Cabinet – 23 January 2023

2022/23 Financial Management Report Annex

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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 £5.233m against its £56.120m net controllable expenditure budget.

1.2.2 **Table 1: Forecast Variation for Adults Services at November 2022**

	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Central, Strategy and Transformation	1.180	1.116	(0.064)	(0.002)	(0.062)
Social Work and Associated Activity	7.384	7.243	(0.141)	0.121	(0.262)
Integrated Services	3.171	1.826	(1.346)	(1.251)	(0.095)
Business Assurance	0.304	0.319	0.015	0.016	(0.001)
Sub-total Operations	**12.039**	**10.504**	**(1.535)**	**(1.116)**	**(0.419)**
Commissioned Services – Wellbeing and Assessment	12.870	16.491	3.621	3.952	(0.331)
Commissioned Services – Learning Disability	26.864	28.355	1.491	1.198	0.293
Commissioned Services – Mental Health	3.607	5.817	2.210	2.108	0.102
Commissioned Services - Other	0.740	0.186	(0.554)	(0.554)	(0.000)
Sub-total – Commissioned Services	**44.081**	**50.849**	**6.768**	**6.704**	**0.064**
Total Adult Services	**56.120**	**61.353**	**5.233**	**5.588**	**(0.355)**

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 (including an additional in-year temporary uplift) was agreed with providers, but dialogue will continue to be informed by the national cost of care exercise.

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 £1.535m. This position represents an improvement of £0.419m from the previously reported position and is due to a continued increase in vacant posts because of the difficulty in recruitment and retention of staff. There has also been a review of vacancy forecasting and other non-pay related staffing costs.

1.2.7 Commissioned Services are reporting a pressure of £6.768m, an increase of £0.064m on the previous reported pressure, mainly due to the ongoing legacy of Covid £4.300m, significant levels of inflationary pressures being experienced by external providers estimated at £2.324m and other pressures of £0.145m. There has however, been an increase in Adult Social Care Discharge Funding received to help offset some of these pressures.

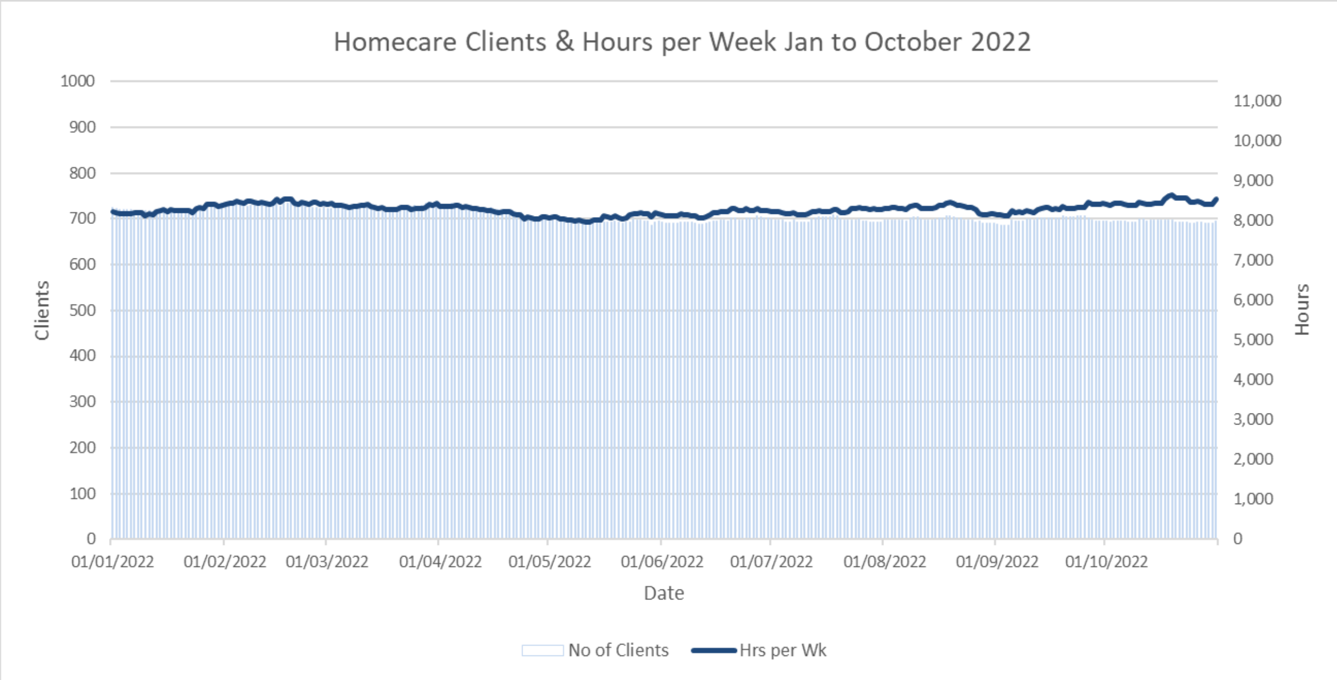
1.2.8 £500m Adult Social Care Discharge Funding was announced by the Department of Health and Social Care (DHSC) as part of the Autumn Statement. 40% of this funding will be allocated directly to local authorities with North Tyneside receiving £0.859m. This will partly fund additional beds to support hospital discharges £0.235m with the balance allocated to support additional winter pressures over the coming months.

1.2.9 60% of the funding was allocated directly to the Integrated Care System (ICS) and Adult Services are working with ICS colleagues on the most efficient use of this funding to further support the care system over the coming months.

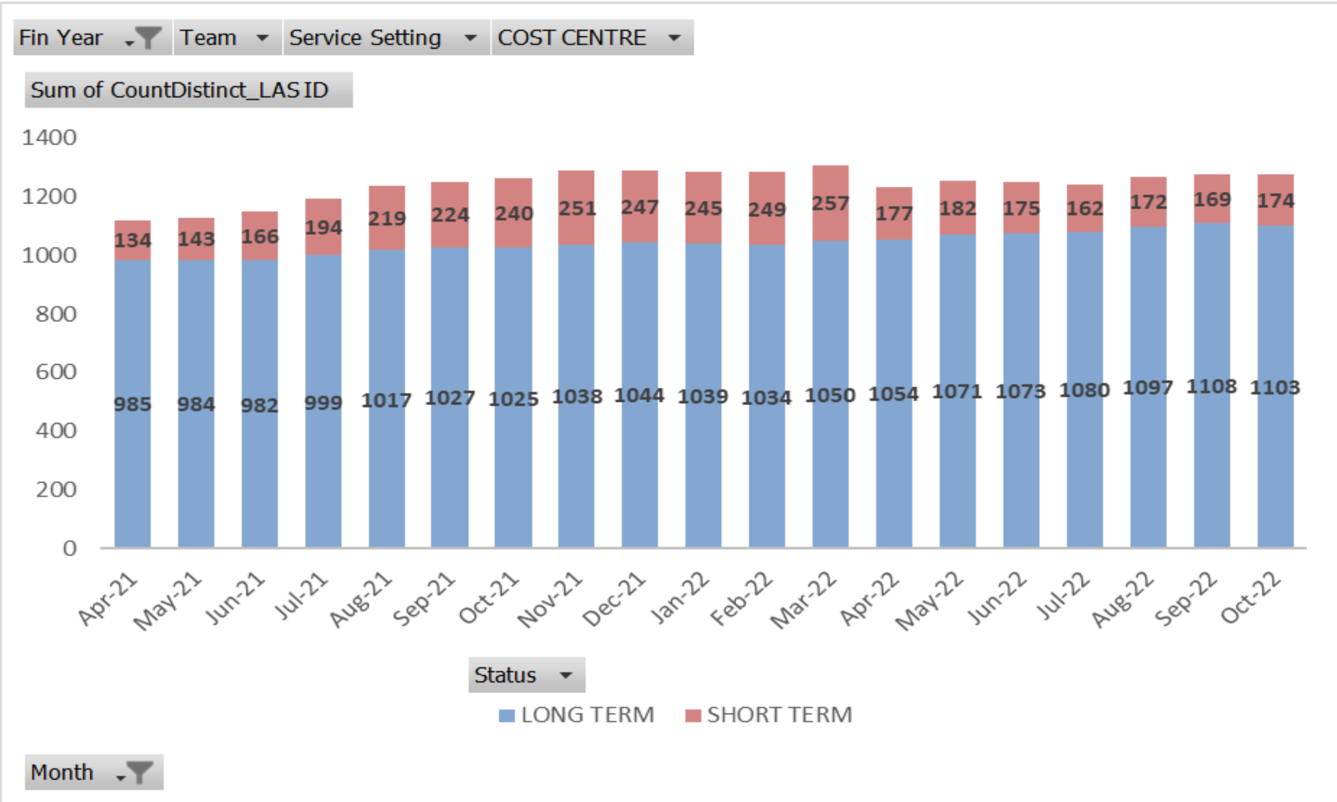
1.2.10 There continues to be pressure around funding from the NHS for clients with shared care and mental health resettlement needs; negotiations continue around ensuring funding contributions from the NHS for clients with these health needs and will continue on an equitable basis.

