

2022/23

Provisional

Finance Outturn

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 provisional outturn position for 2022/23, this was prepared on a prudent basis to give sight of the overall challenges at this stage in the financial year. In addition, challenge sessions were held 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 reporting an outturn position of £1.130m overspent against its £56.809m net controllable expenditure budget.

1.2.2 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. This has been supported by additional Adult Social Care Discharge funding distributed via the Integrated Care Board (ICB).

1.2.3 Adults Services continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures, and national policy changes. Work is ongoing to support social care providers to maintain their vital services. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage increases but also from the 'cost-of-living' pressures currently being experienced across the country. The 2022/23 provider fee included an additional in-year temporary uplift agreed with providers of £0.280m (additional 1.2%). 2023/24 inflationary pressures continue to increase with fee uplifts ranging from 9.8%-12.5%.

1.2.4 Table 1: Provisional Outturn Position for Adults Services as at 31 March 2023

	Budget	Provisional Outturn March	Variance March	Variance Jan	Change since Jan
	£m	£m	£m	£m	£m
Central, Strategy and Transformation	1.127	1.095	(0.032)	(0.136)	0.104
Social Work and Associated Activity	7.820	7.377	(0.443)	(0.395)	(0.048)
Integrated Services	2.667	1.143	(1.524)	(1.441)	(0.083)
Business Assurance	0.316	0.326	0.010	0.020	(0.010)
<b>Sub-total Operations</b>	<b>11.930</b>	<b>9.941</b>	<b>(1.989)</b>	<b>(1.952)</b>	<b>(0.037)</b>
Commissioned Services – Wellbeing and Assessment	13.047	14.552	1.505	2.919	(1.414)
Commissioned Services – Learning Disability	26.885	28.052	1.167	1.374	(0.207)
Commissioned Services – Mental Health	3.607	4.582	0.975	1.979	(1.004)
Commissioned Services – Other	1.340	0.812	(0.528)	(0.528)	0.000
<b>Sub-total – Commissioned Services</b>	<b>44.879</b>	<b>47.998</b>	<b>3.119</b>	<b>5.744</b>	<b>(2.625)</b>
<b>Total Adult Services</b>	<b>56.809</b>	<b>57.939</b>	<b>1.130</b>	<b>3.792</b>	<b>(2.662)</b>

**Main budget pressures across Adults Services**

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.

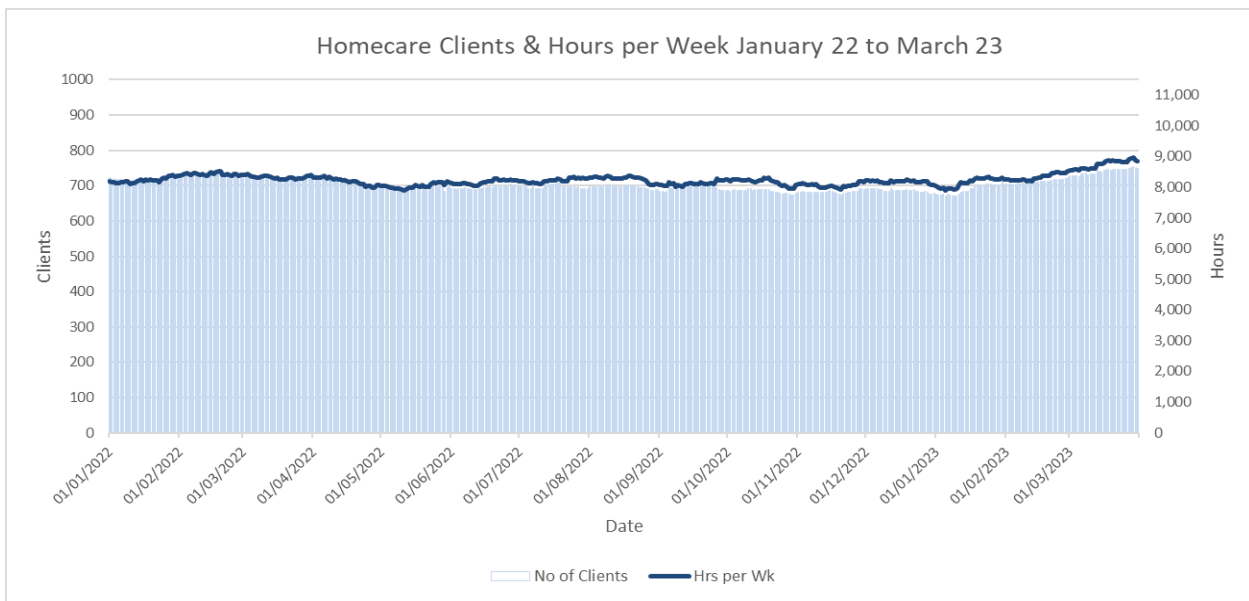
1.2.6 The operational costs of the service are reporting an underspend of £1.989m. This position represents a slight improvement of £0.037m from the previously reported position and continues to reflect a large number

of vacant posts because of the ongoing difficulty in recruitment and retention of staff. The in-house home care service has been effectively 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) and there are proposals for this to continue in 2023/24.

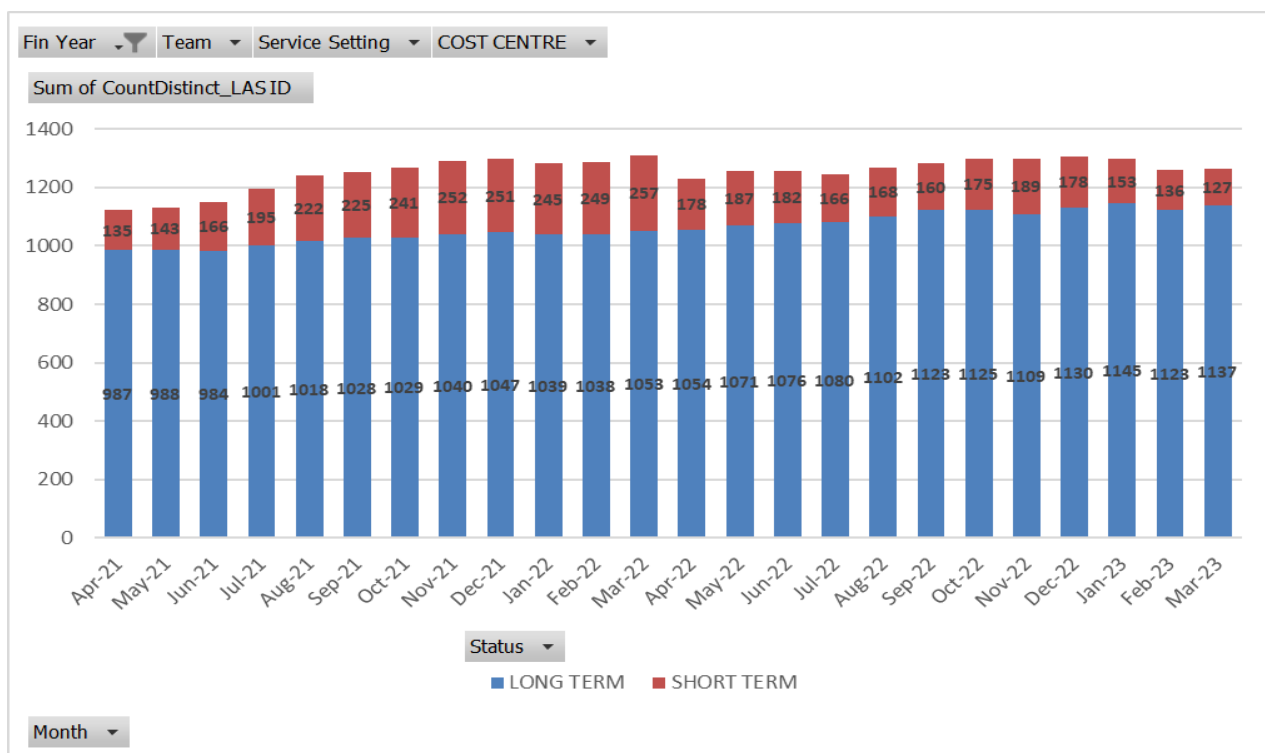
- 1.2.7 Commissioned Services are reporting an over spend of £3.119m, a decrease of £2.625m on the previous reported pressure. This pressure still reflects the ongoing legacy of Covid-19 as well as significant levels of inflationary pressures being experienced by external providers. However this has been helped by increased income from client contributions and deferred charges (£1.484m) as the full year effect of the amendment to the minimum income guarantee is seen and the return to business as usual in terms of charging and income recovery following the end of Covid-19 funding.
- 1.2.8 There has also been investment in the Adult Social Care Finance Team to improve the income & debt collection processes which is now starting to impact positively on income levels. The reclaim of balances from Independent Living fund's (ILF) was prioritised resulting in an increase in reclaims of £0.400m.
- 1.2.9 While there continues to be pressure around funding from the NHS for clients with shared care and to support mental health infrastructure, additional income in relation to clients resettled from long stay NHS hospitals was received (£0.640m) in 22/23. The Authority continues to work 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 reporting a provisional outturn position of £8.866m overspent against its £25.753m net controllable expenditure budget. This position now includes the contingency budget £3.116m, previously set aside in Central Items for pressures in Children's Services.

#### 1.3.2 **Table 2: Forecast Variation for Children's Services as at 31 January 2023**

	Budget £m	Provisional Outturn March £m	Variance March £m	Variance Jan £m	Change since Jan £m
Corporate Parenting & Placements	19.801	27.326	7.525	12.343	(4.818)
RHELAC Service	0.014	(0.027)	(0.041)	0.000	(0.041)
Child Protection, Independent Assurance and Review	0.620	0.628	0.008	(0.001)	0.009
Early Help & Vulnerable Families	1.905	1.339	(0.566)	(0.206)	(0.360)
Employment & Skills	0.686	0.576	(0.110)	(0.011)	(0.099)
Integrated Disability & Additional Needs Service	2.411	4.809	2.398	2.577	(0.179)
School Improvement	0.484	0.136	(0.348)	(0.067)	(0.281)
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
<b>Total Children's Services</b>	<b>25.753</b>	<b>34.619</b>	<b>8.866</b>	<b>14.635</b>	<b>(5.769)</b>
Contingency Budget	0.000	0.000	0.000	(3.116)	3.116
<b>Total Children's Services after contingency budget applied</b>	<b>25.753</b>	<b>34.619</b>	<b>8.866</b>	<b>11.519</b>	<b>(2.653)</b>

#### Main budget pressures across Children's Services

1.3.3 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 has been ongoing for several months to rebase the Children's Services 2023/24 budget, based on a "core" number of children in need, the staffing structure and placement mix to support those children. This exercise will help to allocate the additional 2023/24 social care budget, identified in the Local

Government Finance Settlement and address this key area of financial pressure.

