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 £3.792m against its £56.840m net controllable expenditure budget.

1.2.2 **Table 1: Forecast Variation for Adults Services as at 31 January 2023**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Central, Strategy and Transformation	1.214	1.078	(0.136)	(0.064)	(0.072)
Social Work and Associated Activity	7.833	7.438	(0.395)	(0.141)	(0.254)
Integrated Services	3.390	1.949	(1.441)	(1.346)	(0.095)
Business Assurance	0.322	0.342	0.020	0.015	0.005
Sub-total Operations	**12.759**	**10.807**	**(1.952)**	**(1.536)**	**(0.416)**
Commissioned Services – Wellbeing and Assessment	12.270	15.189	2.919	3.621	(0.702)
Commissioned Services – Learning Disability	26.864	28.238	1.374	1.492	(0.118)
Commissioned Services – Mental Health	3.607	5.586	1.979	2.210	(0.231)
Commissioned Services - Other	1.340	0.812	(0.528)	(0.554)	0.026
Sub-total – Commissioned Services	**44.081**	**49.825**	**5.744**	**6.769**	**(1.025)**
Total Adult Services	**56.840**	**60.632**	**3.792**	**5.233**	**(1.441)**

Main budget pressures across Adults Services

1.2.3 Adults Services continues to have residual impact from the aftereffects of the Covid-19 pandemic and has put in place a range of responses to support existing clients and other residents directly affected. 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 included an additional in-year temporary uplift agreed with providers of £0.280m (additional 1.2%). Dialogue around the 2023/24 pressures and fee uplift continues and is linked to the national debate around Charging Reform and Fair Cost of Care, which has been delayed once more.

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 The operational costs of the service are forecasting an underspend of £1.952m. This position represents an improvement of £0.416m from the previously reported position and continues to reflect a large number of vacant posts because of the ongoing difficulty in recruitment and retention of staff. The in-house home care service has been utilised in response to winter and hospital discharge pressures. This has been supported by additional Adult Social Care Discharge funding distributed via the Integrated Care Board (ICB).

1.2.7 There has also been a further review in light of increasing wider pressures to reduce agency forecasting and non-pay related staffing costs.

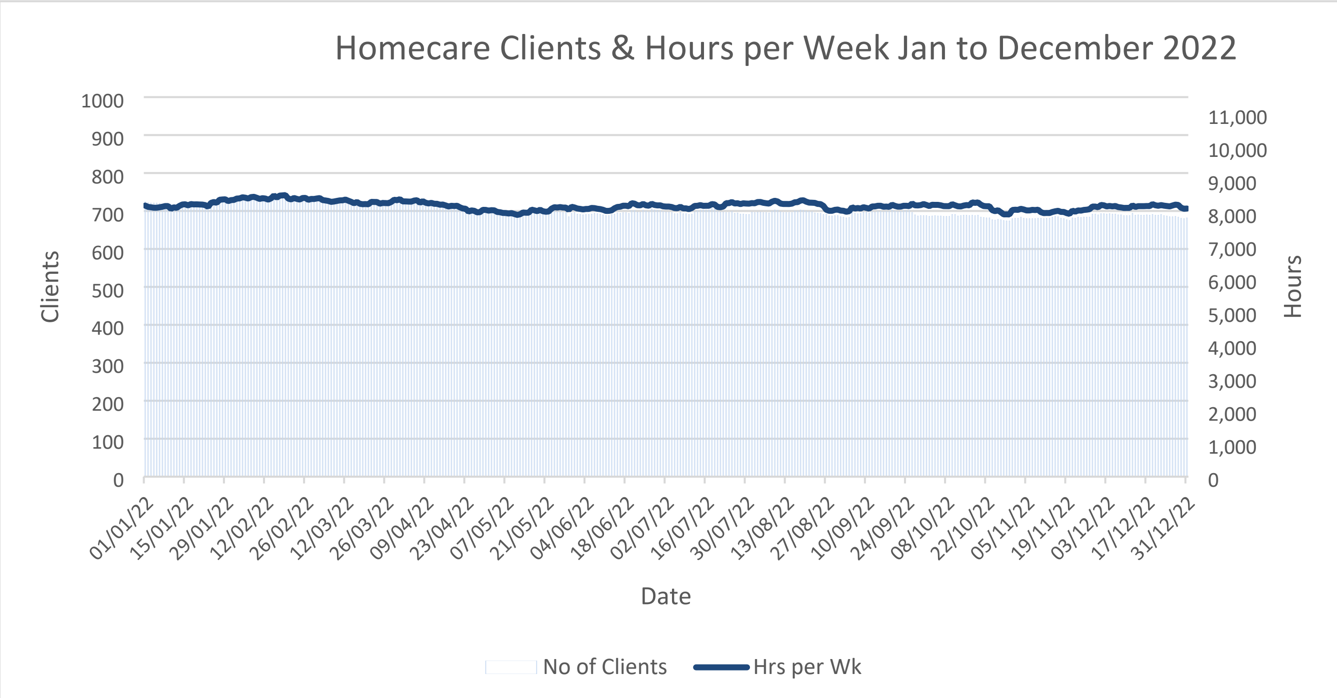
1.2.8 Commissioned Services are reporting a pressure of £5.744m, a decrease of (£1.025m) on the previous reported pressure. This pressure still reflects the ongoing legacy of Covid as well as significant levels of inflationary pressures being experienced by external providers. There has however, as mentioned in paragraph 1.2.6, been additional Adult Social Care Discharge Funding received to help offset some of measures implemented earlier in the autumn around winter pressures and hospital discharge.

1.2.9 There has also been an increase in the amount of funding received from the ICB for S117 mental health after care services. However, there continues to be pressure around funding from the NHS for clients with shared care and to support mental health infrastructure originally established in relation to clients resettled from long stay NHS hospitals; the Authority works closely with the ICB to ensure funding contributions for clients with these health needs continue on an equitable basis.