1.2.11 Whilst the pressure within Adult Services continues, there has been on-going work around maximising resources and reducing costs. 2022/23 savings targets were 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.

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



1.2.12 **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 £13.477m against its £21.363m net controllable expenditure budget after a transfer of £0.127m to Public Health. 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 £0.426m since the Sept position.

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 November 2022**

	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Corporate Parenting & Placements	16.051	27.021	10.970	10.544	0.426
RHELAC Service	0.010	0.010	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.594	0.596	0.002	0.018	(0.016)
Early Help & Vulnerable Families	1.664	1.566	(0.098)	(0.109)	0.011
Employment & Skills	0.632	0.586	(0.046)	(0.043)	(0.003)
Integrated Disability & Additional Needs Service	2.219	4.801	2.582	2.654	(0.073)
School Improvement	0.360	0.428	0.068	0.090	(0.022)
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Total Children's Services	**21.363**	**34.840**	**13.477**	**13.154**	**0.323**

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 £13.477m forecast pressure relates mainly to demand pressures of £10.970m in Corporate Parenting and Placements and £2.582m in Integrated Disability and Additional Needs. There is also a forecast pressure of £0.068m in School Improvement.

1.3.5 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 £10.361m. The ongoing impact of rising demand impacted by Covid and the cost-of-living crisis has led to additional challenges in delivering savings targets and there are £2.800m of savings targets yet to be delivered.

1.3.0 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.

1.3.1 The increased pressure of £0.323m since the Sept position is a result of 2 new and 1 extended external residential care placements, £0.373m and in-year fee increases £0.068m both offset by reductions due to other placements ending.

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

	Budget **£m**	**Forecast Nov** **£m**	**Variance Nov** **£m**	**Variance Sept** **£m**	**Change since Sept** **£m**
Externally Commissioned Services	3.480	9.159	5.679	5.585	0.094
In-house Service Provision	9.523	13.545	4.022	3.867	0.155
Staffing & Operations	8.528	12.304	3.776	3.702	0.074
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Total Children's Services	**21.363**	**34.84**	**13.477**	**13.154**	**0.323**

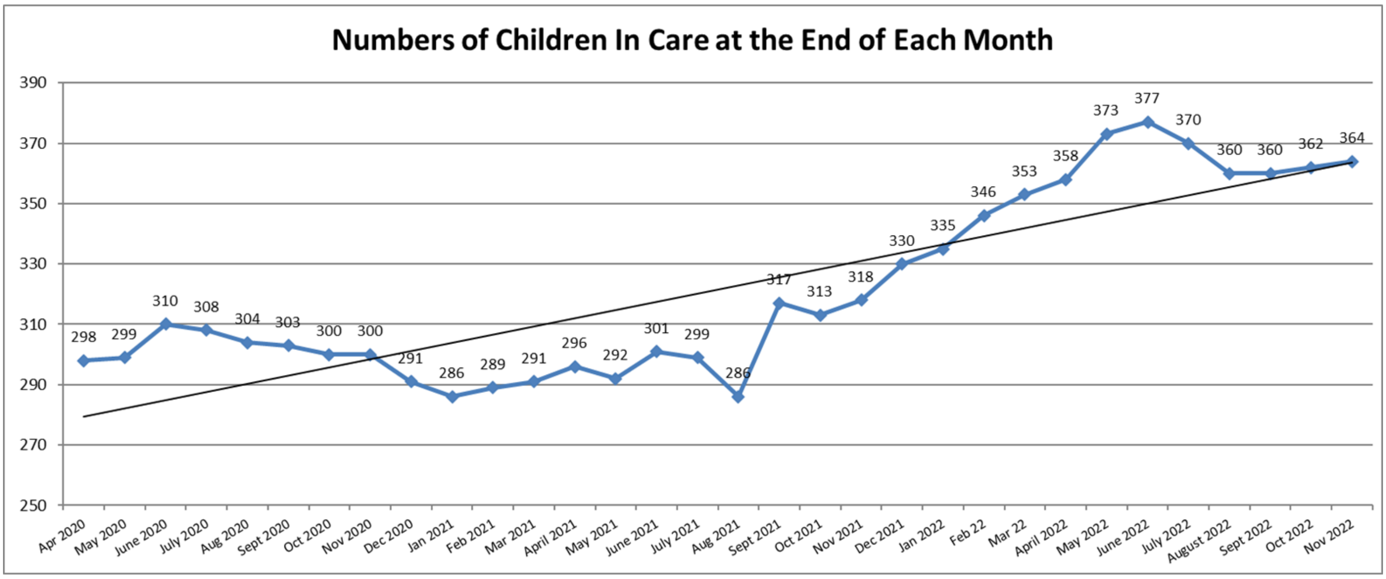
1.3.3 The Children's Services system is established to meet the statutory needs of approximately 1,400 children. However, the service is currently dealing with more than 1,700 children who reach that threshold. Referrals have increased by 25% compared to pre-Pandemic levels with the police and schools 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.

1.3.4 In November 2022, the children in care numbers have increased to 364, but below the high of 377 in May 2022. However, numbers are still significantly above the levels seen in previous financial years. 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.

1.3.5 Current numbers include 25 UASC, an increase of 2 since the September position, which the Authority is mandated to take. The net cost to the Authority, after applying the UASC grant funding, is forecast to be a pressure of £0.226m.

1.3.6 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.

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



Corporate Parenting and Placements

1.3.8 **Table 4: Analysis of Pressures in Corporate Parenting and Placements**

Type of Service	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Care provision – children in care	8.995	16.150	7.155	6.958	0.197
Care provision – other children	3.957	4.658	0.701	0.654	0.047
Management & Legal Fees	(1.442)	0.338	1.780	1.476	0.304
Social Work	4.494	5.824	1.330	1.452	(0.122)
Safeguarding Operations	0.047	0.051	0.004	0.004	0.000
Total	**16.051**	**27.021**	**10.970**	**10.544**	**0.426**

1.3.9 The forecast has been developed based on the children in care as at the end of November 2022. As set out in paragraph 1.3.10, the number in care at the end of November 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 111,030 nights compared to the total number of care nights delivered in 2021/22 which was 108,745.

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

Placement Type	2022/23 Nov Variance £m	Average Annual Placement cost £m	2022/23 Forecast Bed Nights	2021/22 Outturn Bed Nights	Place-ment Mix	No. of children Nov 22	No. of children Sept 22
External Residential Care	2.792	0.254	9,375	8,163	10.2%	37	31
External Fostering	0.379	0.041	10,220	12,068	7.7%	28	26
In-House Fostering Service	0.897	0.024	79,248	68,812	57.1%	208	215
External Supported Accommodation	1.459	0.104	8,106	6,170	9.1%	33	32
In-House Residential Care	1.629	0.208	4,081	**	3.8%	14	17
Other*	0.000	**	**	13,532	12.1%	44	39
Total	**7.155**		**111,030**	**108,745**	**100%**	**364**	**360**

*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.

1.3.11 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

1.3.12 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 starting to be agreed within 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.

1.3.13 A block arrangement of 4 residential placements started from 1 August 2022 and to date 3 children have been successfully placed which has resulted in cost avoidance compared to other external residential placements of £0.084m. A fourth child has been identified and after the initial transition period will see full year effect cost avoidance of up to £0.300m.