- 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 £8.866m forecast pressure relates mainly to pressures meeting increasing need of £7.525m in Corporate Parenting and Placements and £2.398m 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. Other central allocations, Covid-19 funding, central reserves and energy funding have been allocated at year-end, totalling £2.135m. The on-going impact of rising need impacted by Covid-19 and the 'cost-of-living crisis' has led to additional challenges in delivering savings targets and there are £2.359m of savings targets yet to be delivered. As part of the final 2023/24 budget allocation these efficiency targets will be reviewed.
- 1.3.6 The main factor behind the overall forecast position is still 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 reduction in the overall pressure since the January position, that relates to operational movement is £0.522m. This is a result of a reduction in short break care and associated activities (£0.175m) which is due to a lack of suitable provision. There is a reduction in spend on School Improvement (£0.133m) due to reduced staffing and energy forecasts and a reduction in spend on staffing within Early Help & Vulnerable Families (£0.286m) due to the level of vacancies and additional staff leaving the service.
- 1.3.8 Table 3 below shows the Children's Services position split between operational and commissioning pressures. This further illustrates the pressure the service is facing with 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	Provisional Outturn March £m	Variance March £m	Variance Jan £m	Change since Jan £m
Externally Commissioned Services	5.066	9.850	4.784	7.607	(2.823)
In-house Service Provision	9.842	12.914	3.072	3.291	(0.219)
Staffing & Operations	11.013	12.023	1.010	3.737	(2.727)
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
<b>Total Children’s Services</b>	<b>25.753</b>	<b>34.619</b>	<b>8.866</b>	<b>14.635</b>	<b>(5.769)</b>
Contingency Budget	0.000	0.000	0.000	(3.116)	3.116
<b>Total Children’s Services after contingency budget applied</b>	<b>25.753</b>	<b>34.619</b>	<b>8.866</b>	<b>11.519</b>	<b>(2.653)</b>

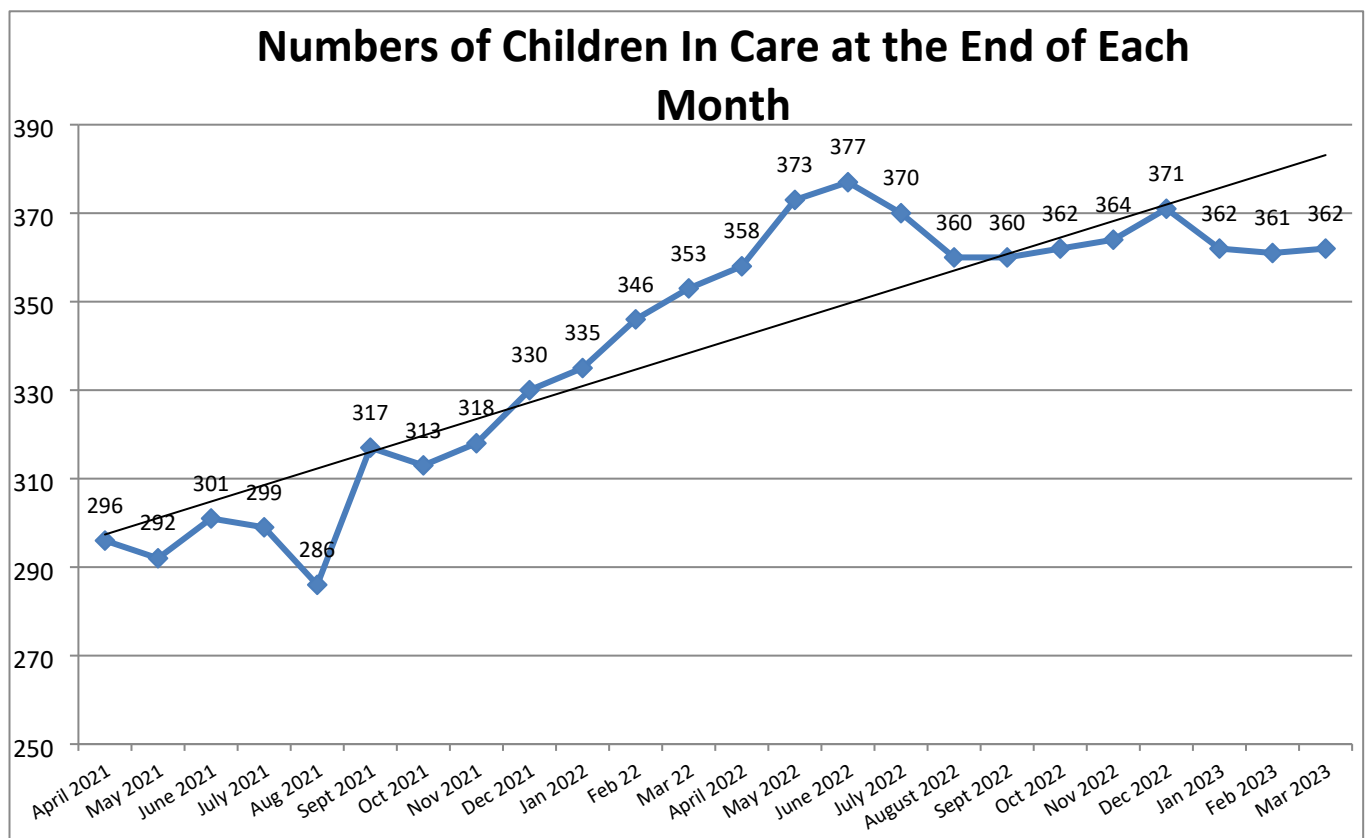
1.3.10 The current Children’s Services system was resourced to meet the statutory needs of approximately 1,400 children in need. However, the service has recently been dealing with more than 1,700 children who reach the threshold for support. This level of activity is leading to a requirement for additional staff and contributes to significant pressure on budgets. The Authority has started to see a slight reduction in the numbers of children being supported and the new model for 2023/24 looks to establish a system of care for a “core” of 1,600 children, which it is felt is a more realistic model.

1.3.11 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 March 2023, the children in care numbers have remained constant at 362, from a peak of 377. Numbers are still significantly above the levels seen in previous financial years and slightly above the “core” number of 330 that the 2023/24 budget will be set-up to support. 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 26 unaccompanied asylum-seeking children (UASC), 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 a pressure of £0.268m. This does not include the cost of staff time to support these children.

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	Provisional Outturn March £m	Variance March £m	Variance Jan £m	Change since Jan £m
Care provision – children in care	10.798	16.476	5.678	8.376	(2.698)
Care provision – other children	4.027	4.606	0.579	0.685	(0.106)
Management & Legal Fees	0.159	0.531	0.372	1.782	(1.410)
Social Work	4.768	5.659	0.891	1.495	(0.604)
Safeguarding Operations	0.049	0.054	0.005	0.005	0.000
<b>Total</b>	<b>19.801</b>	<b>27.326</b>	<b>7.525</b>	<b>12.343</b>	<b>(4.818)</b>

1.3.16 The overspend is based on the children in care at the end of March 2023, the significant improvement since January is due to the allocation of the contingency budget (£3.116m) and other funding previously held centrally.

1.3.17 The number of Children in Care can be volatile and costs for individual children can be very high. There is a potential risk that future forecasts could increase if numbers of care nights delivered on complex cases starts to rise above current levels.

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

Placement Type	2022/23 March Variance £m	Average Annual Placement cost £m	Place- ment Mix	No. of children Mar 22
External Residential Care	0.834	0.265	7.5%	27
External Fostering	0.392	0.042	6.4%	23
In-House Fostering Service	1.007	0.027	56.9%	206
External Supported Accommodation	1.887	0.107	12.1%	44
In-House Residential Care	1.557	0.206	5.8%	21
Other*	0.000	-	11.3%	41
<b>Total</b>	<b>5.677</b>		<b>100%</b>	<b>362</b>

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

### **Care Provision – Children in Care**

- 1.3.19 There continues to be an increasing trend nationally in need for children’s residential placements. 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 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**

- 1.3.21 The overspend of £0.579m 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**

- 1.3.22 This area has a provisional overspend of £0.372m. The position improved within this area due to the allocation of the contingency budget against unachieved savings targets of £1.468m.
- 1.3.23 A managed team of social workers, which was introduced in response to the high numbers of children being supported within the borough, was extended until just after the end of the financial year. This arrangement has now ended.

## Social Work

- 1.3.24 Within the overall overspend of £7.525m for Corporate Parenting and Placements, there are social work-related pressures of £0.891m. 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

- 1.3.25 Integrated Disability & Additional Needs Service (IDANS) is forecasting a pressure of £2.398m, 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.
- 1.3.26 Within IDANS, 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.
- 1.3.27 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. At the end of the financial year there was a reduction in the projected pressure due to a reduction in short break care and associated activities (£0.175m) which was due to a lack of suitable provision.
- 1.3.28 The School Improvement Service saw a further reduction in projected spend and the provisional outturn position is reported as an underspend (£0.348m). This was due to an increase in SLA income and a reduction in staffing costs which both contributed to the improved position.
- 1.3.29 Early Help also saw an increase in vacant posts and staff leaving the service which resulted in an increased underspend of £0.566m.

## 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 January.

### 1.4.2 Table 6: Public Health Forecast Variation

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
0-19 Children's Public Health Service	0.273	0.273	0.000	0.000	0.000
Public Health Ring Fenced Grant	(0.032)	(0.032)	0.000	0.000	0.000
Public Protection	1.111	1.111	0.000	0.000	0.000
Community Safety & Resilience	0.447	0.447	0.000	0.000	0.000
Obsolete Codes – Public Health	0.000	0.000	0.000	0.000	0.000
<b>GRAND TOTAL</b>	<b>1.799</b>	<b>1.799</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

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

1.4.3 0-19 Children's Public Health Services 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 & Asset Management (C&AM) is reporting an outturn overspend of £4.949m compared to a forecast pressure of £5.924m in the January Cabinet report.