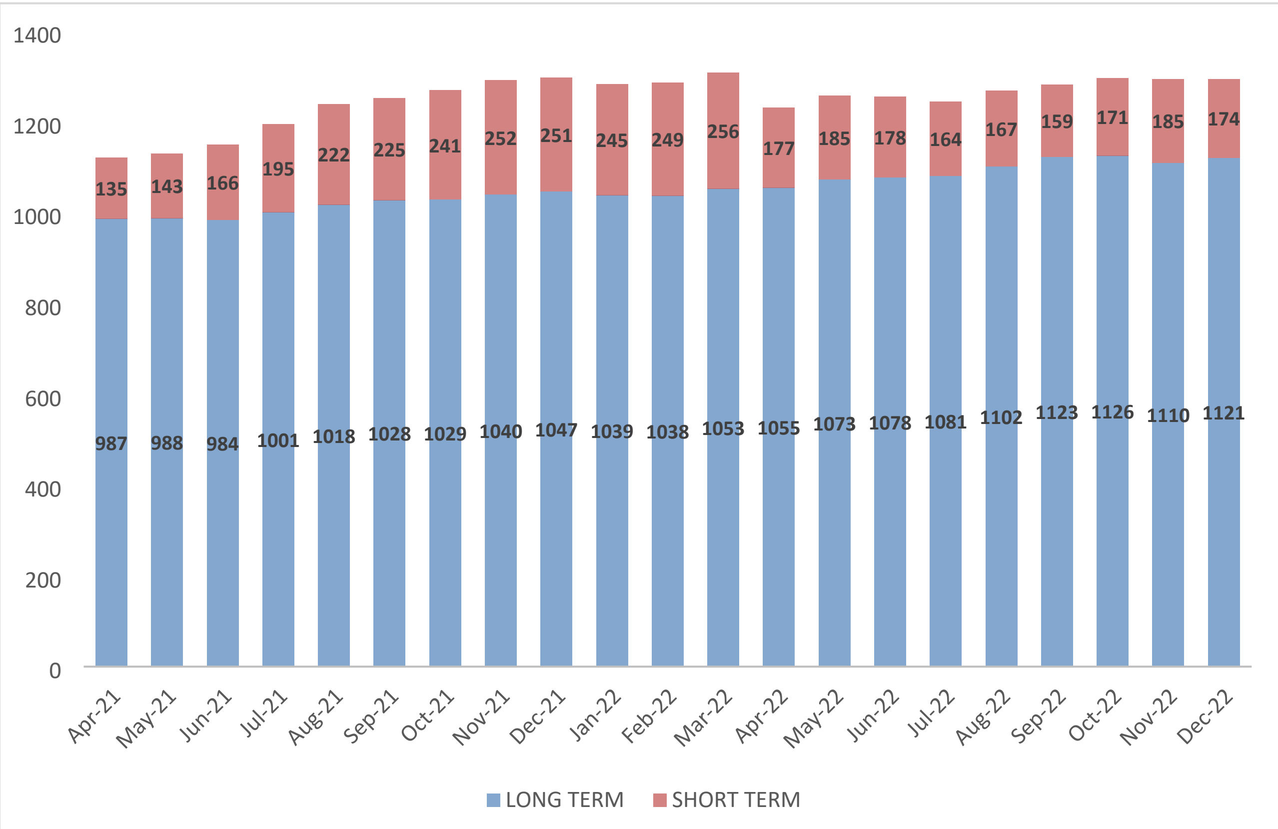
1.2.10 Whilst the pressure within Adult Services continues, there has been on-going work around maximising resources and reducing costs. 2022/23 savings targets were achieved with additional Extra Care placements being utilised and reablement flats helping with the transition from hospital, allowing more clients to receive community-based care. These initiatives have worked extremely well across the winter to help maintain hospital flow and prevent delayed discharges and have helped reduced reliance on short term residential care placements whilst partially mitigating capacity issues within the home care market. However, reliance on residential care to meet the needs of a higher number of clients with increasingly complexity, particularly within our older residents, continues to contribute to the pressures seen within Wellbeing and

Assessment and Mental Health. The trends within demand for services can be seen in the two charts below.

1.2.11 **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 £14.635m against its £22.453m 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 budget has increased by £1.090m since the November position to reflect the 2022/23 pay award increase.

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. Work is on-going as part of the 2023/24 budget allocations to address this key area of financial pressure, allocating the additional social care resources identified in the Local Government Finance Settlement on 19 December 2022 and incorporated into the budget set on 16 February 2023.

1.3.3 Table 2: Forecast Variation for Children's Services as at 31 January 2023

	Budget £m	**Forecast Jan £m**	**Variance Jan £m**	**Variance Nov £m**	**Change since Nov £m**
Corporate Parenting & Placements	16.612	28.955	12.343	10.970	1.373
RHELAC Service	0.013	0.013	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.620	0.619	(0.001)	0.002	(0.003)
Early Help & Vulnerable Families	1.830	1.624	(0.206)	(0.098)	(0.108)
Employment & Skills	0.655	0.644	(0.011)	(0.046)	0.035
Integrated Disability & Additional Needs Service	2.413	4.990	2.577	2.581	(0.004)
School Improvement	0.478	0.411	(0.067)	0.068	(0.135)
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Total Children's Services	**22.453**	**37.088**	**14.635**	**13.477**	**1.158**
Contingency Budget	3.116	0.000	(3.116)	(3.116)	0.000
Total Children's Services after contingency budget applied	**25.569**	**37.088**	**11.519**	**10.331**	**1.158**

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 £14.635m forecast pressure relates mainly to pressures meeting increasing need of £12.343m in Corporate Parenting and Placements and £2.577m in Integrated Disability and Additional Needs.

1.3.5 Some of the pressures were foreseen by Cabinet and backed by £3.116m of centrally held contingencies which, when transferred into Children's Services, will reduce the forecast pressure to £11.519m. The ongoing impact of rising need impacted by Covid, and the cost-of-living crisis has led to additional challenges in delivering savings targets and there are £2.600m of savings targets yet to be delivered.

1.3.6 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.

1.3.7 The increased pressure of £1.158m since the November position is a result of new and extended external residential care placements. There is an increased pressure being experienced in the external residential care market which is seeing unprecedented weekly costs for externally commissioned care packages.

1.3.8 Table 3 below shows the CYPL position split between operational and commissioning pressures. This further illustrates the pressure the service is facing is within the increased need for externally commissioned services, reflecting the services on-going work to bring more capacity to in-house provision.

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

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Externally Commissioned Services	3.480	11.087	7.607	5.679	1.928
In-house Service Provision	9.854	13.145	3.291	4.022	(0.731)
Staffing & Operations	9.287	13.024	3.737	3.776	(0.039)
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Total Children's Services	**22.453**	**37.088**	**14.635**	**13.477**	**1.158**

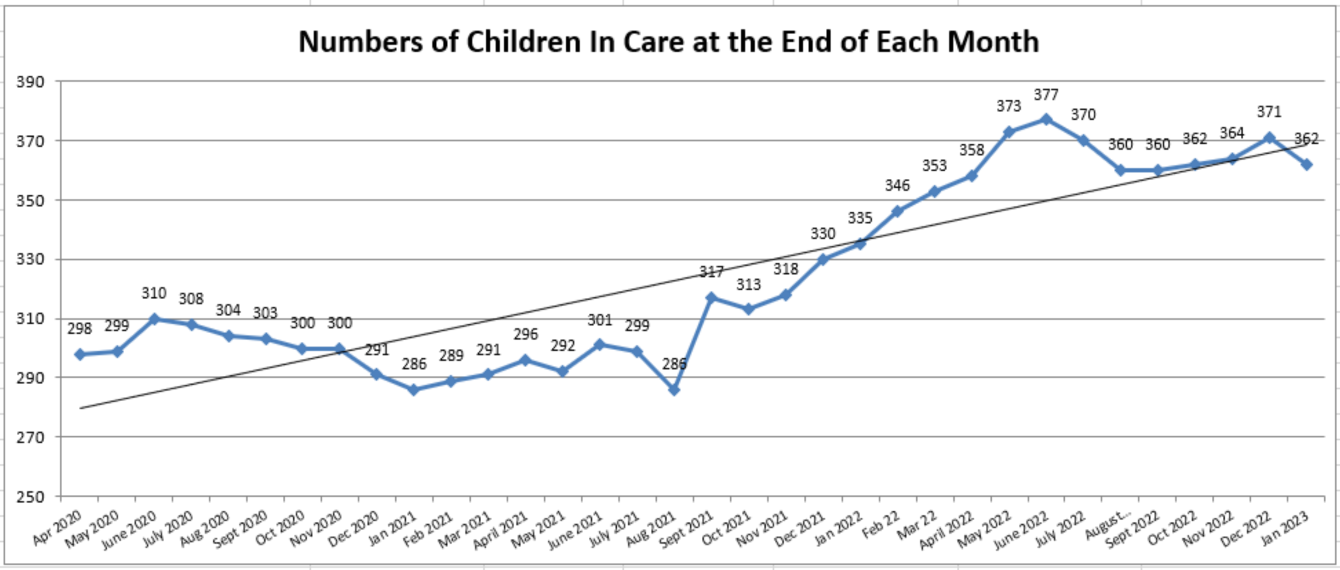
1.3.10 The current Children's Services system was resourced to meet the statutory needs of approximately 1,400 children. However, the service has recently been dealing with more than 1,700 children who reach the threshold for support. Referrals had increased by 25% compared to pre-Pandemic levels. This 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.