Care Provision – Children not in care

1.3.14 The pressure of £0.701m 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

1.3.15 This area has a forecast pressure of £1.780m. The pressure within this area is due to savings targets of £1.468m which are yet to be achieved, the increase seen in November 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

1.3.16 Within the overall pressure of £10.970m for Corporate Parenting and Placements, there are social work-related pressures of £1.330m. 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).

Other Service Areas

1.3.17 Integrated Disability & Additional Needs Service is forecasting a pressure of £2.581m, net of an over achievement of £0.370m Children's Health Income. 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 2,133 in November 2022.

1.3.18 Within this service area the main pressures relate to operational staffing costs within in-house residential services and in Educational Psychology relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs.

1.3.19 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.

1.3.20 The School Improvement Service is showing a forecast pressure of £0.068m driven by staffing and energy inflation.

1.3.21 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

1.4.0 Public Health is forecasted to outturn on budget, which is the same as the last Cabinet report in September.

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

	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Public Health Ring Fenced Grant	0.034	0.034	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	0.349	0.349	0.000	0.000	0.000
Public Protection	1.542	1.542	0.000	0.000	0.000
GRAND TOTAL	**2.198**	**2.198**	**0.000**	**0.000**	**0.000**

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

1.4.2 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.

1.4.3 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 £5.801m as set out in Table 7, an increase of £0.701m since the September 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 Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
School Funding & Statutory Staff Costs	5.561	5.452	(0.109)	(0.100)	(0.009)
Commissioning Service	0.439	0.471	0.032	0.026	0.006
Facilities & Fair Access	0.410	5.554	5.144	4.278	0.866
Community & Voluntary Sector Liaison	0.368	0.368	0.000	0.000	0.000
Strategic Property & Investment	0.814	1.359	0.545	0.726	(0.181)
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)	0.073	0.185	0.166	0.019
GRAND TOTAL	**6.666**	**12.467**	**5.801**	**5.100**	**0.701**

1.5.4 The main ‘business as usual’ budget issues relate to Facilities and Fair Access which is showing a forecast pressure of £5.144m (September forecast pressure of £4.278m). The Home to School Transport position is showing a pressure of £2.075m due to an increase in the number of routes and other costs for the academic year 2022/23 for children with complex needs £0.652m, an unidentified savings target of £0.064m and inflationary pressures of £1.359m. Demand pressures in High Needs is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant. 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 875 in September 2022 as shown in the performance data. Work is continuing on route rationalisation using the new QRoute system as well as looking at new options about transport delivery.

1.5.5 There is a pressure on the catering service of £2.992m due to paid school meals and other catering income not forecast to return to pre Covid levels £0.723m and inflationary pressures of £1.470m. There are pressures on wages of £0.316m and 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.

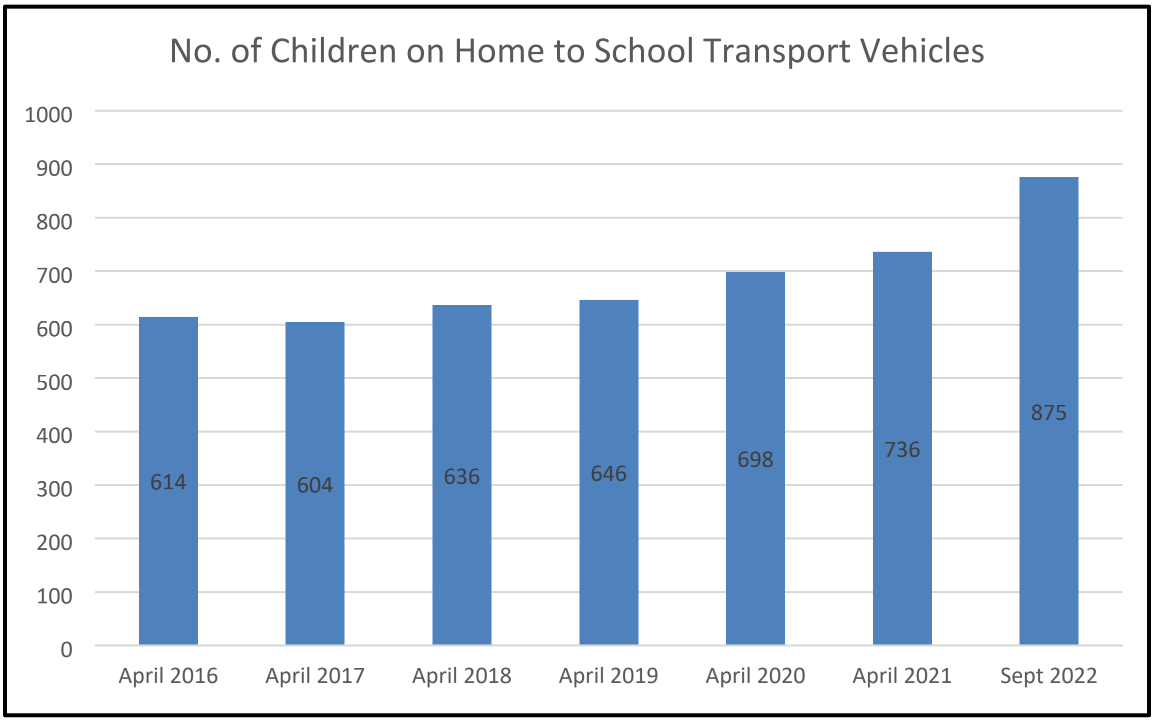
1.5.6 Cleaning has a pressure of £0.137m which results from inflationary pressures of £0.070m and sickness/maternity cover of £0.061m which are partially offset by additional income (£0.006m). There are also salary savings on the Access Service of (£0.060m).

1.5.7 There is a pressure on Strategic Property and Investment of £0.545m and relate to energy charges £0.444m, of which £0.398m 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 £0.185m due to a cross-cutting savings target of £0.174m and other operational pressures £0.061m, which is partially offset by additional income of (£0.050m) from a one off KPI failure in the Technical Partnership. There are commissioning and asset management pressures of £0.004m and commissioning service operational pressures of £0.032m. These are partially offset by savings on teachers early/ill health retirement costs of (£0.109m).

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 (£0.100m).

1.5.9 The main movements from September 2022 are in Home to School Transport due to an increase in the number of routes and other costs for academic year 2022/23 for children with complex needs £0.552m and inflation of £0.293m which is partially offset by reductions in forecast home to school transport personal budget payments (£0.040m), partial identification of annual savings target (£0.036m) and a reduction in special provision costs (£0.038m). 80.9% of this movement relates to special schools. There is also an increase in the catering forecast pressure £0.092m due to the increasing effect of inflation £0.201m which is partially offset by an increase in forecast income (£0.030m) and reduction in the wages forecast (£0.079m). There is a reduction in the Strategic Property & Investment forecast due to a reduction in forecast energy costs due to revised forecasts from NEPO (£0.152m), a reduction in NNDR forecast cost at Killingworth Site due to a rebate (£0.018m) and salary savings (£0.011m).

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 £1.554m against the £37.197m budget, as set out in Table 8 below, a decrease of £0.113m since the September 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 Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Fleet Management	0.991	0.941	(0.050)	0.000	(0.050)
Head of Service Environment & Leisure	0.139	0.103	(0.036)	(0.033)	(0.003)
Local Environmental Services	7.744	8.175	0.431	0.552	(0.121)
Sport, Leisure & Community	8.634	10.549	1.915	1.747	0.168
Street Lighting PFI	5.123	5.123	0.000	0.000	0.000
Waste Management	14.566	13.860	(0.706)	(0.599)	(0.107)
GRAND TOTAL	**37.197**	**38.751**	**1.554**	**1.667**	**(0.113)**

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 £0.381m. This is due to energy and business rates costs within Bereavement of £0.062m, 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 £0.206m pressure.

1.6.6 There are additional pressures linked to employee and third party elements across Community Protection of £0.060m. There are employee and operational expenditure cost pressures across Environmental Protection and Street Cleansing, which includes delivering improved litter management at the coast, amounting to £0.061m. The combined improved £0.171m variance change from the previously reported position can be attributed to a higher income generation forecast within Bereavement Services, plus a reduction in the combined cross service employee, premises and operational expenditure as well as improved income across Street Environment, together with improved trading account income and operational variances around Fleet / Transport Management.