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

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
School Funding & Statutory Staff Costs	5.561	5.404	(0.157)	(0.141)	(0.016)
Commissioning Service	0.493	0.452	(0.041)	(0.016)	(0.025)
Facilities & Fair Access	0.913	5.942	5.029	5.663	(0.634)
Strategic Property & Investment	1.096	1.178	0.082	0.289	(0.207)
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000
Property	(0.231)	(0.231)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.313	0.310	(0.003)	0.003	(0.006)
Procurement	0.110	0.149	0.039	0.126	(0.087)
<b>GRAND TOTAL</b>	<b>8.255</b>	<b>13.204</b>	<b>4.949</b>	<b>5.924</b>	<b>(0.975)</b>

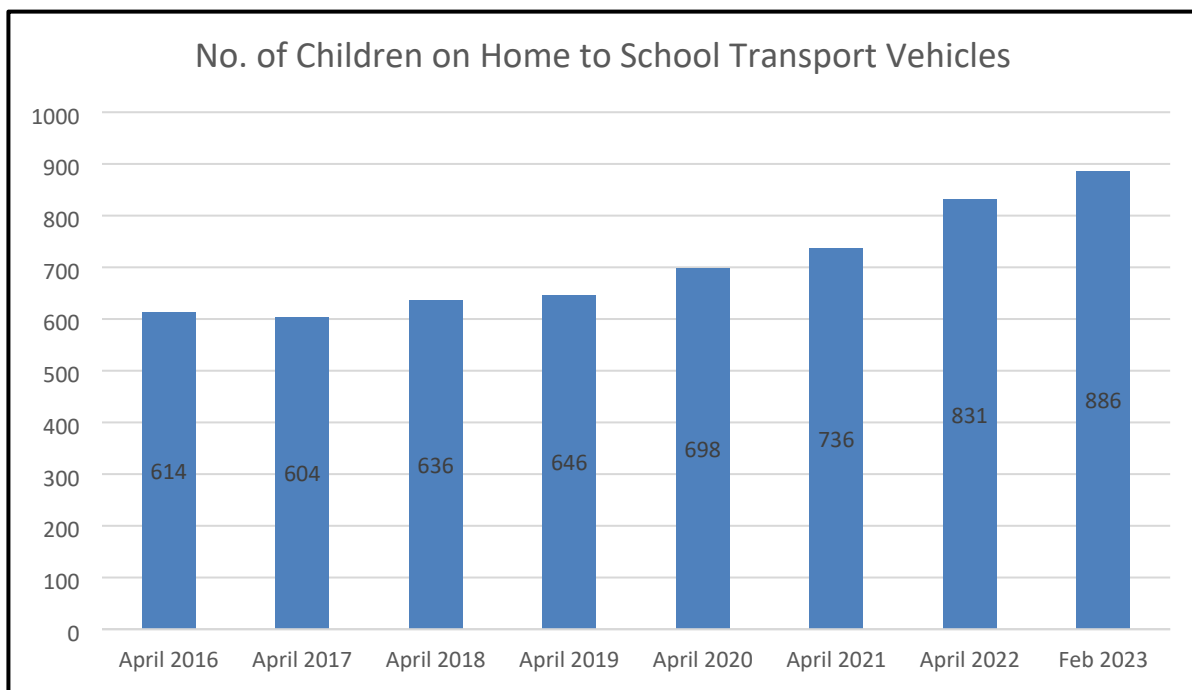
1.5.3 The main overspend is within Facilities and Fair Access, which is showing an overspend of £5.029m (January forecast pressure of £5.663m). The Home to School Transport position shows an overspend of £2.161m and relates to the sustained increase in children with complex needs attending special schools of £0.761m and inflationary pressures of £1.400m. 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 886 in February 2023 as shown in the performance data and 57.57% 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.

1.5.4 There is an overspend on the Catering service (£2.789m) due to inflationary pressures of £1.936m. There are pressures on wages (£0.370m) from the additional hours worked to cover sickness, maternity

leave and deep cleaning days and the cumulative effect of no annual pay rise being allocated in the budget for additional hours worked. Current and previous years paid school meals and SLA income target savings of £0.164m are not achieved due to the number of schools that have left the SLA. The service is currently reviewing all costs associated with SLA provision to mitigate the loss of income into future years. The management & central establishment element of the catering SLA of £0.319m has also not been recovered from the schools that have left the SLA.

1.5.5 Cleaning is overspent by £0.130m which results from inflationary pressures of £0.067m and sickness/maternity cover of £0.063m. There are salary savings and additional income on Access services of £0.051m.

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



1.6 **Environment**

1.6.1 Environment is reporting an outturn saving of £0.198m compared to a pressure of £1.498m in the January Cabinet report.

1.6.2 **Table 8: Forecast Variation in Environment**



Service Areas	Budget	Outturn Mar	Variance Mar	Variance Jan	Change since Jan
	£m	£m	£m	£m	£m
Bereavement	(0.610)	(0.558)	0.052	0.100	(0.048)
Fleet Management	0.998	1.155	0.157	(0.040)	0.197
Libraries and Community Centres	5.795	5.679	(0.116)	0.261	(0.377)
Sport and Leisure	4.599	4.988	0.389	1.455	(1.066)
Street Environment	9.139	9.283	0.144	0.458	(0.314)
Waste and Recycling Disposal Contracts	10.577	9.801	(0.776)	(0.546)	(0.230)
Waste and Refuse Management	4.280	4.263	(0.017)	(0.152)	0.135
Head of Service Environment and Leisure	0.148	0.117	(0.031)	(0.038)	0.007
Street Lighting PFI Contract	5.122	5.122	0.000	0.000	0.000
<b>GRAND TOTAL</b>	<b>40.048</b>	<b>39.850</b>	<b>(0.198)</b>	<b>1.498</b>	<b>(1.696)</b>

1.6.3 Sport & Leisure is reporting a significantly reduced overspend of £0.389m (£1.455m at January Cabinet). This is mainly due to the allocation of central support for Gas and Electricity and central support linked to Covid-19 legacy income for loss of Sales Fees and Charges.

1.6.4 Within Waste Management, the combined underspend is £0.793m (previously £0.698m). Across Waste & Recycling Disposal Contracts, there are significant expenditure underspends (savings of £0.776m) linked to Kerbside/Home Recycling Disposal costs forecast which reflects the current market rate for recycled materials and subsequent lower disposal gate fee per tonne. Within Waste & Refuse Management, an overachievement on income of £0.187m across Commercial Waste & Special Collections mitigates the higher than expected operational cost around Refuse Collection staff and the purchase of bins. The impact of the higher costs has resulted in the overall underspend across Waste & Refuse Management reducing by £0.135m since the previous reported variance.

1.6.5 Within Environmental Services, a combined overspend of £0.196m is reported which is a significant improvement of £0.366m since the last

Cabinet position. There is a £0.145m movement following the allocation of central support for Gas & Electricity, a £0.090m improvement in Employee/Pay costs, a £0.043m improvement in income generation and a £0.088m improvement in operational expenditure across this sub-service. A large element of the overall Environmental Services variance can be attributed to some income shortfalls together with higher than budgeted Employee & Operational costs amounting to a £0.158m overspend being reported.

- 1.6.6 Within Fleet Management a £0.157m overspend is being reported due to the allocation of revenue financing repayments linked to the Capital Vehicle Replacement Programme. The actual amount charged to the service is £0.218m higher than the budget which has resulted in the variance position changing adversely by £0.197m since the January Cabinet report.

## 1.7 **Regeneration and Economic Development**

- 1.7.1 Regeneration and Economic Development (R&ED) is showing an overspend of £0.249m, which is an increase of £0.056m since the January Cabinet report.

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

Service Areas	Budget	Outturn Mar	Variance Mar	Variance Jan	Change since Jan
	£m	£m	£m	£m	£m
Resources & Performance	0.306	0.416	0.110	0.000	0.110
Business & Enterprise	0.779	0.592	(0.187)	(0.050)	(0.137)
Regeneration	0.443	0.713	0.270	0.275	(0.005)
Technical Package – Transport & Highways	7.604	7.604	0.000	(0.055)	0.055
Technical Package – Planning	0.307	0.307	0.000	(0.039)	0.039
Culture	1.614	1.670	0.056	0.062	(0.006)
Section 106 Agreements	0.000	0.000	0.000	0.000	0.000
<b>Grand Total</b>	<b>11.053</b>	<b>11.302</b>	<b>0.249</b>	<b>0.193</b>	<b>0.056</b>

1.7.3 The main budget pressure is within Regeneration and 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. Despite the shortfall, the service is still actively marketing vacant units and looking to attract tenants.

1.7.4 The reallocation of central funding across Resources & Performance and Business & Enterprise has resulted in a worsening position in Resources and Performance of £0.110m and an improved position in Business and Enterprise (£0.137m). This has resulted in an overall (£0.027m) improvement across these services.

## 1.8 Corporate Strategy

1.8.1 Corporate Strategy is reporting an outturn overspend of £0.507m which is an improved £0.017m variance change from the previous reported position to Cabinet.

1.8.2 **Table 10: Forecast Variation Corporate Strategy**

Service Areas	Budget	Outturn Mar	Variance Mar	Variance Jan	Change since Jan
	£m	£m	£m	£m	£m
Children's Participation & Advocacy	0.369	0.500	0.131	0.147	(0.016)
Community & Voluntary Sector Liaison	0.369	0.367	(0.002)	0.000	(0.002)
Corporate Strategy Management	0.231	0.478	0.247	0.225	0.022
Elected Mayor & Executive Support	0.029	0.046	0.017	0.010	0.007
Marketing	0.326	0.389	0.063	0.058	0.005
Policy Performance and Research	0.206	0.257	0.051	0.084	(0.033)
<b>Grand Total</b>	<b>1.530</b>	<b>2.037</b>	<b>0.507</b>	<b>0.524</b>	<b>(0.017)</b>

1.8.3 The main overspend of £0.247m is against Corporate Strategy Management which reflects a £0.157m underachievement against a cross service income target, a £0.015m shortfall in the funding of the Customer Service and Digital Strategy post and other Customer Service Programme employee cost pressures.