1.3.11 The Authority is starting to see a slight reduction in the numbers of children being supported, however the intensity and complexity of packages required to support children is increasing, as well as the increased inflationary and market pressures from the external residential care market.

1.3.12 In January 2023, the children in care numbers have reduced to 362, from a peak of 377, although the Authority expects this to further reduce to below 350 once cases are closed off from the system. Numbers are still significantly above the levels seen in previous financial years and the increase in need is largely due to the impact of additional stress on family relationships. The continued aftereffects of Covid-19 has led to increases in parental mental health issues and domestic abuse, which is exacerbated when combined with financial stressors caused by the cost-of-living crisis.

1.3.13 Current numbers include 28 unaccompanied asylum-seeking children (UASC), an increase of 3 since the November position, which the Authority is mandated to take. The net cost to the Authority for the placements and allowances, after applying the UASC grant funding, is forecast to be a pressure of £0.268m.

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



Corporate Parenting and Placements

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

Type of Service	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Care provision – children in care	9.222	17.598	8.376	7.155	1.221
Care provision – other children	4.027	4.712	0.685	0.701	(0.016)
Management & Legal Fees	(1.434)	0.348	1.782	1.780	0.002
Social Work	4.748	6.243	1.495	1.330	0.165
Safeguarding Operations	0.049	0.054	0.005	0.004	0.001
Total	**16.612**	**28.955**	**12.343**	**10.970**	**1.373**

1.3.16 The forecast is based on the children in care at the end of January 2023. As set out in paragraph 1.3.11, the number of children in care 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 113,103 nights compared to the total number of care nights delivered in 2021/22 which was 108,745.

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

Placement Type	2022/23 Jan Variance £m	Average Annual Placement cost £m	2022/23 Forecast Bed Nights	2021/22 Outturn Bed Nights	Place-ment Mix	No. of children Jan 22	No. of children Nov 22
External Residential Care	3.589	0.265	10,421	8,163	10.5%	38	37
External Fostering	0.394	0.042	10,264	12,068	6.6%	24	28
In-House Fostering Service	1.062	0.027	79,248	68,812	55.0%	199	208
External Supported Accommodation	1.698	0.107	9,709	6,170	10.0%	36	33
In-House Residential Care	1.633	0.206	4,202	**	4.1%	15	14
Other*	0.000	-	-	13,532	13.8%	50	44
Total	**8.376**		**113,844**	**108,745**	**100%**	**362**	**364**

*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 is available.

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

Care Provision – Children in Care

1.3.19 There continues to be an increasing trend nationally in need for children's residential placements but with no corresponding increase in government-funded provision. The trend in North Tyneside 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. 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.

1.3.20 A block arrangement of 4 residential placements was commissioned by the Authority from 1 August 2022 and, as of December 2022, the maximum of 4 children have been successfully placed. This has resulted in cost avoidance compared to other external residential placements with a full year effect cost avoidance of up to £0.300m.

1.3.21 Cabinet will recall the review and refresh of the Fostering Strategy, which was approved in November, this allowed allowances to follow national uplifts and keep the Authority competitive in the local market. An increased pressure of £0.124m within in-house fostering reflects the increase to allowances however the longer-term aim is to increase the number of foster carers to allow less reliance on other types of care provision.

Care Provision – Children not in care

1.3.22 The pressure of £0.685m 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. SGO's are also impacted by the agreed increases to foster care allowances.

Management and Legal Fees

1.3.23 This area has a forecast pressure of £1.782m. The pressure within this area is due to savings targets of £1.468m which are yet to be achieved; the increase seen in January 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.

1.3.24 A managed team of social workers, which was introduced in response to the high numbers of children being supported within the borough, has been extended until just after the end of the financial year. This has resulted in an additional pressure of £0.153m.

Social Work

1.3.25 Within the overall pressure of £12.343m for Corporate Parenting and Placements, there are social work-related pressures of £1.495m. There is an additional team in place of six posts costing circa £0.265m and the '14 Plus Team' adds a further £0.243m to the pressure. The Social Worker regrading exercise contributes £0.191m to the position. Cabinet is aware of the challenges faced across the children's social care sector nationally. There are also a number of vacant posts which are currently being offset by agency staff.

Other Service Areas

1.3.26 Integrated Disability & Additional Needs Service (IDANS) is forecasting a pressure of £2.577m, 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 January 2023.

1.3.27 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.

1.3.28 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.

1.3.29 The School Improvement Service is no longer forecasting a pressure, despite energy inflation. There has been an increase in SLA income and a reduction in staffing costs which have both contributed to the improved position.

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 November.

1.4.2 Table 6: Public Health Forecast Variation

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £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	0.446	0.446	0.000	0.000	0.000
Public Protection	1.194	1.194	0.000	0.000	0.000
GRAND TOTAL	**1.882**	**1.882**	**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, set aside, 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 into Authority management from the Technical Partnership.

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 <u>Commissioning and Asset Management</u>

1.5.1 Commissioning and Asset Management (C&AM) is showing a pressure of £5.924m as set out in Table 7, an increase of £0.123m since the November 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 Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
School Funding & Statutory Staff Costs	5.561	5.420	(0.141)	(0.109)	(0.032)
Commissioning Service	0.493	0.477	(0.016)	0.032	(0.048)
Facilities & Fair Access	0.921	6.584	5.663	5.144	0.519
Strategic Property & Investment	0.861	1.150	0.289	0.545	(0.256)
Property	(0.979)	(0.979)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.169	0.172	0.003	0.004	(0.001)
Procurement	(0.083)	0.043	0.126	0.185	(0.059)
GRAND TOTAL	**6.943**	**12.867**	**5.924**	**5.801**	**0.123**

1.5.4 The main ‘business as usual’ budget issues relate to Facilities and Fair Access which is showing a forecast pressure of £5.633m (November forecast pressure of £5.144m). The Home to School Transport position is showing a pressure of £2.220m which relates to the sustained increase in children with complex needs attending special schools of £0.792m and inflationary pressures of £1.428m. 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 need 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 and 56.14% of the reported pressure relates to Special Schools. 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 £3.366m due to paid school meals and other catering income not forecast to return to pre Covid levels, £0.609m and inflationary pressures of £1.821m. There are pressures on wages of £0.453m from the cumulative effect of additional hours worked and no pay rise being allocated in the budget for additional hours required to cover sickness, maternity leave and deep cleaning days. Current and previous years paid school meals and SLA income target savings will not now be achievable 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.