Waste Management including Recycling and Disposal

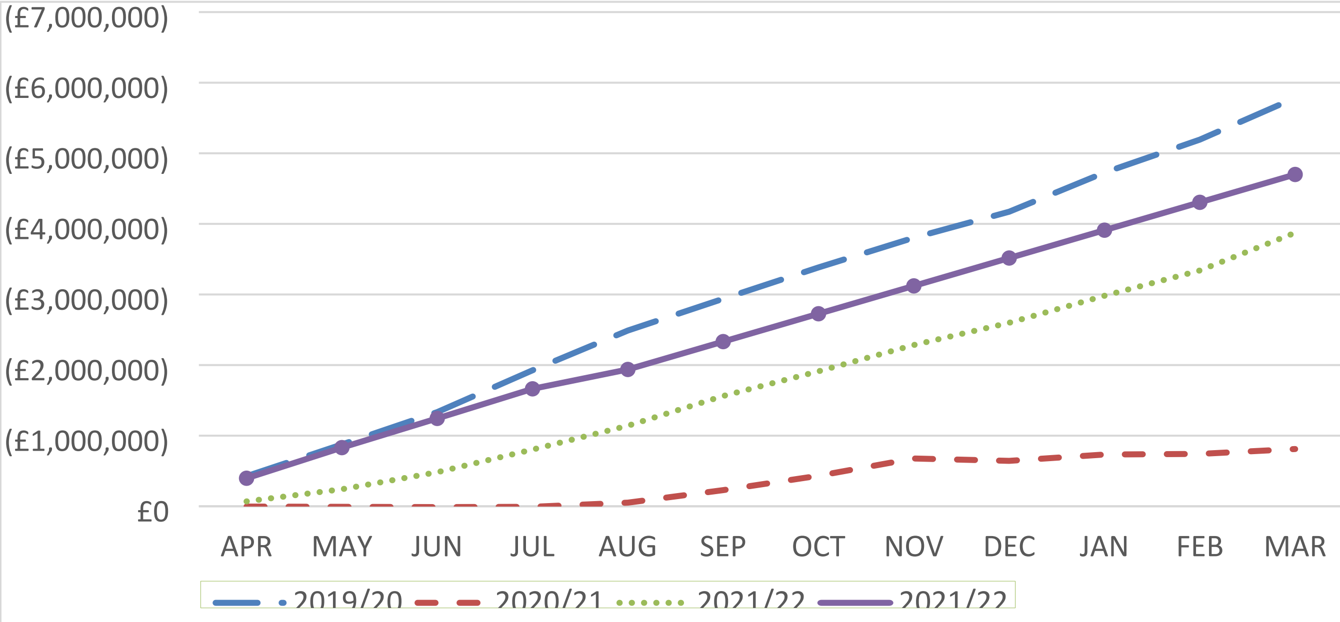
1.6.7 A combined improving underspend of (£0.706m) is now forecast which reflects employee savings as vacant posts are being held within Waste & Recycling Contracts. There are significant expenditure underspends compared to the July report (savings of £0.545m) which is linked to Home Recycling Disposal which are now forecast to reflect the lower global market rate on the cost per tonne. Additionally, a combined improving overachievement on income (of £0.179m) across Commercial Waste & Special Collections is forecast within Refuse & Waste Management. The aforementioned income overachievement fully mitigates forecast cost pressures of £0.130m associated with the Waste Disposal Contract.

Sport, Leisure & Community

1.6.8 Sports and Leisure is forecasting a pressure of £1.536m. Included within this variance is a legacy pressure of £0.400m (£0.300m in the September report) 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 £0.379m pressure, mainly linked to forecast premises costs being higher than the budget as well as reduced and unachievable income generation available around Wallsend and North Shields Customer First Centres. A combined change of £0.168m in the reported variance since the previously reported position across this service area reflects the adverse forecast movement in income generation around Sports and Leisure (Contours Gyms), as well as a reduction in employee forecast costs with the extended use of casual staff covering vacant posts / staff turnover within Libraries & Community Centres.

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



<u>Street-Lighting PFI</u>

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 £0.281m, as shown in Table 9 below, which is an improvement of (£0.097m) since the September Cabinet report.

1.7.2 **Table 9: Forecast Variation for Regeneration and Economic Development**

Service Areas	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Culture	1.572	1.728	0.156	0.164	(0.008)
Business & Enterprise	0.760	0.736	(0.024)	(0.018)	(0.006)
Regeneration	0.415	0.658	0.243	0.325	(0.082)
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	7.448	7.393	(0.055)	(0.055)	0.000
GRAND TOTAL	**10.791**	**11.073**	**0.281**	**0.378**	**(0.096)**

1.7.3 Culture is forecasting a pressure of £0.156m which is an improvement of (£0.008m) since the September Cabinet report. The improvement in month reflects an improvement in the position around Tourism. The remaining pressure is mainly due to events in the Borough (Queens Baton Relay, Platinum Jubilee Activities, National Festival of Archaeology £0.040m) combined with a pressure in 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 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 <u>Corporate Strategy</u>

1.8.1 Corporate Strategy is forecasting a £0.500m pressure, an increase of £0.038m since the September 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 Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Children's Participation & Advocacy	0.334	0.493	0.159	0.149	0.010
Corporate Strategy Management	(0.129)	0.074	0.203	0.192	0.011
Elected Mayor & Executive Support	0.022	0.037	0.015	0.016	(0.001)
Marketing	0.302	0.370	0.068	0.044	0.024
Policy Performance and Research	0.162	0.217	0.055	0.061	(0.006)
GRAND TOTAL	**0.691**	**1.191**	**0.500**	**0.462**	**0.038**

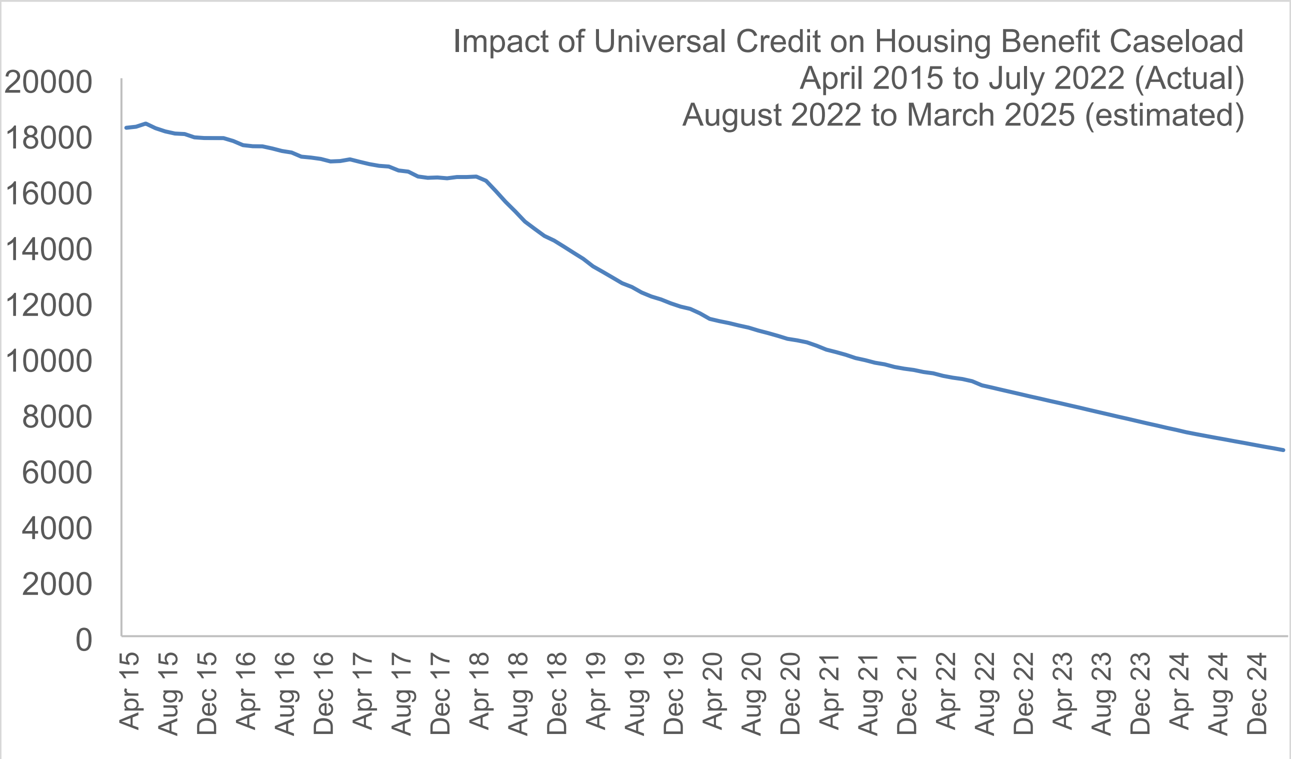
1.9 Resources and Chief Executive Office

1.9.1 This report shows the forecast position for the full Resources directorate and the Chief Executive Office, which is showing a pressure of £1.558m, which is a decrease of £0.227m since the last Cabinet report in September.