1.8.4 There is an overspend of £0.131m against Children's Participation and Advocacy which is due to the net impact of new and unfunded posts linked to Social Inclusion activities and demands which has resulted in a £0.100m staffing pressure, with partial mitigation income from external and internal sources.

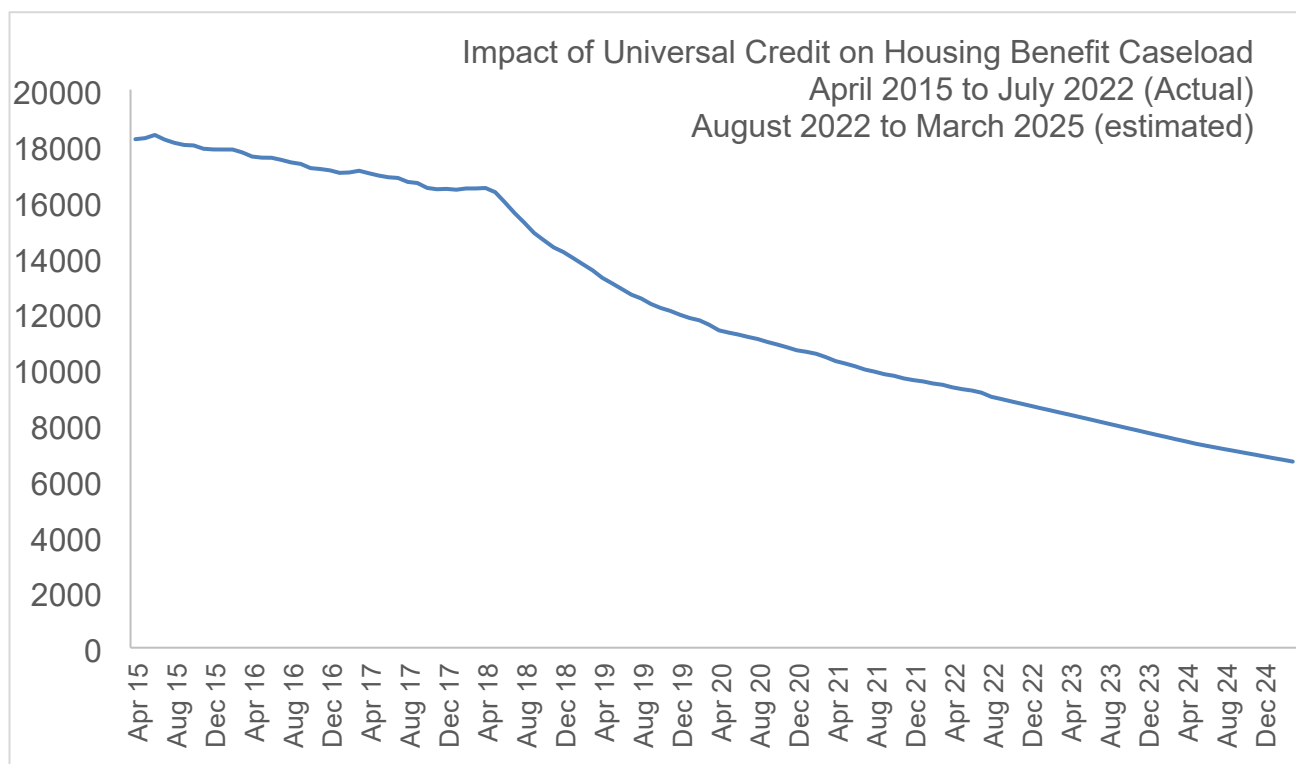
## 1.9 Resources and Chief Executive Office

1.9.1 The outturn position for the Resources directorate and the Chief Executive Office is an overspend of £1.368m, which is an decrease of £0.214m since the last Cabinet report in January.

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

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
HR & Organisational Development	1.506	1.506	0.000	0.018	(0.018)
ICT	3.285	3.285	0.000	0.000	0.000
Finance	(0.593)	(0.612)	(0.019)	(0.222)	0.203
Internal Audit and Risk Management	0.050	0.021	(0.029)	(0.003)	(0.026)
Revenues & Benefits	0.356	0.356	0.000	0.510	(0.510)
Chief Executive	(0.069)	(0.158)	(0.089)	(0.074)	(0.015)
Director of Resources	0.166	0.177	0.011	0.011	0.000
Governance	0.107	0.213	0.106	0.106	0.000
Legal Services	0.362	1.750	1.388	1.236	0.152
Business Package Holding Codes	(0.006)	(0.006)	0.000	0.000	0.000
<b>Grand Total</b>	<b>5.164</b>	<b>6.532</b>	<b>1.368</b>	<b>1.582</b>	<b>(0.214)</b>

### 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; and
  - 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 outturn position is as follows:
- Within enforcement the outturn position is showing an overspend of £0.556m, which is £0.056m worse than reported at the last cabinet report. This is a result of 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 underrecovered by £0.388m (an increase from £0.378m at the previous 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 (£0.274m, which is a worse position (£0.051m) than the reported position at the last

cabinet report) by an in-year reduction in the Bad Debt Provision requirement, due to the reduction of overpayment income debt; and

- The Benefits subsidy grant is showing a net saving of £0.627m, which is an improvement on the position (£0.019m) since the last report. However, the good performance overall for subsidy is masking a situation regarding lost subsidy for Housing Benefit on Bed & Breakfast Accommodation for Homeless Persons. This area is forecast to have a pressure of £0.123m for the year due to the increased demand and also the increased cost of bed and breakfast accommodation, which is above the limit subsidy can be claimed on, 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 Across the service areas that are impacted by the Equans contract (Revenues and Benefits, Finance, HR, IT), there was additional income received from New Burdens Funding, Pension Cap & Collar and Central Funding which was not previously forecast which has resulted in the outturn position across these services to be balanced. This offset the pressures in the Revenue & Benefits service related to Enforcement, Subsidy, Overpayment Income and Bad Debt Provision.

1.9.7 Within Legal Services there are overspends relating to Legal Services staffing, with the variance reflecting cost pressures of £0.922m relating to the employment of Locums/staff costs in response to staffing pressures and reduced income for legal fees. Within the North Tyneside Coroner Service there is a £0.408m overspend to deliver the Service, due to increased 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.

#### 1.10 General Fund Housing

1.10.1 General Fund Housing is reporting a pressure of £0.517m which is an increase of £0.144m since the January Cabinet report.

## 1.10.2 Table 12: Forecast Variation for General Fund Housing

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Building Control	(0.023)	(0.021)	0.002	0.000	0.002
Housing Strategy	0.529	0.454	(0.075)	0.000	(0.075)
Housing Options – General Fund	0.454	0.447	(0.007)	(0.005)	(0.002)
Housing Operations – General Fund	0.015	0.015	0.000	0.000	0.000
Housing Property – General Fund	1.169	1.766	0.597	0.378	0.219
<b>Grand Total</b>	<b>2.144</b>	<b>2.661</b>	<b>0.517</b>	<b>0.373</b>	<b>0.144</b>

1.10.3 The main overspend is in Housing Property – General Fund and is due to ongoing cost pressures and large jobs that are coming through the Public Buildings Repairs team. This overspend amounted to £0.597m in 2022/23 and was partly mitigated by a “one-off” contribution of £0.150m from the Insurance Reserve, and over £0.250m of costs being absorbed within other Housing and Property Services budgets.

### 1.11 Central Items

1.11.1 Central Items has outttuned with a surplus of £11.307m which is an decrease of £2.100m since the January Cabinet report, with £1.327m being attributable to operational movements.

1.11.2 Included in the position is a £0.166m improvement from the forecasted pressure of £0.500m relating to an increase in the bad debt provision. There is a worsening (£2.269m) in contingent rents linked to the Authority’s PFI schemes, which is partially offset by (£0.282m) additional new burdens funding and a £0.064m saving from the salary sacrifice schemes.

1.11.3 Contingent rent is an annual accounting adjustment as required by the CIPFA Code of Practice which allocates a proportion of any inflationary increases to the elements of the Unitary Charge linked to capital financing. It is calculated at year-end as part of the Unitary Charge



reconciliation and transfers costs incurred and budgeted for by the relevant service to the Authority's central budget for capital financing expenditure. The level of contingent rent in 22/23 is driven by the high inflationary environment and increases to the contractual RPI (Retail Price Index) adjustment which is present in each of the Authority's PFI contracts.

1.11.4 Table 13: Forecast Variation Central Budgets and Contingencies

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Corporate and Democratic Core	1.482	1.276	(0.206)	(0.019)	(0.187)
Other Central Items	(10.706)	(21.807)	(11.101)	(13.388)	2.287
<b>Grand Total</b>	<b>(9.224)</b>	<b>(20.531)</b>	<b>(11.307)</b>	<b>(13.407)</b>	<b>2.100</b>

## SECTION 2 – SCHOOLS FINANCE

### 2.1 Schools Balances in 2022/23

2.1.1 The final outturn position for schools is reported in the Authority's statutory accounts and is before any commitments are taken into account, which are in a normal year around £4.500m (the full value of commitments for 2022/23 is still to be quantified). The reported position across 2022/23 is analysed below in Table 14 by phase.