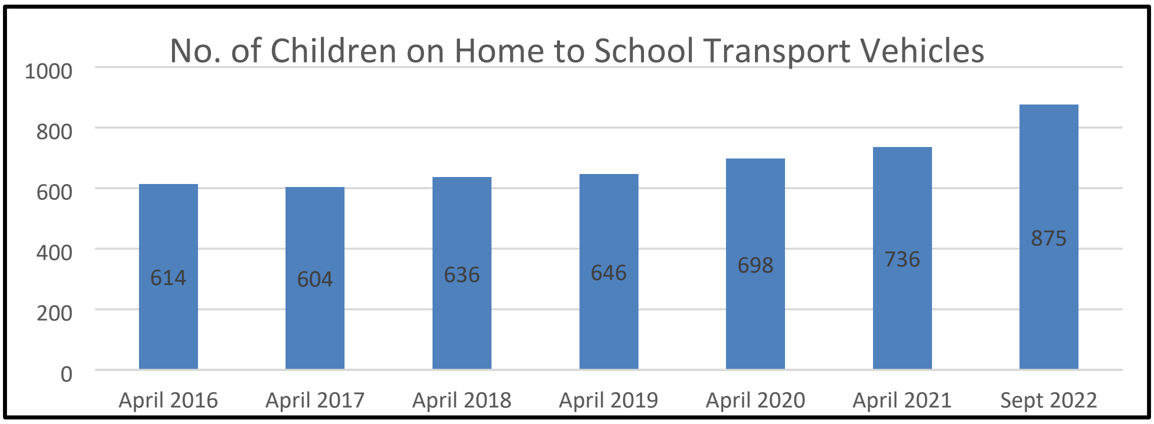
1.5.6 Cleaning has a pressure of £0.143m which results from inflationary pressures of £0.077m, sickness/maternity cover of £0.054m and other non-staffing costs of £0.012m. There are also salary savings and additional income on the Access Service of (£0.066m).

1.5.7 There is a pressure on Strategic Property and Investment of £0.289m which relates primarily to energy charges; £0.200m, of which £0.164m 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 £0.126m due to a cross-cutting savings target of £0.200m and other operational pressures £0.026m, which is partially offset by additional income of £0.100m from a one off KPI failure in the Technical Partnership.

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 £0.112m.

1.5.9 The main movements from November 2022 are an increase in the Home to School Transport forecast, £0.145m, due to an increase in the number of routes and other costs for academic year 2022/23 for children with complex needs, £0.076m, and the effects of inflation of £0.069m on those routes. There is also an increase in the catering forecast pressure, £0.374m, due to inflation through supplier price rises since October 2022 of £0.351m and increase in wages forecasts due to additional hours for deep cleaning and sickness cover and no pay rise allocated to the budget for additional hours, £0.137m. This increase is being reported in January following a further officer led review of inflationary pressures following receipt of quarter 3 information. This is partially offset by an increase in forecast income (£0.114m). There is a reduction in the Strategic Property & Investment forecast (£0.256m) due to an increase in Killingworth site running costs forecast, £0.012m, which is offset by a reduction in forecast energy costs due to more actual cost information being available and revised information from NEPO (£0.268m). There is also an increase in contract penalty income allocated to procurement income of (£0.050m).

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



1.6 <u>Environment</u>

1.6.1 Environment is forecasting a pressure of £1.498m against the £38.698m budget, as set out in Table 8 below, a decrease of £0.056m since the November 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 Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Fleet Management	0.998	0.958	(0.040)	(0.050)	0.010
Head of Service Environment & Leisure	0.148	0.110	(0.038)	(0.036)	(0.002)
Local Environmental Services	8.384	8.942	0.558	0.431	0.127
Sport, Leisure & Community	9.189	10.905	1.716	1.915	(0.199)
Street Lighting PFI	5.123	5.123	0.000	0.000	0.000
Waste Management	14.856	14.158	(0.698)	(0.706)	0.008
GRAND TOTAL	**38.698**	**40.196**	**1.498**	**1.554**	**(0.056)**

Local Environmental Services

1.6.4 Environmental Services (inclusive of Street Environment, Bereavement Services and Security) is predicting a net forecast pressure of £0.558m. Several variables have contributed to this pressure which include inflated energy and business rate costs, shortfalls in income and operational cost pressures.

1.6.5 Of this £0.558m pressure, £0.124m is attributed to energy and business rate costs which are predominantly reflected across Bereavement Services.

1.6.6 £0.081m of the pressure is attributed to legacy income shortfalls following the pandemic across the service. A further £0.116m is due to shortfalls in income within Security Services which has lost several contracts (including Nexus). An underachievement of income is forecast from other service areas such as cafes in Parks. In addition, Bereavement Services is forecast to overachieve against its income target, but the level of overachievement is now anticipated to be lower than previously expected due to Whitley Bay Crematorium being closed until July 2022, following an essential upgrade and refurbishment of the crematorium building.

1.6.7 £0.237m is due to operational cost pressures which includes inflated prices of fuel, materials, and other resource costs.

1.6.8 The variance change, totalling £0.127m from the previously reported position, can be attributed to lower income generation forecasts and increased resource, operational and premises costs across Environmental Services.

Waste Management including Recycling and Disposal

1.6.9 The combined underspend is forecast to reduce slightly to (£0.698m), which reflects the following:

- Across Waste and Recycling Disposal Contracts, there are significant expenditure underspends (savings of £0.546m) linked to Kerbside/Home Recycling Disposal costs, reflecting the current market rate for recycled materials and subsequent lower disposal gate fee per tonne. Staffing vacancy underspends (now filled) also contribute to this figure.

- Within Waste & Refuse Management, an improving overachievement on income across Commercial Waste & Special Collections contributes to the forecast of (£0.152m).

Sport, Leisure & Community

1.6.10 Sport & Leisure is now forecasting a cost pressure of £1.455m. Included within the variance is a legacy pressure of around £0.250m (an improvement from £0.400m) against the £5.257m income target for sports and leisure centres. This reflects that service income is still recovering to pre-pandemic levels. The balance of this pressure is primarily made up of utility cost pressures.

1.6.11 Libraries & Community Centres are forecasting a £0.261m pressure, mainly linked to premises costs. In addition, there are also income pressures across the service.

1.6.12 A combined improved variance change of £0.199m is now forecast across this service area, reflecting the improved forecast for income generation in Sports & Leisure (Non Contours). Additionally, a reduction in employee costs is forecast due to the extended use of casual staff covering vacant posts/staff turnover within Libraries & Community Centres.

Street-Lighting PFI

1.6.13 The Street-Lighting PFI is expected to have energy inflation pressures of £1.329m. 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.

1.7 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 £0.193m, as shown in Table 9 below, which is an improvement of (£0.089m) since the November Cabinet report.

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

Service Areas	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Culture	1.588	1.651	0.063	0.156	(0.093)
Business & Enterprise	0.779	0.729	(0.050)	(0.024)	(0.026)
Regeneration	0.430	0.705	0.275	0.243	0.032
Resources & Performance	0.217	0.217	0.000	0.001	(0.001)
Technical Package - Planning	0.296	0.257	(0.039)	(0.039)	0.000
Technical Package - Transport & Highways	7.457	7.401	(0.056)	(0.055)	(0.001)
GRAND TOTAL	**10.767**	**10.960**	**0.193**	**0.282**	**(0.089)**

1.7.3 Culture is forecasting a pressure of £0.063m which is an improvement of £0.093m since the November Cabinet report. The improvement reflects an improvement in the position around Whitley Bay Playhouse, following confirmation of the Year End Accounts from AMS Global. The remaining pressure is mainly due to events in the Borough (Queens Baton Relay, Platinum Jubilee Activities, National Festival of Archaeology £0.040m). Culture service staffing costs and reduced forecast income across the service makes up the remaining pressure of £0.023m.