1.9.2 **Table 11: Forecast Variation Resources and Chief Executive**

Service Areas	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Chief Executive	(0.076)	(0.103)	(0.027)	0.000	(0.027)
Finance	(0.563)	(0.724)	(0.161)	(0.161)	0.000
ICT	2.456	2.457	0.001	0.000	0.001
HR & Organisational Development	0.259	0.301	0.042	0.000	0.042
Internal Audit and Risk Management	0.032	0.039	0.007	0.000	0.007
Revenues and Benefits	0.629	1.246	0.817	0.889	(0.072)
Director of Resources	0.000	0.000	0.000	0.000	0.000
Customer, Governance and Registration	(0.066)	(0.031)	0.035	0.040	(0.005)
Democratic and Electoral Services	(0.002)	0.099	0.101	0.079	0.022
Information Governance	0.176	(0.051)	(0.227)	(0.113)	(0.113)
Legal Services	0.152	1.045	0.893	0.836	0.057
North Tyneside Coroner	0.294	0.571	0.277	0.215	0.062
GRAND TOTAL	**3.291**	**4.849**	**1.558**	**1.785**	**(0.227)**

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 November, which is no change from the Sept 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 £0.477m 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 £0.161m 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 HR & Organisation Development and Internal Audit are forecast to have slight overspends of £0.049m as a result of pressures on staffing, which are partially offset by staffing savings with the Chief Executives office of (£0.026m).

Law and Governance

1.9.8 Within the former Law and Governance service the main budget issue in this area relates to Legal Services, with the variance reflecting forecasted cost pressures in Legal Services of £0.893m relating to the employment of locums and staff costs in response to staffing pressures and reduced income for legal fees. This has slightly worsened since the last Cabinet report due to an additional member of staff moving into the service £0.102m, which has been partially offset by increased staff recharges (£0.014m). 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 £0.101m due to the cost of the staffing of the 2022 Local Elections and By-Elections and also the projected cost of the canvas in the Autumn.

1.9.10 In addition, there is an expected £0.277m pressure to deliver North Tyneside Coroner Services, an increase of £0.062m, 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, which are now forecast to remain until 2023/24, are forecast to result in a net £0.226m underspend.

1.10 General Fund Housing

1.10.1 General Fund Housing is reporting a forecast £0.350m pressure which is no change since the last Cabinet report in September. The forecast pressure reflects the 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 Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
GF Housing	1.789	2.139	0.350	0.350	0.000
Building Control	(0.429)	(0.429)	0.000	0.000	0.000
GRAND TOTAL	**1.360**	**1.710**	**0.350**	**0.350**	**0.000**

1.11 Central Items

1.11.1 Central Items is forecasted to be in surplus by (£13.002m) which is an improvement of (£0.018m) since the September Cabinet report. The surplus figure of (£13.002m) includes the contingency budgets of (£8.677m), of which (£3.116m) relates to the pressure being experienced in Children's Services. Of the remaining contingencies budget (£5.561m) was established in the 2022-2026 MTFP to support the likely impact of inflationary pressures in 2022/23.

1.11.2 Included in this months position is a pressure of £0.400m relating to a projected increase in the bad debt provision and a £0.329m pressure relating to a projected shortfall on Trading Company income. These pressures have been mitigated in month by (£0.750m) of savings on external interest as the Authority continues to benefit from its robust Treasury Management strategy.

1.11.3 **Table 13: Forecast Variation Central Budgets and Contingencies**

Service Areas	Budget £m	Forecast Nov £m	Variance Nov £m	Variance Sept £m	Change since Sept £m
Corporate & Democratic Core	2.925	2.906	(0.019)	(0.019)	0.000
Other Central Items	0.731	(12.252)	(12.983)	(12.965)	(0.018)
GRAND TOTAL	**3.656**	**(9.328)**	**(13.002)**	**(12.984)**	**(0.018)**

SECTION 2 - SCHOOLS FINANCE

2.1 Update on School Budgets

2.1.1 Cabinet will recall that the overall level of school balances at the end of March 2022 was £2.360m compared to £3.721m as at March 2021. This represented a decrease in balances of £1.361m.

2.1.2 The first set of monitoring for the 2022/23 year is complete, with schools overall showing a £1.145m improvement against budget plans pre unfunded staffing impact. The position after the unfunded staffing impact is a deficit of £7.453m this represents a decrease in balances £1.920m.

2.1.3 A number of schools had difficulty completing their monitoring statements due to issues with the new financial budget planning and monitoring system SBS, nil returns were submitted for these few schools allowing for unfunded staffing pressures. We hope to resolve issues for budget monitoring 2.

2.1.4 Table 14 below shows the current movement from budget in 2022/23, also illustrating unfunded staffing pressures. In 2022/23 there has also been £0.585m received for Homes for Ukraine Education & Childcare Grant, which is currently being allocated to relevant schools and is not yet reflected against school projections.

2.1.5 **Table 14: Schools 22/23 budget plan/monitoring summary**

		BUDGETTED 3% PAY AWARD		NEW PAY AWARD/NI		
Phase	**Budget Plan 22/23 £m**	**Mon. 1 Projected Balance £m**	**Mon. 1 Projected Variance £m**	**Mon. 1 Projected Balance £m**	**Mon. 1 Projected Variance £m**	**Impact of Changes in Pay Award/NI £m**
Nursery	0.004	-0.044	-0.048	-0.060	-0.064	-0.016
First	0.814	0.883	0.069	0.628	-0.186	-0.255
Primary	4.139	3.956	-0.183	2.814	-1.325	-1.142
Middle	0.716	0.851	0.135	0.685	-0.031	-0.166
Secondary/High	-9.907	-9.189	0.718	-10.041	-0.134	-0.852
Special/PRU	-1.299	-0.845	0.454	-1.479	-0.180	-0.634
Total	**-5.533**	**-4.388**	**1.145**	**-7.453**	**-1.920**	**-3.065**

2.2 National Funding Formula Consultation for 2023/24

2.2.1 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.

2.2.2 For 2023/24 the Authority asked 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 equated to approximately £0.730m on indicative grant values.

The Schools Forum did not agree to the transfer, this will now be considered by the DFE in-line with the Safety Valve programme.

2.3 School Deficits

2.3.1 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.

2.3.2 There are now 17 schools identified with planned deficits in 2022/23 following budget monitoring 1 submissions, with a total deficit value of £14.454m. The progress of individual schools is outlined in Table 15 below:

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

		BUDGETTED 3% PAY AWARD		NEW PAY AWARD/NI			
School	**Budget Plan 22/23 £m**	**Mon. 1 Projected Balance £m**	**Mon. 1 Projected Variance £m**	**Mon. 1 Projected Balance £m**	**Mon. 1 Projected Variance £m**	**Impact of Changes in Pay Award/NI £m**	**22/23 Deficit Comments**
Denbigh Primary	0.166	0.026	-0.139	-0.016	-0.181	-0.042	Emerging
Forest Hall Primary	-0.002	0.009	0.011	-0.007	-0.006	-0.016	Emerging
Rockcliffe First	0.000	0.007	0.007	-0.018	-0.018	-0.025	Emerging
Silverdale	0.008	-0.028	-0.036	-0.119	-0.127	-0.091	Emerging
Sir James Knott Nursery	0.004	-0.044	-0.049	-0.060	-0.065	-0.016	Emerging
Southlands	0.100	0.092	-0.008	-0.019	-0.120	-0.111	Emerging
Wallsend Jubilee Primary	0.009	0.015	0.005	-0.018	-0.027	-0.033	Emerging
Whitehouse Primary	0.111	-0.028	-0.140	-0.074	-0.185	-0.046	Emerging
Balliol Primary	-0.025	-0.037	-0.012	-0.046	-0.020	-0.008	New 22/23
Coquet Park First	-0.020	-0.027	-0.008	-0.041	-0.021	-0.013	New 22/23
Holystone Primary	-0.069	-0.057	0.011	-0.107	-0.038	-0.049	New 22/23
Wallsend St Peters Primary	-0.107	-0.126	-0.019	-0.146	-0.039	-0.020	New 22/23
Beacon Hill	-1.794	-1.537	0.257	-1.705	0.089	-0.168	Existing
Ivy Road Primary	-0.162	-0.161	0.001	-0.185	-0.023	-0.023	Existing
Longbenton High	-1.863	-1.824	0.039	-1.909	-0.046	-0.085	Existing
Norham High	-4.130	-4.079	0.051	-4.149	-0.018	-0.070	Existing
Monkseaton High	-5.799	-5.783	0.016	-5.835	-0.036	-0.053	Structural
Total	**-13.573**	**-13.583**	**-0.010**	**-14.454**	**-0.881**	**-0.871**	

2.3.5 Eight further schools within year (those categorised as 'Emerging' in the table above) are expected to request deficit approval in 2022/23.

2.3.6 The Education and Skills Funding Agency (ESFA) 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 are working through the schools' finances and management structure to then provide a report to these schools and the Authority after the autumn term.

2.4 Schools in Financial Difficulty (Headroom Funding)

2.4.1 The opening balance for de-delegated funds for Schools in Financial Difficulty (Headroom funding) in 2022/23 was £0.335m. Following Schools Forum approval of Falling Rolls applications, £0.107m was 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.

2.5 Growth Policy 2022/23

2.5.1 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.

2.5.2 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.

2.5.3 **Table 17: Growth Funding Eligibility 2022/23**

Growth Funding	Value £m	Eligibility
Wellfield	0.057	Evidence approved payment processed
Norham	0.058	Evidence approved payment processed
Burnside	0.072	No response to request for evidence
North Gosforth	0.064	No response to request for evidence
Backworth	0.060	Growing School Criteria payment processed
Total	**0.311**	

2.6 High Needs Block

2.6.1 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 £5.111m in September, which would have raised the cumulative pressure on the block to £18.623m.

2.6.2 The forecast for the High Needs Block as at November 2022 is now an anticipated in-year pressure of £4.416m reflecting continued demand for special school places within the Authority. A breakdown of the in-year pressure is shown in Table 18.

2.6.3 **Table 18: Breakdown of High Needs Pressures at November 2022**

Provision	Budget £m	Forecast Variance November £m	Comment
Special schools and PRU	17.788	2.217	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder. Includes High Needs additional funding.
Additional Resource Provision/Top ups	4.705	0.859	Pressures in mainstream pre 16 top-ups
Out of Borough	3.316	1.285	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.974	0.055	
Subtotal	**29.783**	**4.416**	
2021/22 Balance	0.000	13.511	
Total	**29.783**	**17.927**	

2.7 Dedicated School Grant (DSG) Management Plan

2.7.1 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 a large proportion of the Authority's DSG deficit.

2.7.2 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.

2.8 DSG Illustrative funding 2023/24: Schools Block

2.8.1 In 2023/24, as in the last 3 financial years, the Authority will receive its DSG funding based on the revised DfE National Funding Formula. In July 2022 the DfE published indicative allocations under the National Funding Formula (NFF) at a school level using October 2021 census data. This shows the funding level for each mainstream school based on the NFF using the 2023/24 Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF) with October 2021 pupil numbers. This information is for planning purposes only as local formulae used by each local authority can still vary from the NFF within the guidance issued by the DfE. It is anticipated that the initial DSG allocation to the Authority for 2023/24 will be published in December 2022 using the October 2022 census results. However, this may be delayed depending on the Governments settlement being slightly later than in previous years.

2.8.2 **Table 19: 2023/24 Illustrative allocation compared with prior year actuals**

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22* £m	2022/23* £m	2023/24* Indicative £m	2022/23 to 2023/24 £m
Schools	115.395	116.594	120.926	126.794	137.231	140.373	146.813**	6.440
Central School Services	2.500	2.314	2.343	2.051	1.877	1.724	1.620	(0.104)
High Needs	18.680	19.291	19.818	22.319	26.709	30.092	31.987	1.895
Early Years Block	12.064	12.553	12.514	12.771	13.946	14.673	14.673 T	0.000
TOTAL	**148.639**	**150.752**	**155.601**	**163.935**	**179.763**	**186.862**	**195.093**	**8.237**
Move from 17/18 Baseline £m	-	2.113	6.962	15.296	31.124	38.223	46.460	
Move from 17/18 Baseline %	-	1.42%	4.68%	10.29%	20.94%	25.72%	31.26%	
Change per Year £m	-	2.113	4.849	8.334	15.828	7.099	8.237	
Change per Year %	-	1.42%	3.22%	5.36%	9.66%	3.95%	4.41%	
PUF	-	£3,770	£3,860	£4,083	£4,425	£4,539	£4,771	
SUF	-	£5,273	£5,305	£5,427	£5,841	£5,988	£6,277	
MPPF: Primary	-	£3,300	£4,600	£3,750	£4,180	£4,265	£4,405	
MPPF: Secondary	-	£4,600	£5,100	£5,000	£5,415	£5,525	£5,715	

* Includes pay award grants previously separate to DSG
** Includes Schools Supplementary Grant (SSG) previously separate to DSG
T No information from DSG, so based on last year.

2.8.3 Within North Tyneside, modelling work is continuing based on the information currently available. At this stage, we are proposing to implement the revised minimum per pupil funding rates published by the DfE for 2023/24.

2.8.4 The link to the school level NFF allocations using October 2021 census data information is shown below: - https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2023-to-2024

2.8.5 The DfE initially proposed a two-year transition period (2018/19 and 2019/20) where local authorities will continue to set a local formula to distribute funding to individual schools. However, in July 2018, as a result of the significant movement witnessed towards the NFF, the Government confirmed that these transitional arrangements would continue into at least 2020/21. In 2020, the DfE again confirmed that the transitional arrangements will continue into 2022/23. This has continued into 2023/24, with the earliest expected move to "hard" NFF being likely in 2025/26.

2.8.6 The Schools NFF for 2023/24 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2023/24 are:

- The minimum per pupil funding levels will be set at Primary £4,405, Key Stage 3 £5,503 and Key Stage 4 £6,033; and
- The funding floor will be set at 0.5% per pupil. This minimum increase in 2023/24 allocations will be based on the individual school's LFF allocation in 2022/23.
- Rolling the 2022 to 2023 schools supplementary grant into the NFF.
- Increasing NFF factor values (on top of amounts added for the Schools Supplementary Grant) by:
- 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
- 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum.
- 0.5% to the floor and the minimum per pupil levels (MPPL)
- 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022

2.8.7 In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in the local formula, which in 2023/24 must be between +0.0% and +0.5%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their Schools block to other blocks of the DSG, with their schools' forum approval. To transfer more than this, or any amount without their schools' forum approval, they will have to make a disapplication request to the Department for Education, even if the same amount was agreed in the past two years.

2.8.8 The North Tyneside illustrative allocation for the Schools block, Central Schools Services block and High Needs block in 2023/24 (using census 2021 i.e. static pupil numbers) is shown below with the 2017/18 to 2023/24 figures for comparison.

2.8.9 The Early Years Block value for 2023/24 is based on 2022/23 rates and uses prior year pupil numbers, as the DfE have not published this information at time of writing.

2.8.10 Key changes to Early Years Funding:

- updating the data sets underpinning the formulae, alongside some changes to the actual formulae, which aim to 'better target resources';

- the introduction of protections for 2023/24, which support local authorities whose funding is impacted by the formulae changes. Local authorities will receive a minimum 1% funding increase in 2023/24. A cap on maximum increases will also be introduced;
- rolling the early years element of the teachers' pay and pensions grants into the early years funding formula for 3 & 4 year olds; and
- reform of maintained nursery schools' (MNS) funding, including the introduction of a minimum hourly funding rate and a cap on the maximum funding a LA can receive.
- Roll in of Teachers Pay and Pension Grant into Early Years Formula.