2.1.2 **Table 14: Maintained School balance position against plan (Surplus) / Deficit – committed and uncommitted**

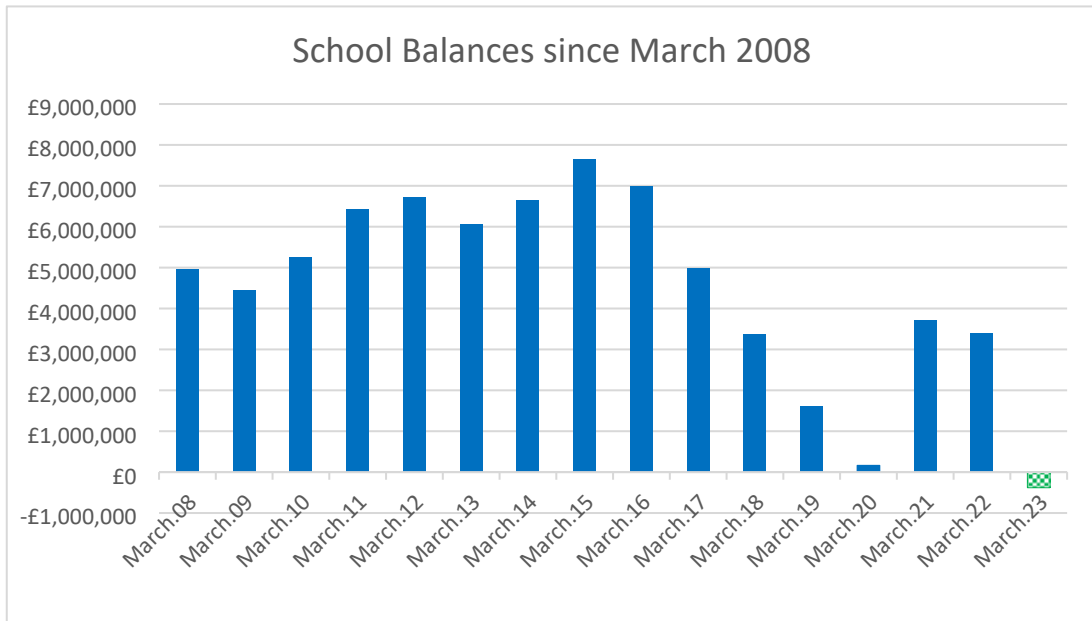
Phase	Outturn 2021/22  £m	Budget Plan 2022/23  £m	Monitoring 1 2022/23  £m	Monitoring 2 2022/23  £m	Provisional Outturn 2022/23  £m	Actual Movement from 2021/22  £m
Nursery, First & Primary	(7.312)	(4.957)	(3.382)	(4.459)	(5.529)	1.783
Middle	(1.408)	(0.716)	(0.685)	(1.422)	(1.655)	(0.247)
Secondary	5.943	9.907	10.041	9.109	6.822	0.879
Special / PRU	(0.621)	1.299	1.479	1.191	0.744	1.365
<b>Total</b>	<b>(3.398)</b>	<b>5.533</b>	<b>7.453</b>	<b>4.419</b>	<b>0.382</b>	<b>3.780</b>

2.1.3 Cabinet will be aware that, under legislation, schools retain a high degree of autonomy when setting budgets unless they are in a deficit position. Therefore, whilst Elected Members and officers are able to advise schools on the adequacy of balances, they cannot intervene. Schools have been reminded of the need to forecast as accurately as possible so that decisions are taken in the light of accurate budget projections.

2.1.4 The outturn position for 2022/23 is significantly better than predicted during the year although a worsening position from the 2 previous years. In 2020/21 and 2021/22 the main reason for improved balances was due to reduced investment and operational costs with schools being partially shut and attributable costs being funded by Covid

grants. Throughout 2022/23 schools have now been addressing investment needs in their infrastructure and this coupled with a significant pressure relating to Pay Award and NI (totalling £3.065m) has led to the closing deficit position of £0.382m. Chart 6 below sets out the long term trend of balances at March 2023.

### 2.1.5 Chart 6: Long Term Trend in School Balances within North Tyneside



## 2.2 Schools in Deficit

2.2.1 At the end of financial year 2022/23, 16 of the 66 maintained schools were in deficit positions pre commitments and most of these are marginal with the other 50 all in surplus. Table 15 below shows all schools in deficit position totalling £13.329m.

## 2.2.2 Table 15 – Provisional Outturn Schools in Deficit

School	Budget Plan 22/23 £m	Outturn £m	22/23 Deficit Comments
Fordley Primary	(0.108)	0.133	Emerging
Forest Hall Primary	0.002	0.013	Emerging
Greenfields Primary	(0.016)	0.077	Emerging
Silverdale	(0.008)	0.044	Emerging
Whitehouse Primary	(0.111)	0.044	Emerging
Waterville Primary	(0.111)	0.017	Emerging
St Bartholomews Primary	(0.016)	0.020	Emerging
Balliol Primary	0.025	0.097	New 22/23
Coquet Park First	0.020	0.051	New 22/23
Holystone Primary	0.069	0.133	New 22/23
Wallsend St Peters Primary	0.107	0.092	New 22/23
Beacon Hill	1.794	1.232	Existing
Ivy Road Primary	0.162	0.149	Existing
Longbenton High	1.863	1.697	Existing
Norham High	4.130	3.984	Existing
Monkseaton High	5.799	5.546	Structural
<b>Total</b>	<b>13.601</b>	<b>13.329</b>	

2.2.3 However there are 4 schools in significant deficit position totalling £12.459m and these are:

Monkseaton High School	£5.546m
Norham	£3.984m
Longbenton High School	£1.697m
Beacon Hill	£1.232m
<b>Total</b>	<b>£12.459m</b>

2.2.4 The balances on these 4 schools offsets 96% of the £12.947m total surplus position of the 50 schools in surplus.

## 2.3 2022/23 Dedicated Schools Grant (DSG) Provisional Outturn

2.3.1 After allowing for school allocations, the 2022/23 DSG account of £159.242m (after removing academy funding) is showing a net deficit balance of £8.340m. This compares to a deficit of £12.851m in 2021/22. Cabinet will recall that in 2019/20 the DfE issued guidance that any shortfall in dedicated schools grant should not be supported using funds from the General Fund.

### 2.3.2 Table 16: 2022/23 DSG Provisional Outturn

FUNDING BLOCK	21/22 B/FWD £m	22/23 IN-YR VARIANCE £m	EARLY YEARS PREVIOUS YR ADJ. £m	SAFETY VALVE FIRST PAYMENT £m	22/23 PROVISIONAL OUT-TURN £m
Schools Block	(0.754)	(0.160)			(0.914)
High Needs Block	13.511	3.880		(7.800)	9.591
Early Years Block	0.094	(0.262)	(0.169)		(0.337)
<b>22/23 CUMULATIVE PROVISIONAL OUT- TURN</b>	<b>12.851</b>	<b>3.458</b>	<b>(0.169)</b>	<b>(7.800)</b>	<b>8.340</b>

2.3.3 The Schools block (de-delegated) underspend of £0.914m mainly relates to the headroom, growth funding and falling roles funding. As the DSG is a ringfenced account, any balance is carried forward into the next financial year.

2.3.4 Cabinet will recall that the High Needs block outturn in 2021/22 was an adjusted overspend of £13.511m. This pressure has continued in 2022/23 with the provisional in-year outturn of £3.880m.

2.3.5 The overall pressure in the High Needs block is in line with the national and regional picture and results from additional places required in special schools, out of borough placements and in relation to top up payments as outlined in Table 17 below.

### 2.3.6 Table 17: Breakdown of High Needs Pressures at March 2023

HIGH NEEDS	BUDGET £m	OUT-TURN £m	VARIANCE £m
Special Schools and PRU	17.788	19.591	1.803
ARPS/Mainstream Top-ups/Alternative Provision	4.706	5.631	0.925
NMSS/ISP	3.316	4.459	1.143
Commissioned Services	3.974	3.983	0.009
	<b>29.784</b>	<b>33.665</b>	<b>3.880</b>
Balance B/fwd from 21/22			13.511
Safety Valve First Payment			(7.800)
<b>22/23 CUMULATIVE PROVISIONAL OUTTURN</b>			<b>9.591</b>

2.3.7 The Authority's DSG Management Plan will address the deficit and the Department for Education (DfE) have agreed pay to the Authority £19.500m over a 5 year period, with the first payment of £7.800m received at the end of the financial year 2022/23. In subsequent financial years, subject to compliance with the conditions set in the Safety Valve agreement, the DfE will pay DSG the amounts shown in Table 18.

### 2.3.8 Table 18: Scheduled Safety Valve Payments

Year	Additional DfE payments
2022-23	£7.800m
2023-24	£1.950m
2024-25	£1.950m
2025-26	£1.950m
2026-27	£1.950m
2027-28	£3.900m

2.3.9 The Early Years block has ended the year with a cumulative surplus of (£0.338m). This included a brought forward deficit of £0.094m which was then adjusted in-year by £0.169m. An adjustment to funding takes place in July when the DfE reviews initial funding estimates in relation to the numbers of pupils actually taking place compared to the initial funding estimates based on the January pupil census prior to the financial year.

## SECTION 3 - HOUSING REVENUE ACCOUNT (HRA)

### Outturn in 2022/23

- 3.1 The HRA shows a surplus of £0.185m against the in-year 2022/23 Budget, plus a £0.061m improvement in the budgeted brought forward balances, which cumulatively brings the HRA to £0.246m better than the budgeted position for 2022/23. The overall position is shown in Table 19 below and shows a position that has improved overall during the course of the year, albeit with some significant movements across different areas of expenditure. Particular pressures were faced in relation to Repair costs, with difficulties experienced in recruiting skilled staff, which in turn led to increased reliance on sub-contractor spend, along with significantly increased material costs and difficulties sourcing certain materials at all.