1.7.4 Transport and Highways is forecasting an underspend of £0.056m 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 2023/24. 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 £0.524m pressure, an increase of £0.024m since the November Cabinet report. The variance reflects a forecast underachievement in a cross-service income target of £0.157m within Corporate Strategy Management, as well as 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 Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Children's Participation & Advocacy	0.369	0.516	0.147	0.159	(0.012)
Community & Voluntary Sector Liaison	0.369	0.369	0.000	0.000	0.000
Corporate Strategy Management	0.059	0.284	0.225	0.203	0.022
Elected Mayor & Executive Support	0.029	0.039	0.010	0.015	(0.005)
Marketing	0.326	0.384	0.058	0.068	(0.010)
Policy Performance and Research	0.206	0.290	0.084	0.055	0.029
GRAND TOTAL	**1.358**	**1.882**	**0.524**	**0.500**	**0.024**

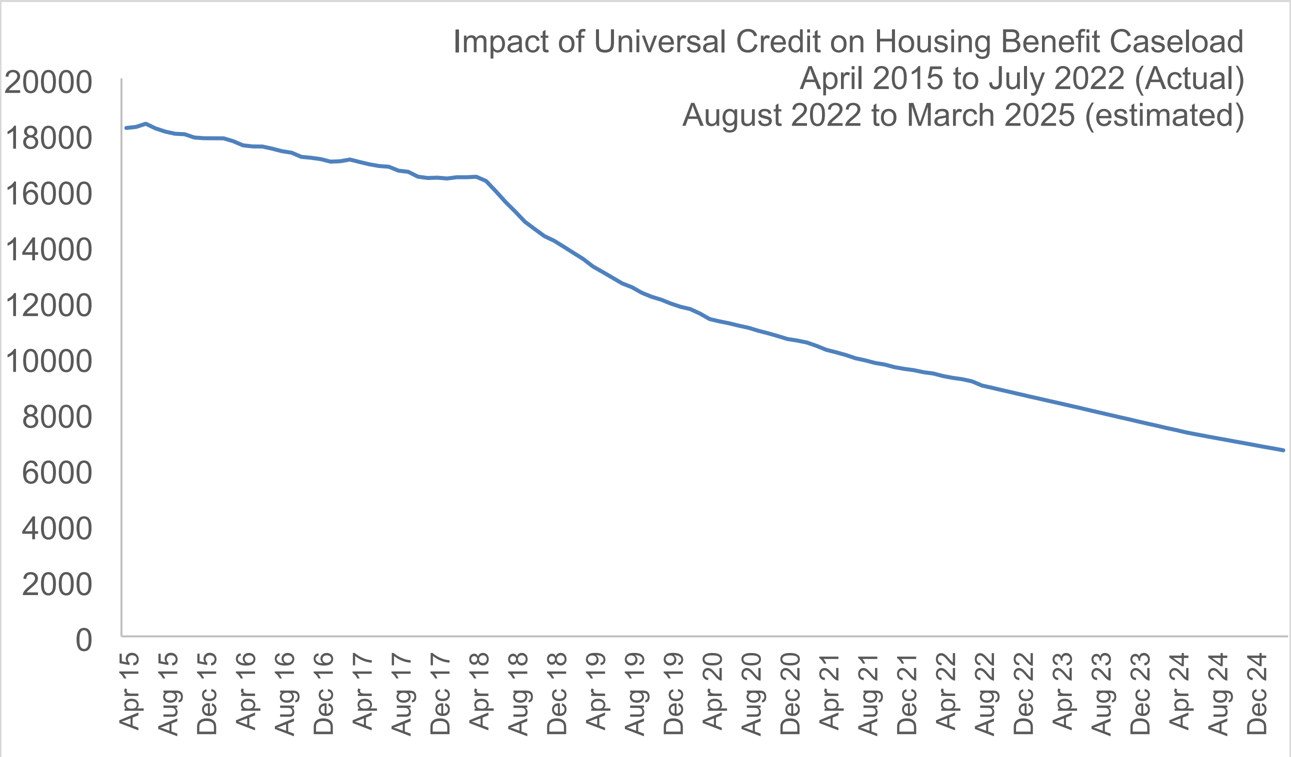
1.9 Resources and Chief Executive Office

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 £1.582m, which is an increase of £0.024m since the last Cabinet report in November.

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

Service Areas	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Chief Executive	(0.069)	(0.143)	(0.074)	(0.027)	(0.047)
Finance	(0.684)	(0.906)	(0.222)	(0.161)	(0.061)
ICT	2.572	2.572	0.000	0.001	(0.001)
HR & Organisational Development	0.355	0.373	0.018	0.042	(0.024)
Internal Audit and Risk Management	0.050	0.047	(0.003)	0.007	(0.010)
Revenues and Benefits	0.633	1.143	0.510	0.617	(0.107)
Director of Resources	0.166	0.177	0.011	0.000	0.011
Customer, Governance and Registration	(0.054)	(0.032)	0.022	0.035	(0.013)
Democratic and Electoral Services	0.022	0.118	0.096	0.101	(0.005)
Information Governance	0.036	(0.070)	(0.106)	(0.227)	0.121
Legal Services	0.198	1.120	0.922	0.893	0.029
North Tyneside Coroner	0.294	0.702	0.408	0.277	0.131
GRAND TOTAL	**3.519**	**5.101**	**1.582**	**1.558**	**0.024**

1.9.3 **Chart 5: 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.
- Contrary 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 January. 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 £0.378m (down from £0.477m at the last Cabinet report) against targets due the reduction in Housing Benefit claimants caused by the move to Universal Credit (UC). 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 (£0.324m, which is an improvement on the reported £0.261m 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 (£0.016m), which is a slight improvement of the position (£0.027m) 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 £0.118m 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 £0.222m 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, Director of Resources and Internal Audit are forecast to have slight overspends of £0.026m as a result of pressures on staffing, which are partially offset by a combination of general operational underspends and staffing savings with the Chief Executive’s office of £0.074m (an increase of £0.047m since the last cabinet report) due to reduced spend on corporate budgets.

<u>Law and Governance</u>

1.9.8 Within the former Law & Governance service the main budget issues relate to Legal Services, with the variance reflecting forecasted cost pressures in Legal Services of £0.922m relating to the employment of Locums/staff costs in response to staffing pressures and reduced income for legal fees. This has slightly worsened (£0.029m) since the last cabinet report due to a member of staff leaving the Authority and being replaced by a locum. 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 at resolving, with a restructure process starting in early March.

1.9.9 Democratic and Electoral Services are forecasting a pressure of £0.097m, a slight decrease of £0.004m since the last Cabinet. This includes a forecast cost of £0.045m relating to the decision taken at Full Council on Thursday 24 November 2022 to write to all households in the Borough regarding the new voter ID arrangements.

1.9.10 In addition, there is an expected £0.408m pressure to deliver North Tyneside Coroner Services, an increase of £0.131m, due to increased forecast costs from all areas of the service (NHS, Partner Local Authority, Funeral Directors, Doctors) arising from increased activity levels which are outside of the control of the Authority.

1.9.11 Within Democratic support there has been a decrease of £0.120m in the current forecast underspend of £0.107m, which is due to the transfer of part of the team to Corporate Strategy, which included the transfer of vacant posts and their budgets.

1.9.12 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.

