
Barclays	Call	1.253	n/a
Lloyds Bank	Call	5.000	n/a
Fixed Deposits	Fixed	6.800	January 2023

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

- 5.2 Following recent Bank of England Monetary Policy Committee (MPC) meetings there have been steady increases in bank base rates. Since 23 September, it is now expected that the MPC will increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The increase in November 2022 is expected to take base rate to 3.25% and 4.00% by December 2022.
- 5.3 The impact of raising base rate had an immediate impact to the cost of borrowing. Table 26 below demonstrates the increase in rates both in the temporary space and longer-term PWLB rates.
- 5.4 The Authority is currently monitoring interest rates, and whether the Authority should look to lock in rates as part of managing risk. This process considers the Authority's underlying need to borrow, Investment Plan priorities and commitments as well as the profile of existing loan arrangements.
- 5.5 Investment rates have also seen an increase in line with the increases in base rate, delivering better returns on investments.

5.5.1 Table 26: Summary of Borrowing Levels

Temporary Market		PWLB	
Tenor	Level	Tenor	Level
1 week	2.00%	2 years	2.76%
1 month	2.50%	5 years	2.69%
3 months	3.00%	10 years	3.00%
6 months	3.50%	20 years	3.58%
9 months	3.75%	30 years	3.52%
12 months	4.00%	50 years	3.37%

**Please note these levels are from 21/10/2022*

PWLB rates do not include certainty rate reductions,

- 5.6 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

- 5.7 Table 27 shows the Authority's current debt position, with total borrowing maturing in 2022/23 of £5.000m.

5.7.1 Table 27: Current Debt Position

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	387.443	20.000	0.000	407.443
Debt Maturing 2022/23	(5.000)	0.000	0.000	(5.000)

- 5.8 The Authority was under-borrowed to the value of £102.011m as at 31 March 2022. Whilst the Authority cannot borrow to fund this revenue pressure, it can look to utilise reserves, unwind its under-borrowed position, and externalise borrowing.
- 5.9 In August 2022 the Authority took £10m of long-term PWLB loans, this was for a combination of refinancing existing debt (as per table 27), de-risk the Authority's under-borrowed position, as well as take advantage of relatively low long-term rates.
- 5.10 Table 28 below shows the latest interest rate forecasts as provided by the Authority's treasury advisors Link. Rates are forecast to continue to rise over the next 2 years, forecasting to peak at 4.90% for 50 year borrowing in June 2023 before tracking back to lower levels.

5.9.1 Table 28: Link Interest Rate Forecasts

Interest Rate Forecasts								
Bank Rate	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Link	4.00%	5.00%	5.00%	5.00%	4.50%	4.00%	3.75%	3.25%
Cap Econ	4.25%	5.00%	5.00%	5.00%	5.00%	4.75%	4.25%	3.75%
5Y PWLB RATE								
Link	5.00%	4.90%	4.70%	4.50%	4.20%	3.90%	3.70%	3.50%
Cap Econ	5.20%	5.00%	4.90%	4.70%	4.50%	4.30%	4.20%	4.00%
10Y PWLB RATE								
Link	4.90%	4.70%	4.60%	4.30%	4.10%	3.80%	3.60%	3.50%
Cap Econ	5.10%	4.90%	4.80%	4.70%	4.60%	4.40%	4.20%	4.00%
25Y PWLB RATE								
Link	5.10%	4.90%	4.80%	4.50%	4.30%	4.10%	3.90%	3.70%
Cap Econ	5.10%	5.00%	4.90%	4.90%	4.80%	4.60%	4.50%	4.30%
50Y PWLB RATE								
Link	4.80%	4.60%	4.50%	4.20%	4.00%	3.80%	3.60%	3.40%
Cap Econ	4.90%	4.90%	4.90%	4.80%	4.80%	4.60%	4.50%	4.30%

SECTION 6 – COLLECTION FUND: COUNCIL TAX AND BUSINESS RATES RECOVERY

Council Tax and Business Rates Collection

- 6.1 The budgeted Council Tax debit for 2022/2023 is £124.729m, of which the retained share for the Authority is £109.720m. For Business Rates (NNDR) the opening net debit for 2022/2023 is £46.559m, following adjustment for the previous year's deficit position on NNDR, the budget retained share for the Authority for 2022/23 is £22.814m. 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 £43.319m. Tables below set out the in-year collection performance against the Council Tax and Business Rates net debit.
- 6.2 As at 30 September 2022, the actual current year Council Tax net liability has increased to £126.530m. The Authority has collected £67.191m (53.1%) compared to £63.670m (52.7%) at the same point in 2021/22. Further details are shown in table 29 below.
- 6.3 Collection is slightly ahead of 2021/22 but behind against the percentage collected pre-pandemic 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 57% had no liability for 2022/23 to pay. This reduced the liability to collect by around £1.462m. A significant number of households are paying over 12 monthly instalments rather than 10 as households feel the challenge of meeting household bills and there are now 35,136 households (34.9%) paying over 12 months. Long-term rate of collection is expected to be maintained at the budgeted level of 98.5%.

6.3.1 Table 29: Council Tax Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Dwellings administered	95,874	96,428	97,123	98,199	99,315	99,795	100,245	100,784
In year collection £m	44.477	49.574	52.751	55.923	59.009	60.867	63.670	67.191
In year %	52.39	55.19	54.7	53.8	53.4	52.6	52.7	53.1
Target %	53.19	52.39	55.0	55.0	55.0	55.0	55.0	55.0

- 6.4 In relation to Business rates, as at 30 September 2022, the Authority had collected £34.270m (57.2%) of the current net liability compared to £24.761m (47.0%) at the same point in 2021/22. Further details are shown in table 30 below.

6.4.1 Table 30: Business Rates Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Properties administered	5,464	5,564	5,618	6,031	6,046	6,190	6,218	6,236
In year collection £m	35.783	35.770	35.564	34.780	34.828	16.908	24.761	34.270
In year %	59.1	57.0	58.7	57.4	57.6	53.0	47.0	57.2
Target %	57.7	59.1	56.5	56.5	56.5	56.5	56.5	56.5