### 3.2 Table 19: Outturn Variance Housing Revenue Account

	FULL YEAR – 2022/23			Jan 2023 Variance £m	Movemen t from Jan £m
	Full Year Budget  £m	Actual  £m	Outturn Variance  £m		
<b>INCOME</b>					
Rental Income	(62.891)	(63.003)	(0.112)	(0.172)	0.060
Other Rental Income – Shops & Offices etc.	(0.356)	(0.438)	(0.082)	(0.066)	(0.016)
Interest on Balances	(0.050)	(0.286)	(0.236)	(0.025)	(0.211)
PFI Credits	(7.693)	(7.693)	0.000	0.000	0.000
<b>TOTAL INCOME</b>	<b>(70.990)</b>	<b>(71.420)</b>	<b>(0.430)</b>	<b>(0.263)</b>	<b>(0.167)</b>
<b>EXPENDITURE</b>					
Capital Charges – Net Effect	12.483	12.482	(0.001)	0.000	(0.001)
HRA Management Costs	11.250	10.974	(0.276)	(0.270)	(0.006)
PFI Contract Costs	9.787	9.787	0.000	0.000	0.000
Repairs	12.799	13.681	0.882	0.580	0.302
Revenue Support to Capital Programme	10.311	9.420	(0.891)	(0.010)	(0.881)
Contribution to Major Repairs Reserve – Depreciation	13.741	14.621	0.880	0.001	0.879
Contingencies, Bad debt Provision & Transitional Protection Payments	0.990	0.641	(0.349)	(0.225)	(0.124)
Pension Fund Deficit Funding	0.000	0.000	0.000	0.000	0.000
<b>TOTAL EXPENDITURE</b>	<b>71.361</b>	<b>71.606</b>	<b>0.245</b>	<b>0.076</b>	<b>0.169</b>
<b>NET POSITION 2022/23</b>	<b>0.371</b>	<b>0.186</b>	<b>(0.185)</b>	<b>(0.187)</b>	<b>0.002</b>
<b>BALANCES BROUGHT FORWARD</b>	<b>(3.440)</b>	<b>(3.501)</b>	<b>(0.061)</b>	<b>(0.061)</b>	<b>0.000</b>
<b>BALANCES TO CARRY FORWARD</b>	<b>(3.069)</b>	<b>(3.315)</b>	<b>(0.246)</b>	<b>(0.248)</b>	<b>0.002</b>

#### Outturn Variance Analysis

3.3 Rental income saw a budget over-recovery of £0.112m overall, but this was subject to some under- and overspends across different sources of income: there was a drop-off in general needs dwellings income (£0.149m below budget). However, this was offset by improvements elsewhere with Service charge income continuing to perform strongly and coming in £0.129m better than budget, as did temporary and dispersed income (£0.093m better), whilst Garage rents came in £0.040m better than budget. Income from commercial properties and



properties rented to HECS for various client groups continued to remain stable, coming in £0.082m above budget.

3.4 The HRA received a boost at year-end as the cumulative impact of the significant number of increases made to the Bank of England base rate, meant that the Authority increased the level of interest earned on cash balances held across the year, from which the HRA saw a betterment against budget in-year of £0.236m in interest earned which had not originally been anticipated.

3.5 There are three elements of expenditure in Table 19 that together relate to the HRA's servicing of its' share of the Council's debt portfolio and the capital financing strategy for the HRA Capital Investment Plan, namely:

- Capital Charges – consists of external interest charges on debt, Debt Management Expenses, and the Minimum Revenue Provision (MRP) equivalent set aside to repay debt. Overall, the net position for Capital charges shows as being within £0.001m of the budget for 2022/23;
- Revenue contribution to the funding of Capital outlay – there was a reduced call of £0.891m on this element of direct revenue financing of capital spend for 2022/23 which is directly related to the increased depreciation charge discussed below, and purely compensates for the reduction against budget of that charge; and,
- Thirdly there is the annual charge for depreciation, which has to be transferred to the Major Repairs Reserve (MRR) and can only be used to finance capital spend or repay debt, this is based on the calculation of a "true" charge at year-end, which was £0.880m above the budget provided. However, the budgeted contribution forms a critical part of the financing of the HRA Investment Plan, and hence the reduced revenue contribution to capital mentioned above was made to compensate for the difference in Capital Financing required, with no detriment overall to either the bottom line for the HRA, or the financing of the Capital Investment Plan.

Taking these three elements together it can be seen that the overall impact on the bottom line for the HRA is virtually cost neutral against

the budgets provided and is just a reflection of the reconciliation of the final capital financing requirements.

3.6 The outturn position for management costs has improved significantly over the course of the year, and particularly over the last quarter to result in a £0.276m under-spend against budget. A range of factors resulted in a significant movement in outturn figures for management costs, with the main changes being:

- Pension Strain on the Fund – reduced pension costs this year for housing management staff departures (£0.053m);
- Vacancy & Pay Award contingency savings (£0.575m);
- Postage Costs – (£0.031m);
- Windfall on water rates reconciliation & miscellaneous income (£0.133m);
- Reduced ICT costs and costs linked to Unified Systems Project (£0.022m);
- Reduced Housing Management training costs (£0.062m);
- Reduced costs for Temporary & Dispersed Units (£0.025m); and
- Reduced Council Tax Empty Homes payments (£0.027m).

These reductions have been offset in some areas by overspends in the following areas:

- Increased energy costs across Sheltered Schemes and Communal Blocks (£0.617m); and
- Increased Housing Ombudsman subscription costs (£0.034m).

3.7 For the third year in a row following a trend started at the outset of the pandemic, the HRA Repairs Budget has ended the year with a significant overspend against budget (£0.882m). Although no longer directly dealing with the pandemic, the Service is still having to manage the legacy of that period and the subsequent global economic issues caused by commencement of the war in Ukraine. Previous years suffered from the impact of the damage caused by a number of storms, which thankfully wasn't an issue faced in 2022/23. The issues in 2022/23 of £0.882m were again partially linked to the conflict in Ukraine as the HRA continues to face large inflationary pressures, material shortages and increased fuel costs, all of which have increased pressures on budgets and led to reduced returns for the resources available. This will continue to be a challenge for some time to come, as the markets heads towards a period of potential

stagflation and economic uncertainty continues. In addition, the Service has experienced significant difficulties in recruiting skilled tradespeople which has led to an increased reliance on sub-contractors, and the need to introduce market supplement payments as an interim measure pending final agreement and implementation of a new craft agreement pay structure.

3.8 Rent Arrears again flattened out in the last few months of the year and further reduced the call on the in-year Bad Debt Provision (£0.242m); the call on contingency was below budget (£0.101m), and helped to cover pressures elsewhere across the budget, and transitional protection came in slightly under budget (£0.006m). So overall the significant swings across different service areas during the last quarter of the year saw an overall improvement in the bottom line of £0.185m in-year and £0.246m including brought forward balances.

#### Rent Arrears and Bad Debt Provision

3.9 Arrears are made up of two elements:

- Current Tenant Arrears and,
- Former Tenant Arrears

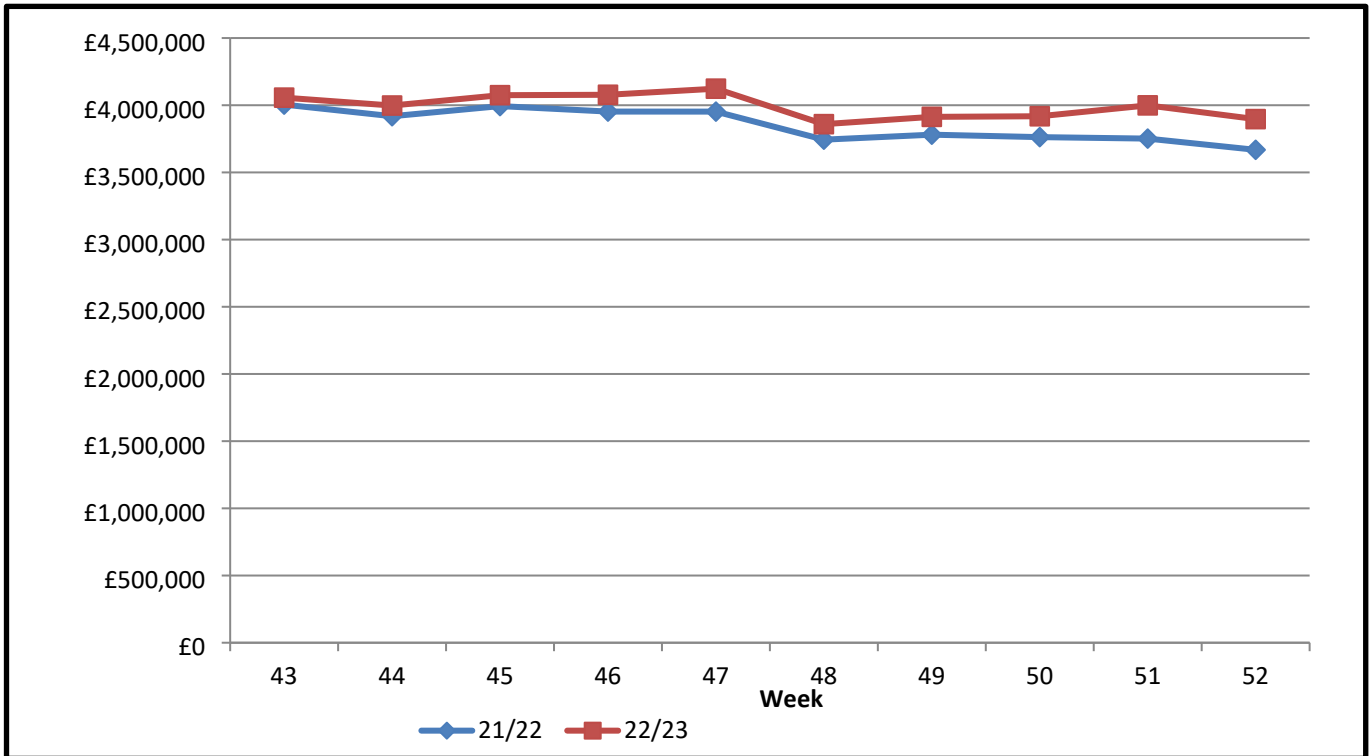
3.10 Table 20: Rent Arrears

Date	Current Arrears	Former Arrears	Total Arrears	Change Year on Year
	£	£	£	£
31/03/2019	2,649,474	1,726,269	4,375,743	627,000
31/03/2020	3,162,030	2,137,477	5,299,507	923,764
31/03/2021	3,498,391	2,311,655	5,810,046	510,539
31/03/2022	3,694,219	2,461,646	6,155,865	345,819
31/03/2023	3,929,813	2,370,591	6,300,404	144,539

3.11 Arrears continue to rise each year but significantly the pace at which they have increased over the last three years has slowed significantly, which is encouraging, particularly given the difficulties created during the pandemic. However, the overall level of arrears is still significant at over £6.300m and has more than doubled in the last eight years.

3.12 Chart 7 below shows the value of current rent arrears in 2022/23 compared to the same period in 2021/22. The Housing team is continually working proactively with tenants to minimise arrears.