1.10 General Fund Housing

1.10.1 General Fund Housing is reporting a forecast £0.373m pressure, which is an increase of £0.023m since the last Cabinet report in November. The increase is due to the movement of the Adaptations Client function from Adult Social Services to Housing Property (General Fund) and the current forecast pressure in the service. The remaining forecast reflects the ongoing increased cost pressures of materials and sub-contractors in Repairs and Maintenance 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 Jan £m**	**Variance Jan £m**	**Variance Nov £m**	**Change since Nov £m**
GF Housing	2.177	2.550	0.373	0.350	0.023
Building Control	(0.023)	(0.023)	0.000	0.000	0.000
GRAND TOTAL	**2.154**	**2.527**	**0.373**	**0.350**	**0.023**

1.11 Central Items

1.11.1 Central Items is forecasted to be in surplus by (£13.407m) which is an improvement of (£0.405m) since the September Cabinet report. The surplus figure of (£13.407m) 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 the position is a pressure of £0.500m 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 are mitigated by (£0.835m) of savings on external interest as the Authority continues to benefit from its robust Treasury Management strategy.

1.11.3 The improvement since the previous Cabinet reflects a receipt of the Levy Account surplus (£0.405m).

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

Service Areas	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m	Change since Nov £m
Corporate & Democratic Core	2.925	2.906	(0.019)	(0.019)	0.000
Other Central Items	(4.208)	(17.596)	(13.388)	(12.983)	(0.405)
GRAND TOTAL	**(1.283)**	**(14.690)**	**(13.407)**	**(13.002)**	**(0.405)**

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. The schools are still completing the second monitoring reporting, which will be completed by mid-March 2023.

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 prior to the impact of pay award on staffing costs. The position with the pay award costs included is a deficit of £7.453m. This represents a decrease in balances of £1.920m.

2.1.3 Table 14 below shows the current movement from budget in 2022/23, also illustrating the pay award pressures. In 2022/23, £0.585m has been received from the Homes for Ukraine Education & Childcare Grant, which has now been allocated to relevant schools and is not yet reflected against school projections below but will be incorporated in the next round of budget monitoring.

2.1.4 **Table 14: Schools 2022/23 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 Update on 2023/24 Dedicated Schools Grant (DSG) Funding Allocations

2.2.1 On 19 December 2022, the Department for Education (DfE) published the initial allocations for each block of the DSG. The DSG will continue to be comprised of four blocks: Schools, High Needs, Early Years and Central Schools Services. Each of the four blocks has its own funding formula.

2.2.2 The North Tyneside allocation for the DSG in 2023/24 uses the October 2022 census and follows the 2022/23 allocation as it includes funding previously allocated as grants for pay awards and pension increases and the Schools Supplementary Grant is shown in table 15 below with prior year figures for comparison;

Table 15: Schools Block 2023/24 allocation compared with Prior Years

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22* £m	2022/23* £m	2023/24* £m	2022/23 to 2023/24 £m
Schools	115.395	116.594	120.926	126.794	137.231	140.373	147.586**	7.213
Central School Services	2.500	2.314	2.343	2.051	1.877	1.724	1.621	(0.103)
High Needs	18.680	19.291	19.818	22.319	26.709	29.784	33.265	3.481
Early Years Block	12.064	12.553	12.514	12.771	13.946	14.673	15.291	0.618
TOTAL	**148.639**	**150.752**	**155.601**	**163.935**	**179.763**	**186.554**	**197.763**	**11.209**
Move from 17/18 Baseline £m	-	2.113	6.962	15.296	31.124	37.915	49.124	
Move from 17/18 Baseline %	-	1.42%	4.68%	10.29%	20.94%	25.51%	33.05%	
Change per Year £m	-	2.113	4.849	8.334	15.828	6.791	11.209	
Change per Year %	-	1.42%	3.22%	5.36%	9.66%	3.78%	6.01%	

* Includes pay award and pension grants previously separate to DSG, now rolled into funding formula
** Includes 22/23 Schools Supplementary Grant now rolled into funding formula

2.3 High Needs Block

2.3.1 The £33.265m figure outlined above for the 2023/24 High Needs block reflects the increased DSG funding announced by the DfE and includes funding previously included as separate grants for pay award and pension increases, as in 2022/23. The £3.481m year on year increase is therefore covering these costs going forward. It also includes a deduction of £0.341m made by the Education Skills and Funding Agency for direct funding of places.

2.3.2 Following the Autumn 2022 Spending Review, £400m additional High Needs funding has been allocated, of which North Tyneside's allocation is £1.331m (also included in the High Needs block 2023/24 allocation shown in Table 15 above). This extra funding recognises the additional costs that local authorities and schools will face in the coming year, which were not foreseen when the original High Needs block allocations were calculated. This allocation is on top of the DSG High Needs block allocation calculated under the NFF. In 2023 to 2024 local authorities are required to pass on a 3.4% funding increase to maintained special and alternative provision (AP) schools, and special and AP academies (including free schools), based on the number of places being funded in 2022 to 2023. This requirement will be a condition of grant attached to the additional DSG high needs funding allocated to local authorities.

2.3.3 Cabinet will recall, the High Needs block outturn for 2021/22 was an overspend of £4.792m. Along with the increase in funding of £3.111m in 2022/23, the pressure within High Needs has continued and has a forecast in-year pressure of £4.416m in 2022/23 and therefore an estimated total cumulative overspend of just over £17.927m.

2.3.4 The latest position on these pressures is shown in table 16

Table 16: Forecasted High Needs Overspend

Provision	**Budget £m**	**Forecast Variance £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.
ARPs/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	
Sub-total	**29.783**	**4.416**	
2021/22 B/Fwd		13.511	
Total		**17.927**	

2.4 Dedicated School Grant (DSG) Management Plan

2.4.1 The Authority submitted a final DSG Management Plan on 3 February 2023 to the Department for Education (DfE). This was to agree a package of reform for the Authority's high needs system that will bring the Dedicated School Grant (DSG) High Needs overspend under control. The Authority was required to demonstrate lasting sustainability, effective for children and young people, which included reaching an in-year balance within five years.

2.4.2 The Authority engaged with partners across SEND to co-create the DSG Management Plan. On 16 March 2023 the Authority received confirmation that the submission had been successful and an award of £19.5m of additional funding will flow over the next 5 years subject to compliance with specific conditions set out in the Safety Valve Agreement (link included within background papers). This includes the requirement for the High Needs Block to move into an in-year surplus by 2026/27. £7.8m of additional DSG will be received in the current financial year, reducing the cumulative deficit on the High Needs Block, with the remainder paid over the period to 2027/28 if those conditions are met.

SECTION 3 - HOUSING REVENUE ACCOUNT

Forecast Outturn

3.1 The forecast set out in Table 17 below is based on the results to January 2023. Currently the Housing Revenue Account (HRA) is forecasting an underspend of £0.187m. Throughout the year, costs have been 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 have been monitored which have led to some improvement 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 17: Forecast Variance Housing Revenue Account**

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.535	2.259	(0.276)
Management – Operations	4.958	4.911	(0.047)
Management – Strategy & Support	3.756	3.809	0.053
Capital Charges – Net Effect	12.484	12.484	0.000
Contingencies, Bad Debt & Transitional Protection	0.990	0.766	(0.224)
Contribution to Major Repairs Reserve – Depreciation	13.741	13.740	(0.001)
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)	(63.063)	(0.172)
Rental Income – HRA Shops and Offices	(0.356)	(0.421)	(0.065)
Revenue Support to Capital Programme	10.311	10.301	(0.010)
Repairs	12.799	13.379	0.580
Total	**0.371**	**0.184**	**(0.187)**

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 (£0.172m). 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, Right to Buy (RTB) levels have still been trending at higher than anticipated levels which has eroded this forecast position slightly. 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 £0.270m better than budget. There have been some additional pressures relating mainly to the increased final flat rate pay award for 2022/23, as well as in relation to increased energy costs, but these have been more than absorbed by improvements due to vacancy savings and other underspends across various service areas. In addition, there have been some underspends attributed to the delays in contract signature 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 underspend is now forecast (£0.149m). In addition, Contingency is also being forecast to underspend (£0.071m), plus a small, improved position in the transitional protection forecast (£0.004m), all of which is helping to absorb the pressures elsewhere in the budget such as in the Repairs budget as explained below caused by increased supply chain costs and the increased costs of the pay award for 2022/23.