2.8.11 There are also local implications:

- North Tyneside's relative level of deprivation has declined under the new formulae and the borough does not score highly on the 'cost of provision' elements;
- North Tyneside's funding for the 2 and 3&4 year old funding entitlements will be limited to the minimum protected increase of 1%; and
- Introduction of a Maintained Nursery School base rate will address the shortfall in funding identified by the school, which is based on historic funding decisions. Under the proposals Sir James Knott nursery would receive £0.128m funding in 2023/24 compared to the £0.011m allocation for 2022/23.

SECTION 3 - HOUSING REVENUE ACCOUNT

Forecast Outturn

3.1 The forecast set out in Table 20 below is based on the results to November 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 20: 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)**

Rental Income

3.2 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 (£0.198m). 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.

Management Costs

3.3 Management Costs are currently forecast to come in marginally over budget (£0.001m). 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.

Bad Debt Provision and Contingency

3.4 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), plus a small, improved position in the transitional protection forecast £0.005m), albeit this is helping to absorb the pressures elsewhere in the budget caused by the likes of the pay award for 2022/23.

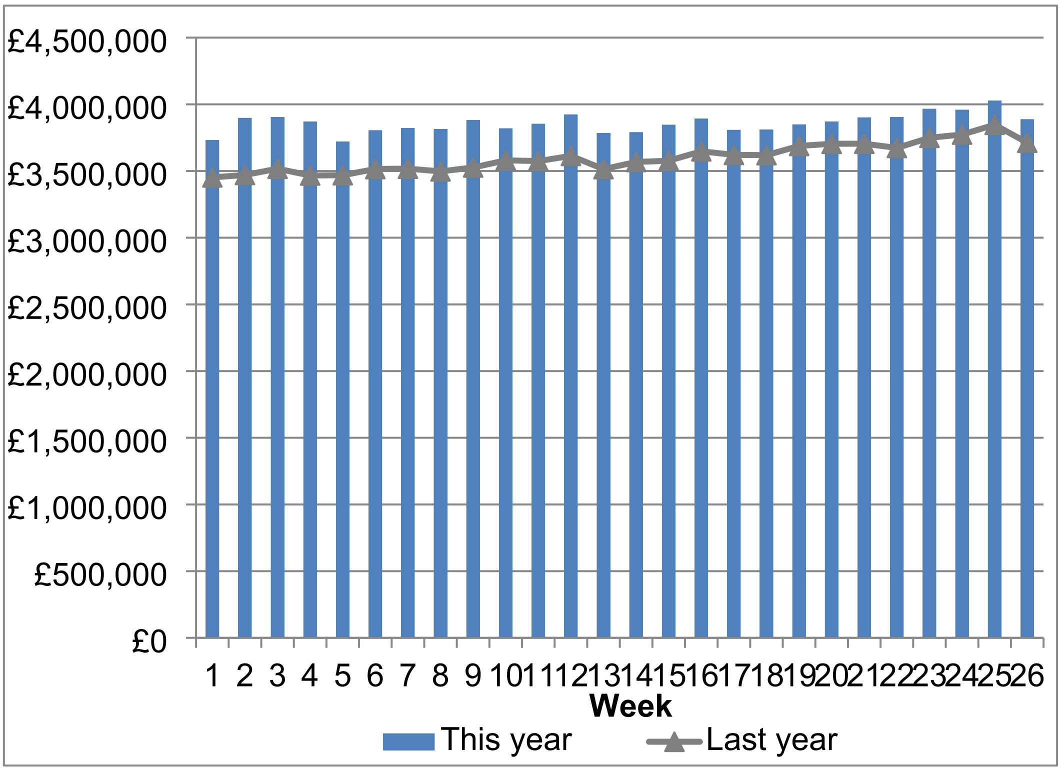
Repairs

3.5 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 September 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.

Rent Arrears

3.6 Current Rent Arrears have risen albeit gradually in the first eight months of 2022/23 as compared to 2021/22, with an increase of £0.192m 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**

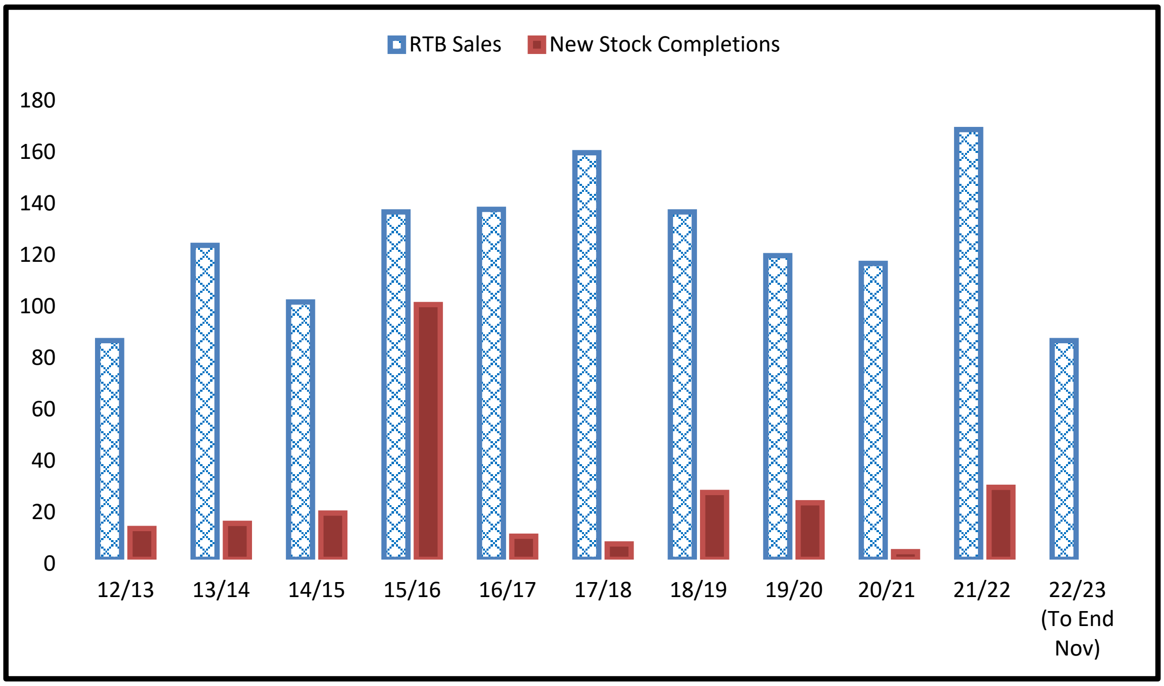


3.7 UC was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. As of the end of March 2022, there were 3,712 tenants of North Tyneside Homes on UC, with arrears totalling £2.934m. At the end of November 2022 there were 4,049 tenants on UC (an increase of 337 tenants) with related arrears of £3.185m (an increase of £0.249m). 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 eight months of 2022/23 saw 85 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 review the delivery of those key projects included within the 2022/23 Investment Plan, with significant challenges due to inflationary cost pressures and supply chain issues.

4.2 There remains worldwide inflationary cost pressures across all industries and sectors which continues to impact the Investment Plan. The Authority continues to manage project expenditure within existing budgets 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 to meet unavoidable additional costs will be reviewed on a case-by-case basis.

Variations to the 2022-2027 Investment Plan

4.3 Variations of £1.104m 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	(10.392)	15.582	1.121	0.306	0.000	6.617
Approved Investment Plan	**103.523**	**76.008**	**52.021**	**48.119**	**51.610**	**331.281**
November 22 Monitoring						
Variations	0.152	0.580	(0.186)	(0.202)	0.760	1.104
Reprogramming	(10.942)	10.942	0.000	0.000	0.000	0.000
Total Variations	**(10.790)**	**11.522**	**(0.186)**	**(0.202)**	**0.760**	**1.104**
Revised Investment Plan	**92.733**	**87.530**	**51.835**	**47.917**	**52.370**	**332.385**

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

(a) **EV034 Local Transport Plan £0.306m** – Transfer of £0.306m from EV056 Additional Highways Maintenance, aligning the budget allocations with the delivery programmes relating to planned highway works**.**

(b) **BS026 Asset Planned Maintenance £0.220m** – Additional resources have been allocated from the GEN03 Contingency allocation to address urgent works to replace boilers at North Tyneside Business Centre and undertake roof replacement on industrial units at Lawson Street following a recent inspection.