3.13 Chart 7: Current Arrears - Feb-Mar 2022/23 compared to 2021/22



3.14 The main mechanism for helping to manage arrears is the Bad Debt Provision (BDP), which at the start of 2022/23 stood at £5.085m on the HRA Balance Sheet with the budget for the 2022/23 contribution at £0.750m. Because of the slowdown in the rate of increase in the level of arrears, the outturn in-year BDP requirement reduced significantly to £0.507m, this was £0.242m under budget for 2022/23 and included writing-off £0.386m of bad debt during the year, all of which resulted in a carry forward Bad Debt Provision at year-end of £5.207m.

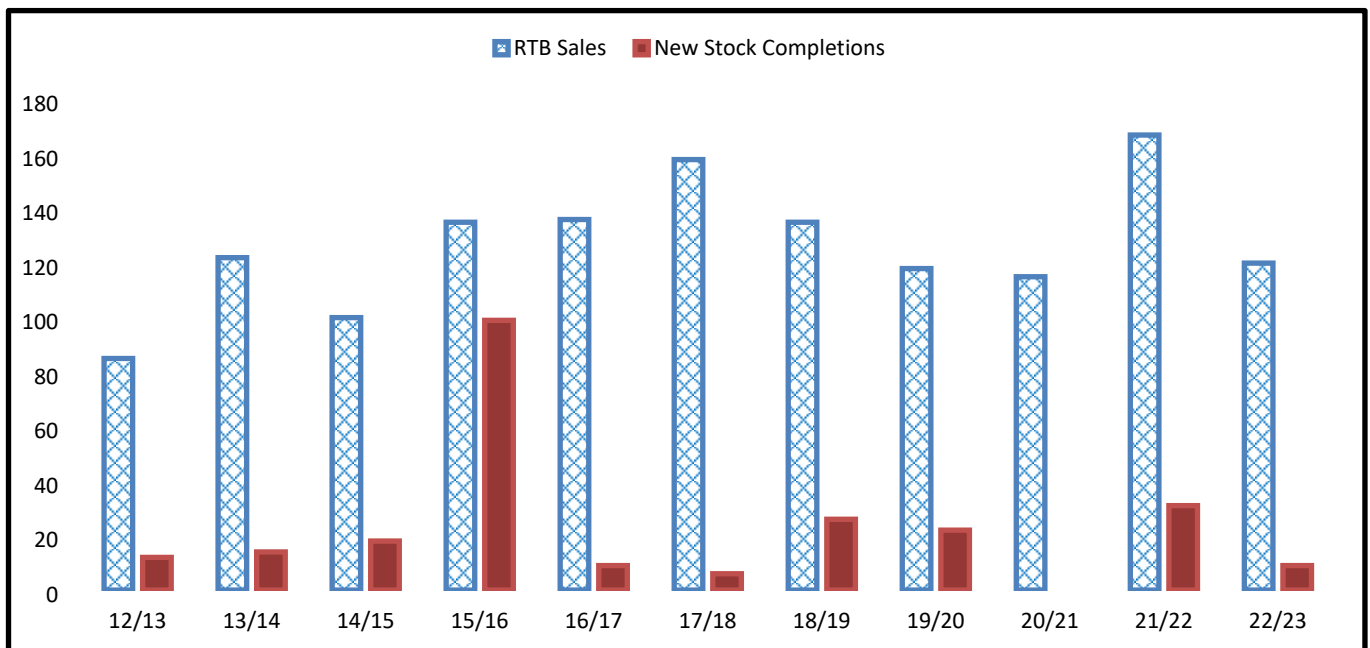
3.15 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. On 31 March 2023, there were 3,949 tenants of North Tyneside Homes on Universal Credit with current arrears totalling £3.897m. This is up by

237 tenants and £0.231m of arrears from the beginning of the year when there were 3,712 tenants on UC with arrears of £3.668m.

### Right to Buy (RTB) Trends

3.16 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 which shows that sales although not as high as last year's high of 167, were still significant in 2022/23 with 120 RTB sales.

### 3.17 Chart 8: Trend in Right to Buy Sales



## SECTION 4 – INVESTMENT PLAN

- 4.1 The Investment Plan represents the Authority’s planned capital investment programme in projects across all service areas, including General Fund and HRA.
- 4.2 All capital investment follows a structured gateway process, and is challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. Delivery of the Investment Plan year by year, through both physical on-site development and capital spend, is key to the successful attainment of the Authority’s Our North Tyneside Plan and results in significant improvements to assets within the Borough.

### **2022/23 Capital Expenditure**

- 4.3 The initial 2022/23 Investment Plan Budget was £64.431m (£36.617m General Fund and £27.814m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved Plan at the year-end of £87.316m (£60.702m General Fund and £26.614m Housing). Table 21 below summarises these changes:

**Table 21: 2022/23 Investment Plan – Summary of changes to Budget**

	£m
Investment Plan approved by full Council – 17 February 2022	64.431
Reprogramming from 2021/22	24.723
Reprogramming to 2023/24	(33.264)
Other variations (net)	31.426
<b>Revised Investment Plan</b>	<b>87.316</b>

- 4.4 Actual capital expenditure in 2022/23 totalled £77.442 (£63.045m in 2021/22), comprising General Fund expenditure of £50.814m and £26.628m on Housing Schemes.
- 4.5 The 2022/23 Investment Plan delivered planned investment in the following areas:

- £24m Decent homes improvements
- £13m Transport and Highway works including the local transport plan and sustainable transport improvements.
- £11m Regeneration Initiatives, including significant investment in North Shields
- £8m Improvements to the Council's Operational Assets, including buildings, vehicles and ICT infrastructure
- £7m Energy Efficiency and Sustainability Works, including Green Homes works and Street Lighting LED upgrades
- £7m School Improvement Works

4.6 The appendices to this report include further information on the Investment Plan and planned capital works delivered during the year. Appendix B shows the final expenditure, and how that expenditure was financed, with Appendix C showing a comparison of expenditure against agreed budgets for each individual project. In addition, further details can also be found in the Investment Programme Board end of year report at Appendix E.

4.7 Table 22 below compares the actual capital expenditure for 2022/23 with the revised Budget for the year, as well as the actual spend for 2021/22 for comparison:

**Table 22: Comparison of Capital Expenditure to Revised Budget for 2022/23**

Actual Capital Expenditure 2021/22 £m		Revised Capital Budget 2022/23 £m	Actual Capital Expenditure 2022/23 £m	Variation from Budget over / (under) £m
36.287	General Fund	60.702	50.814	(9.888)
26.758	Housing	26.614	26.628	0.014
<b>63.045</b>	<b>Total</b>	<b>87.316</b>	<b>77.442</b>	<b>(9.874)</b>

4.8 Across all capital projects, further reprogramming of £9.781m has been identified and it is requested that Cabinet approve the carry forward of this amount into the 2023/24 Investment Plan. A detailed

breakdown of this amount is included in Appendix C, and the significant variations include the re-profiling of the following:

- **BS034 Parks Sports Centre – Security Measures:** (£0.250m) to reflect a May start on site date following the conclusion of the procurement exercise
- **CO083 Whitley Bay Crematoria:** (£0.276m) relating to the delivery of resurfacing works which will take place in June 2023
- **GEN03 Contingencies:** (£0.708m) given there were no further calls on the contingency during 2022/23. It is proposed to retain the unspent contingency sum in the Investment Plan given the ongoing inflationary risks
- **DV064 Council Property Investment:** (£0.320m) primarily to reflect the revised delivery plans for the Council led redevelopment of 11/12 Northumberland Square
- **DV066 Investment in North Tyneside Trading Co:** (£0.279m) to reflect the completed property acquisitions during 2022/23, with the remaining balance of S106 contributions being used to acquire additional homes in 2023/24
- **ED075 Devolved Formula Capital:** (£0.454m) to align with the School's ongoing investment plans and deliver schemes within the allowable three year timescales. This funding is spent at discretion of individual schools.
- **ED132 School Capital Allocation:** (£0.881m) due to a number of projects being delivered for less than the Guaranteed Maximum Price (GMP) and the re-prioritisation of some projects to be delivered during the summer period to minimise disruption to schools.
- **ED190 High Needs Provision Capital Allocation:** (£0.683m) to support the delivery of works to Beacon Hill school site following planning approval which was granted in March 2023. All carry forward balance will be committed within 23/24.
- **EV034 Local Transport Plan:** (£0.758m) primarily relating to works at Harrow Street bridge which are programmed to commence in late July 2023 under a planned Nexus rail closure.
- **EV055 Surface Water Improvements:** (£0.309m) to align with the staged delivery programme agreed with external funders.
- **EV094 Transforming Cities Fund – NT02 North Shields Transport Hub:** £0.818m of resources have been brought forward from future years to reflect the good progress being made on delivering the works to the Transport Hub.



- **EV096 Highway Maintenance Challenge Fund – Tanners Bank:** (£0.284m) to co-ordinate with the delivery of the Embankment Walkway.
- **EV097 Weetslade & Westmoor Roundabouts, Great Lime Road:** (£0.896m) with the scheme now expected to complete during Q2 2023/24
- **EV098 Transforming Cities Fund – NT08 Four Lane Ends Bus Priority:** (£0.385m) to align with the delivery programme and completion of the scheme during Q2 2023/24
- **EV099 Transforming Cities Fund – NT10 Links to Metro:** (£0.348m) to align with the delivery programme and completion of the scheme by end of Q3 2023/24
- **HS004 Disabled Facilities Grant:** (£0.709m) as a result of pressures within the supply chain which have impacted upon the delivery capacity.
- **HS015 Refurbishment / Decent Homes Improvements:** £0.595m reversal of re-profiling reported previously, reflecting the progress made in delivering ongoing decent home improvement works.
- **HS039 ICT Infrastructure Works:** (£0.350m) following the outcome of contractual negotiations which impacted upon payment timescales
- **HS053 Green Homes Local Authority Delivery:** (£0.882m) to reflect the delivery of energy efficiency improvement measures
- **IT020 ICT Strategy:** (0.517m) to align with the revised delivery plans associated with the investment in ICT infrastructure.