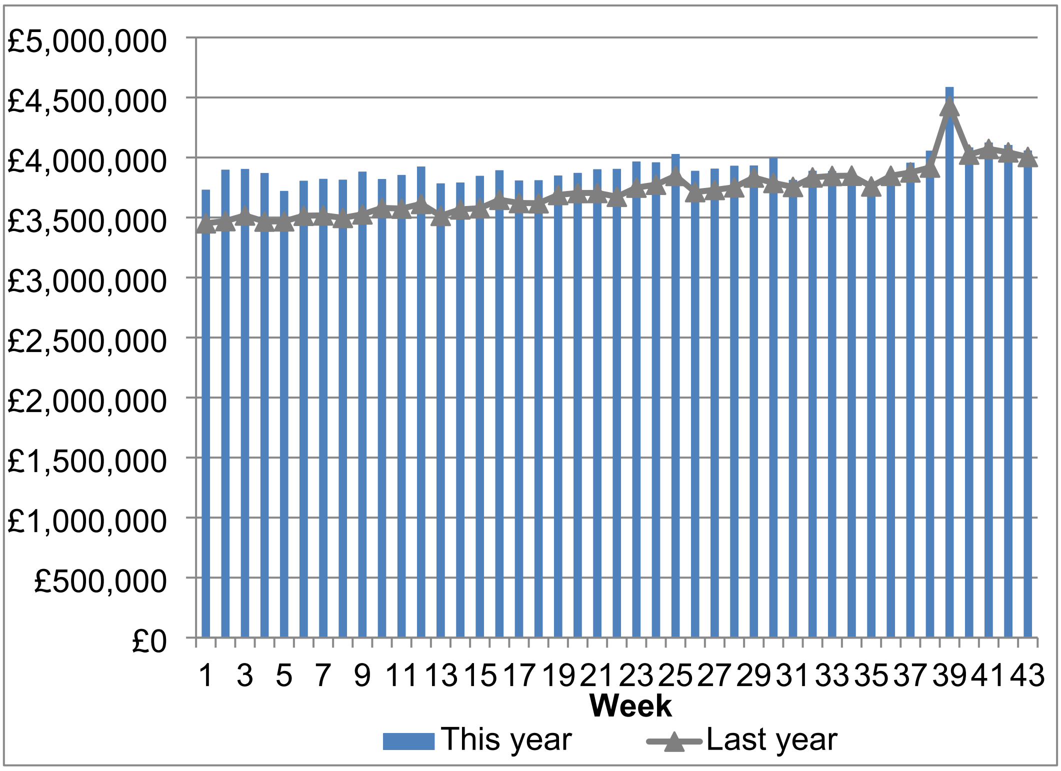
Repairs

3.5 The Housing Repairs budget continues to feel 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 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 has also absorbed a pay award for 2022/23 which averaged out above the 2% budgeted for. All of which means most of the in-year contingencies are already committed to known spend. This results in a forecast pressure on this budget for 2022/23 of £0.580m, which is an increase of £0.219m on the November position reported to Cabinet, and this position will be closely monitored to ensure the situation does not get worse before year-end.

Rent Arrears

3.6 Current Rent Arrears have risen albeit gradually in the first ten months of 2022/23 as compared to 2021/22, with an increase of £0.388m being seen in this period since the start of April 2022. Chart 6 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 potentially impacted 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 6: Rent Arrears in Weeks 1-43 (April-January) 2022/23 compared to 2021/22**

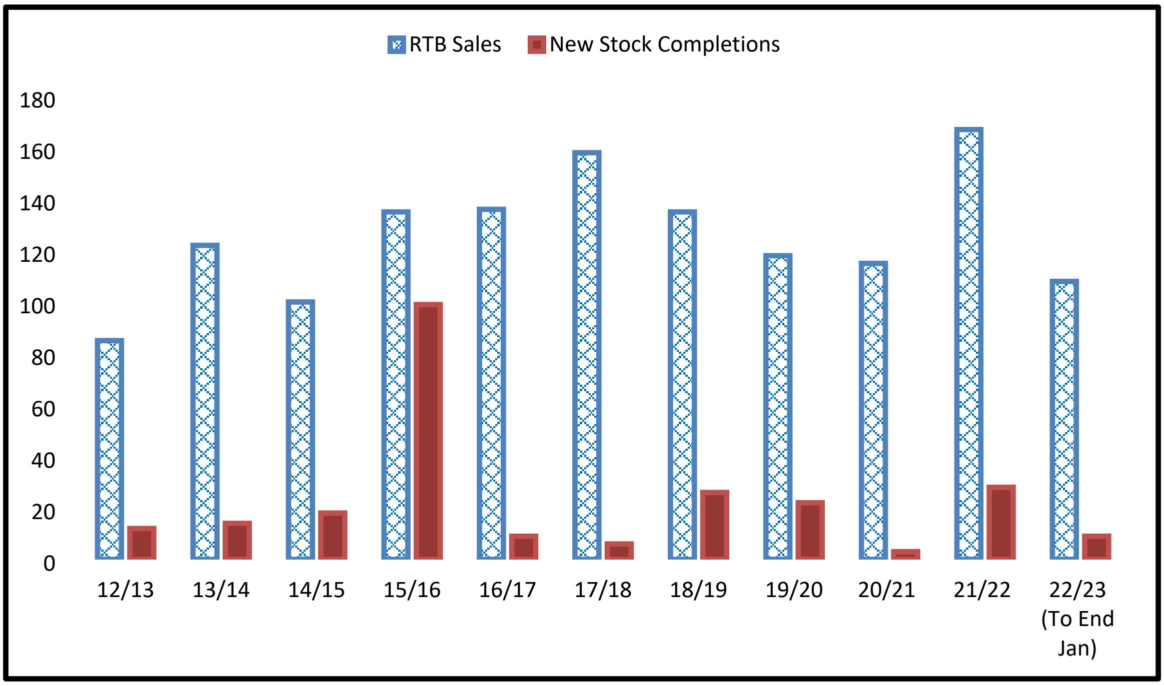


3.7 UC was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. As of the end of March 2022, there were 3,712 tenants of North Tyneside Homes on UC, with arrears totalling £2.934m. At the end of January 2023 there were 4,086 tenants on UC (an increase of 374 tenants) with related arrears of £3.324m (an increase of £0.390m). 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 7 below shows the trend in RTB sales since that time. The first ten months of 2022/23 saw 108 completed RTB sales, which continues the increased trend from 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 7: 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 £18.963m to the 2022-2027 Investment Plan have been identified as part of the ongoing monitoring of the Investment Plan as well as the annual review undertaken as part of the budget setting process and these are summarised in tables 18 and 19 below. Further details of the key changes impacting on the current financial year are provided in paragraph 4.4 and 4.5. The variations relating to future years are primarily relating to the refresh of the Investment Plan, set out in the report to Council on 16 February 2023.