(c) **Lawn Tennis Association £0.094m** – Additional resources have been included within the plan following confirmation of LTA grant funding towards works to improve Tennis courts managed by the Authority.

(d) **GEN13 Project Management £0.075m** – An allocation has been transferred from the GEN03 Contingency allocation to fund dedicated project management resource to assist with the delivery of the Authority's major regeneration projects.

(e) **CO092 Wallsend Park Bothy Toilet £0.060m** – Resources have been added to the plan relating to the proposed use of Heritage Lottery Funding to refurbish the accessible toilet facilities.

(f) **DV078 Bedford Street/Saville Street (£0.155m)** – The allocation has been reduced following the decision to withdraw from the purchase of a potential property acquisition.

4.5 The proposed reprogramming of the Investment Plan from 22/23 includes the following:

(g) **Transforming Cities Fund Schemes EV099 NT10 Links to Metro (£3.418m) and EV098 NT08 Four Lane Ends Bus Priority (£1.190m)** – Resources have been re-profiled to the 23/24 financial year reflecting the revised delivery timescales as a result of supply chain issues and delays associated with the traffic order implementation. These changes are reflective of the position on other similar schemes in the region and have been agreed by the Funder.

(h) **HS044 HRA New Build (£3.130m)** – The proposed investment has been re-profiled to future years following a review of funding and delivery requirements within the HRA as well as the decision to develop land at Murton West by other developers.

(i) **GEN03 Contingencies (£1.910m)** – Resources have been re-profiled to future years following a detailed review of the current pressures and challenges facing the plan. Elements of the contingency have been released to existing schemes and a balance remains within the current financial year to address any emerging issues during the final quarter.

(j) **HS015 Refurbishment/Decent Homes Improvements (£0.467m)** – Supply chain issues have resulted in the need to re-profile 55 properties from the kitchen and bathroom replacement programme to the 23/24 financial year.

(k) **HS039 ICT Infrastructure Works (£0.302m)** – Resources have been re-profiled to the 23/24 financial year following negotiations over the contract award and finalising the terms and conditions which has extended the delivery timescales.

(l) **EV096 Highway Maintenance Challenge Fund (£0.300m)** – Proposed works have been re-profiled to the 23/24 financial year to co-ordinate delivery with the Embankment Walkway project.

(m) **DV080 Segendunum Roman Museum MEND (£0.225m)** – Planned works have been re-profiled to align with the delivery timescales for the proposed Heritage Lottery Funded scheme, to maximise delivery efficiencies across the schemes.

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	**103.523**	**76.008**	**52.021**	**48.119**	**51.610**	**331.281**
Council Contribution	(1.960)	1.960	0.000	0.000	0.000	0.000
Grants and Contributions	(4.931)	5.366	0.000	0.000	0.000	0.435
HRA Capital Receipts	(1.000)	1.696	0.470	0.802	(0.896)	1.072
HRA Grants & Contributions	0.000	0.286	(0.185)	(0.201)	0.758	0.659
HRA Major Repairs Reserve	(2.899)	2.213	(0.471)	(0.803)	0.898	(1.062)
Total Financing Variations	**(10.790)**	**11.522**	**(0.186)**	**(0.202)**	**0.760**	**1.104**
Revised Investment Plan	**92.733**	**87.530**	**51.835**	**47.917**	**52.370**	**332.385**

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 £4.729m 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 £13.719m 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	(1.000)	1.696	0.470	0.802	(0.896)
Revised Requirement	**1.104**	**3.280**	**2.170**	**2.653**	**1.060**
Receipts Brought Forward	(10.094)	(13.719)	(10.439)	(8.269)	(5.616)
Receipts Received 2022/23	(4.729)	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)	**(13.719)**	**(10.439)**	**(8.269)**	**(5.616)**	**(4.556)**

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 November 2022

4.9 Actual expenditure for 2022/23 in the General Ledger was £40.858m; 44.06% of the total revised Investment Plan at 30 November 2022.

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

	2022/23 Revised Investment Plan £m	Actual Spend to 30 Nov 2022 £m	Spend as % of revised Investment Plan %
General Fund	66.119	26.719	36.60
Housing	26.614	14.139	46.34
TOTAL	**92.733**	**40.858**	**39.47**

SECTION 5 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

5.1 The Authority's current available cash balance as at the end of November 2022 is £36.594m, with £15.000m 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 November 2022**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	25.000	1 November 2022
Barclays	Call	2.294	n/a
Lloyds Bank	Call	5.000	n/a
Fixed Deposits	Fixed	4.300	January 2023

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

5.2 The Bank of England Monetary Policy Committee (MPC) increased the Bank Rate for an 8th consecutive meeting in November. An increase of a further 0.75 bps, to 3.00%, taking it to the highest since 2008. The MPC have said further increase of the bank rate may be required for a sustainable return of inflation to target. The rate is forecast to reach 4.00% by February 2023.

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	2.80%	2 years	4.30%
1 month	3.02%	5 years	4.22%
3 months	3.30%	10 years	4.22%
6 months	3.50%	20 years	4.55%
9 months	3.70%	30 years	4.41%
12 months	3.85%	50 years	4.01%

**Please note these levels are from 06/12/2022*
***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 remain uncertain over the next 2 years, forecasting to peak at 4.40% for 50 year borrowing in March 2023 before tracking back to lower levels by September 24.

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	3.50%	4.25%	4.50%	4.50%	4.50%	4.00%	3.75%	3.50%
Cap Econ	3.50%	4.50%	4.50%	4.50%	4.50%	4.25%	4.00%	3.50%
5Y PWLB RATE								
Link	4.30%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.60%
Cap Econ	3.90%	3.80%	3.70%	3.60%	3.50%	3.50%	3.40%	3.30%
10Y PWLB RATE								
Link	4.50%	4.50%	4.40%	4.30%	4.20%	4.00%	3.90%	3.70%
Cap Econ	3.80%	3.80%	3.70%	3.60%	3.60%	3.50%	3.40%	3.40%
25Y PWLB RATE								
Link	4.70%	4.70%	4.60%	4.50%	4.40%	4.30%	4.10%	4.00%
Cap Econ	4.10%	4.00%	4.00%	3.90%	3.80%	3.80%	3.70%	3.60%
50Y PWLB RATE								
Link	4.30%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%
Cap Econ	3.70%	3.70%	3.70%	3.80%	3.80%	3.80%	3.70%	3.60%

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 November 2022, the actual current year Council Tax net liability has increased to £126.629m. The Authority has collected 70.45% (£89.322m) compared to 70.32% (£84.991m) at the same point in 2021/22. This relates to 100,956 dwellings administered.

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. Long-term rate of collection is expected to be maintained at the budgeted level of 98.5%.

6.4 In relation to Business rates, as at 30 November 2022, the Authority had collected 73.06% (£43.639m) of the current net liability compared to 65.24% (£34.492m) at the same point in 2021/22. A total number of 6,260 properties have been administered.

6.5 A table of business rate write offs has been prepared for approval.

6.5.1 **Table 29: Schedule of Business Rate Write Off applications for approval by Cabinet**

Case Number	Account Reference	Name	Period of charge	Reason for Write off	Amount (£)
1	Various x 8	My Easi Claim Ltd	Various	Company is dissolved	£153,044.10
2	Various x 4	Placebook Ltd	Various	Company is dissolved	£210,420.46
3	Various x 5	Induct Ltd	Various	Company is dissolved	£276,338.34
4	Various x 29	The Place 2 Ltd	Various	Company is dissolved	£241,907.82
5	1188536, 1188534	Online Storage Ltd	Various	Company entered voluntary liquidation	£145,118.72
6	1187954, 1186029	Hobart Rose	Various	Company is dissolved	£97,701.99
7	Various x 3	55 Leisure Ltd	Various	Company Liquidated	£61,902.03
8	1174105	Offshore Group Newcastle Ltd, T/A OGN Group	2016-17	Company entered Administration	£109,369.13
9	Various x 6	Bay Leisure Restaurants	Various	Company is dissolved	£167,411.02
				TOTAL	**£1,463,213.61**