4.3.1 **Table 18: 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	(21.182)	27.104	0.935	0.104	0.760	7.721
Approved Investment Plan	**92.733**	**87.530**	**51.835**	**47.917**	**52.370**	**332.385**
January 23 Monitoring						
Variations	1.521	8.636	4.463	2.288	1.805	18.713
Reprogramming	(6.938)	5.869	1.869	(0.150)	(0.400)	0.250
Total Variations	**(5.417)**	**14.505**	**6.332**	**2.138**	**1.405**	**18.963**
Revised Investment Plan	**87.316**	**102.035**	**58.167**	**50.055**	**53.775**	**351.348**

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

(a) **BS026 Asset Planned Maintenance (£0.104m) -** financial contributions have been re-allocated from BS026 Asset Planned Maintenance Programme to support the delivery of planned works at the Northern Promenade (DV067 £0.045m) and Wallsend Customer First Centre (BS029 £0.059m).

(b) **CO094 Lawn Tennis - Improvements to Tennis Courts £0.081m -** additional LTA funding has been awarded to support full resurfacing across an additional 6 courts (9 in total).

(c) **ED075 Devolved Formula Capital £0.265m -** Additional grant funding has been received for Schools to undertake energy efficiency improvement works.

(d) **EC094 North Shields Transport Hub £1.000m –** Additional DLUHC funding has been secured relating to the delivery of public realm improvements.

(e) **EV095 Active Travel Fund 1 & 2 Rake Lane £0.175m –** A budget adjustment has been made of £0.175m to reflect the final grant funding award.

(f) **GEN03 Contingencies (£0.577m) –** Resources have been reallocated to address inflationary pressures on committed schemes. This includes £0.377m for EV076 Operational Depot Accommodation Review to support the delivery of existing works and £0.200m for EV083 Street Lighting LED following the negotiations on the deed of variation to continue the delivery of the LED installations.

4.5 The proposed significant reprogramming of planned investment to future years from the 22/23 Investment Plan includes the following:

(a) **DV066 Investment in North Tyneside Trading Co (£0.285m) –** Reflecting the anticipated property acquisitions during the remainder of 2022/23.

(b) **DV071 Section 106 Contributions to Set Up Health Facilities £0.013m -** Reprogramming of resources relating to Bewicke Medical Centre to reflect the proposed timing of the payment.

(c) **DV073 Ambition for North Tyneside (£1.147m) –** Reprofiling to future years to develop specific investment proposals for the continued delivery of priority schemes as part of delivering Our Ambition for North Tyneside.

(d) **DV077 Tyne Brand Development Site (£1.300m) –** Reprofiling to future years as negotiations around site assembly continue.

(e) **ED120 Basic Need (£0.200m) -** Reprofiling to future years linked to the review of the school estate.

(f) **EV083 Street Lighting LED (£1.769m) -** Reprofiling to future years to reflect the delivery plans following the negotiations around the deed of variation.

(g) **EV094 Transforming Cities Fund - NT02 North Shields Transport Hub (£2.250m) -** Reprofiling to reflect the latest cash flow information following delays linked to utility works.

4.6 The impact of the changes detailed above on capital financing is shown in table 19 below.

4.6.1 **Table 19: 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	**92.733**	**87.530**	**51.835**	**47.917**	**52.370**	**332.385**
Council Contribution	(2.023)	1.944	4.869	3.100	2.850	10.740
Grants and Contributions	(3.394)	12.104	1.869	0.000	0.000	10.579
HRA Capital Receipts	0.000	0.000	0.000	(0.500)	0.000	(0.500)
HRA Grants & Contributions	0.000	1.567	1.145	1.178	1.209	5.099
HRA Major Repairs Reserve	0.000	(1.110)	(1.551)	(1.640)	(2.654)	(6.955)
Total Financing Variations	**(5.417)**	**14.505**	**6.332**	**2.138**	**1.405**	**18.963**
Revised Investment Plan	**87.316**	**102.035**	**58.167**	**50.055**	**53.775**	**351.348**

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 20 below.

4.7.1 **Table 20: 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 £5.771m 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 £14.761 to be carried forward to fund future years.

4.8.1 **Table 21: 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 January 2023 Cabinet	(1.000)	1.696	0.470	0.302	(0.896)
Revised Requirement	**1.104**	**3.280**	**2.170**	**2.153**	**1.060**
Receipts Brought Forward	(10.094)	(14.761)	(11.481)	(9.311)	(7.158)
Receipts Received 2022/23	(5.771)	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)	**(14.761)**	**(11.481)**	**(9.311)**	**(7.158)**	**(6.098)**

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 31 January 2023

4.9 Actual expenditure for 2022/23 in the General Ledger was £53.366m; 57.55% of the total revised Investment Plan at 31 January 2023.

4.9.1 **Table 22: Total Investment Plan Budget & Expenditure to 31 January 2023**

	2022/23 Revised Investment Plan £m	Actual Spend to 31 Jan 2022 £m	Spend as % of revised Investment Plan %
General Fund	60.702	35.572	58.60
Housing	26.614	17.794	66.86
TOTAL	**87.316**	**53.366**	**61.12**

SECTION 5 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

5.1 The Authority's current available cash balance as at the end of January 2023 is £13.315m, with £24.300m 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 23: Investment Position as at 31 January 2023**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	12.000	1 February 2023
Barclays	Call	1.315	n/a
Other LA	Fixed	20.000	09 February 2024
Fixed Deposits	Fixed	4.300	July 2023

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

5.2 The Bank of England Monetary Policy Committee (MPC) increased the Bank Rate for the tenth consecutive meeting in December 2022. An increase of a further 0.50%, to 3.50%, taking it to the highest in over 14 years. The inflation rate has begun to fall, but in December prices were still 10.5% higher than they were a year ago. To help return the inflation rate target to 2%, the MPC increased the interest rate by a further 0.50% to 4.00% at the meeting on 2 February 2023.

5.3 The impact of raising base rate had an immediate impact to the cost of borrowing. Table 24 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 24: Summary of Borrowing Levels**

Temporary Market*		PWLB**	
Tenor	Level	Tenor	Level
1 week	3.40%	2 years	4.44%
1 month	3.66%	5 years	4.30%
3 months	3.80%	10 years	4.45%
6 months	3.88%	20 years	4.80%
9 months	4.00%	30 years	4.74%
12 months	4.10%	50 years	4.52%

**Please note these levels are from 30/01/2023*
***PWLB rates do not include certainty rate reductions,*

5.6 Any shortfalls in cashflow are covered by in year temporary borrowing, which may be a quick and cost-effective method of cash management in the current climate. As year-end approaches and cash flow tightens, the Authority may look to utilise such borrowing.

Borrowing Position

5.7 Table 25 shows the Authority's current debt position, with total borrowing maturing in 2022/23 of £5.000m.

5.7.1 **Table 25: 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, de-risk the Authority's under-borrowed position, as well as take advantage of relatively low long-term rates.

5.10 Table 26 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.

5.10.1 **Table 26: Link Interest Rate Forecasts**

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

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 31 January 2023, the actual current year Council Tax net liability has increased to £126.634m. The Authority has collected 87.56% (£110.881m) compared to 87.48% (£105.767m) at the same point in 2021/22. This relates to 101,033 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 31 January 2023, the Authority had collected 87.88% (£52.384m) of the current net liability compared to 83.862% (£44.314m) at the same point in 2021/22. A total number of 6,278 properties have been administered.