## Capital Financing

- 4.9 Local authorities can finance capital expenditure from a variety of sources: grants; external contributions; capital receipts; borrowing; and contributions from revenue. This section of the report considers how the Investment Plan has been financed.
- 4.10 Under the Prudential System for capital financing, the Authority can decide to borrow to fund capital expenditure, known as prudential (or unsupported) borrowing. There are associated revenue costs (interest and Minimum Revenue Provision (MRP)) which must be met from the Authority's own resources, i.e. funded by Council Taxpayers. MRP is a charge included in the Authority's accounts that effectively spreads the cost of capital expenditure over a period that generally equates to the period in which the asset is used. When deciding whether to take out additional borrowing, the Authority must ensure the Investment Plan is affordable, sustainable, and prudent.
- 4.11 The MRP charge for 2022/23 was calculated in accordance with the Authority's agreed MRP Policy as follows:

£m	General Fund	HRA	Total
Supported Borrowing	3.103		<b>3.103</b>
Unsupported Borrowing	4.640		<b>4.640</b>
PFI Schemes	6.058	(0.182)	<b>5.876</b>
HRA Receipts Set Aside		3.031	<b>3.031</b>
Voluntary Provision		3.500	<b>3.500</b>
<b>Total</b>	<b>13.801</b>	<b>6.349</b>	<b>20.150</b>

- 4.12 The total capital expenditure of £77.442m has been financed as shown in table 23 below:

**Table 23: 2022/23 Capital Financing**

	<b>2022/23 Capital Financing £m</b>
<u>Council Contribution</u>	
Prudential (Unsupported) Borrowing – General Fund	10.793
Capital Receipts – HRA	0.443
Direct Revenue Funding – HRA	9.400
Major Repairs Reserve	15.663
Contribution from Reserves – General Fund	0.877
Contribution from Reserves – HRA	0.370
	<b>37.546</b>
<u>External funding</u>	
Specific Government Grants	38.122
ERDF	1.022
Capital Grants and Contributions	0.752
	<b>39.896</b>
	<b>77.442</b>

- 4.13 Total Prudential borrowing for the General Fund was £10.793m. During the year £0.163m of General Fund capital receipts were generated, which adding the balance carried forward (£3.073m) gave an available balance of £3.236m. No capital receipts were used to finance General Fund capital investment in 2022/23.
- 4.14 For Housing, capital receipts of £6.335m were received during 2022/23, no capital receipts were used for pooling or paid across to central government. This balance plus the brought forward receipts of £10.094m gave an available balance of £16.429m. Of this £0.443m was used to finance 2022/23 capital spend and £3.031m was set aside to repay debt leaving a balance of £12.955m to be carried forward into 2023/24.
- 4.15 Table 24 below shows the movement in capital receipts during 2022/23 including receipts received during 2022/23 (identified in paragraphs 4.13 and 4.14 above), receipts brought forward at 1 April 2022, receipts used to finance the 2022/23 Investment Plan, receipts set aside to repay debt and loans, and receipts carried forward at 31 March 2023.

**Table 24: Movement in Capital Receipts during 2022/23**

	Receipts brought forward 1 April 2022 £m	Net Useable Receipts received £m	Receipts used for financing £m	Receipts set aside for repayment of debt £m	Receipts carried forward 31 March 2023 £m
General Fund	(3.073)	(0.163)	0.000	0.000	(3.236)
Housing	(10.094)	(6.335)	0.443	3.031	(12.955)
<b>Total</b>	<b>(13.167)</b>	<b>(6.545)</b>	<b>0.443</b>	<b>3.031</b>	<b>(16.191)</b>

4.16 The Authority utilised £38.122m of external Government grants to finance investment made during the year. These grants included:

- £10.018m Transforming Cities fund
- £6.692m Education and Schools Capital funding;
- £4.621m Green Homes Grants (Local Authority Delivery)
- £5.914m Department for Transport funding
- £1.869m Better Care Fund (including Disabled Facilities Grant)

4.17 Other capital Grants and Contributions used in the year included:

- £5.167m Section 106 contributions;
- £0.882m Getting Building Fund
- £0.116m Heritage Action Zone

4.18 As required, under self-financing for Housing, resources are transferred to the Major Repairs Reserve which are then used to finance ongoing works to Council dwellings. This contribution is financed from within the HRA (i.e. it is self-financed) and so appears as part of the Authority's contribution shown in Table 24 above.

4.19 An analysis of the overall capital financing is also shown in Appendix B.

## International Financial Reporting Standards (IFRS) adjustments to Capital Expenditure in 2022/23

4.20 Under IFRS any expenditure incurred relating to PFI schemes and finance leases is classed as capital expenditure and the resulting assets are added to the Authority's balance sheet.

4.21 During 2022/23 spend of £2.669m was incurred as part of the PFI Contracts.

### Variations to the Investment Plan

4.22 Reprogramming and variations relating to March 2022/23 and 2022/23 Outturn reporting of £17.148m have been identified and are included within the Investment Plan as detailed in table 25.

#### 4.22.1 Table 25: 2023 – 2028 Investment Plan changes identified

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Approved Investment Plan – Council 16 February 2023	95.762	58.864	50.055	53.775	53.884	312.340
Reprogramming/Variations						
2023 March Cabinet	6.273	-0.697	0.000	0.000	0.000	5.576
2022/23 Outturn	11.572	0.000	0.000	0.000	0.000	11.572
<b>Total Variations</b>	<b>17.842</b>	<b>-0.697</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>17.148</b>
<b>Revised Investment Plan</b>	<b>113.607</b>	<b>58.167</b>	<b>50.055</b>	<b>53.775</b>	<b>53.884</b>	<b>329.488</b>

4.23 The 2023 – 2028 Investment Plan includes the continuation of investment in a number of key areas including:

- Increasing Affordable Housing Provision within the Borough, including HRA new build schemes;
- Regeneration Schemes, including the continued delivery of Our Ambition;
- Transport Improvements, including the Seafront Cycleway;
- Sports and play facilities, including the development of a Regional Sports Hub;
- Continued investment in Schools, including expanding high needs provision.

## SECTION 5 – ANNUAL TREASURY MANAGEMENT REVIEW AND PRUDENTIAL INDICATORS

### 5.1 Regulatory Environment

- 5.1.1 The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This section of the report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 5.1.2 During 2022/23 the minimum reporting requirements were that the full Council or Cabinet should receive the following reports:
- an annual treasury strategy in advance of the year (Council 17 February 2022);
  - a mid-year (minimum) treasury update report (Cabinet 28 November 2022); and
  - an annual review following the end of the year describing the activity compared to the strategy (this report).
- 5.1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.
- 5.1.4 The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports. Reports are reviewed by Lead Member Briefing before they are reported to Cabinet. Member training on treasury management issues is scheduled to be delivered by Link, the Authority's advisors within 2023.

## 5.2 Capital Expenditure and Financing

5.2.1 The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

5.2.2 The actual capital expenditure forms one of the required prudential indicators. Table 26 below shows the actual capital expenditure and how this was financed.

**Table 26: Actual Capital Expenditure and its Financing**

	2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
General Fund	36.287	60.702	50.814
HRA	26.758	26.614	26.628
<b>Total Capital Expenditure</b>	<b>63.045</b>	<b>87.316</b>	<b>77.442</b>
Financed in-year (grants, contributions, and capital receipts)	56.078	72.922	66.649
Unfinanced Capital Expenditure (Prudential borrowing)	6.967	14.394	10.793

## 5.3 The Authority's Overall Borrowing Need

5.3.1 The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital

expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

5.3.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year (2021/21) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. Table 27 below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

**Table27: Gross Borrowing against the CFR**

	2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
CFR General Fund	301.139	377.046	301.934
CFR HRA	303.279	302.493	296.930
<b>Total CFR</b>	<b>604.418</b>	<b>679.539</b>	<b>598.864</b>
Gross borrowing position	504.728	626.902	530.332
Under/over funding	99.690	52.637	68.532

5.3.3 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Authority has maintained gross borrowing within its authorised limit.

5.3.4 **The operational boundary** - the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.



5.3.5 Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

**Table 28: Actual financing costs as a proportion of net revenue stream**

	<b>2022/23 £m</b>
Authorised limit	1,235.000
Maximum gross borrowing position during the year (Inc PFI)	534.720
Operational boundary	735.000
Average gross borrowing position (Inc PFI)	515.604
Financing costs as a proportion of General Fund net revenue stream	10.14%
Financing costs as a proportion of HRA net revenue stream	33.21%

#### **5.4 Treasury Position as at 31 March 2023**

5.4.1 The Authority's treasury position (excluding borrowing by PFI and finance leases) at 31 March 2022 and 31 March 2023 is shown in table 40 below:

**Table 29: Treasury Position as at 31 March**

Borrowing Position	31 March 2023 Principal £m	Rate/Return %	31 March 2022 Principal £m	Rate/Return %
<b>Fixed Rate Funding:</b>				
-*PWLB long - term	254,250	3.52	249,250	3.62
(HRA-Self Financing)	128,193	3.49	128,193	3.49
-Market ** (LOBO's)	20,000	4.35	20,000	4.35
-Temporary	25,000	4.15	0,000	0.00
<b>Total External Debt</b>	<b>427,443</b>	<b>3.88</b>	<b>397,443</b>	<b>3.61</b>
<b>CFR (Exc PFI)</b>	<b>495,975</b>		<b>497,133</b>	
<b>Over (Under) borrowing</b>	<b>(68,532)</b>		<b>(99,690)</b>	

\*Public Works Loan Board \*\*Lender Option Borrower Option

**Table 30: The maturity structure of the external debt portfolio was as follows:**

	31 March 2023 Actual £m	31 March 2022 Actual £m
Within 12 months	29,000	5,000
12 months and within 24 months	15,000	14,000
24 months and within 5 years	16,575	23,575
5 years and within 10 years	51,900	44,900
10 years and within 20 years	82,200	82,200
20 years and within 30 years	63,575	53,575
30 years and within 40 years	98,193	113,193
40 years and within 50 years	71,000	61,000
Greater than 50 years	0,000	0,000

\*note, LOBOs are recorded above on their next call date.

## 5.5 Investment Portfolio

**Table 31: Treasury and Non-Treasury Investments**

Treasury investments	Actual 31 March 2023 £m	Actual 31 March 2022 £m
DMADF (H M Treasury)	17.500	22.000
Other Local Authorities	15.000	25.000
Deposit Accounts	5.000	10.000
Other Bank Balances	2.031	3.794

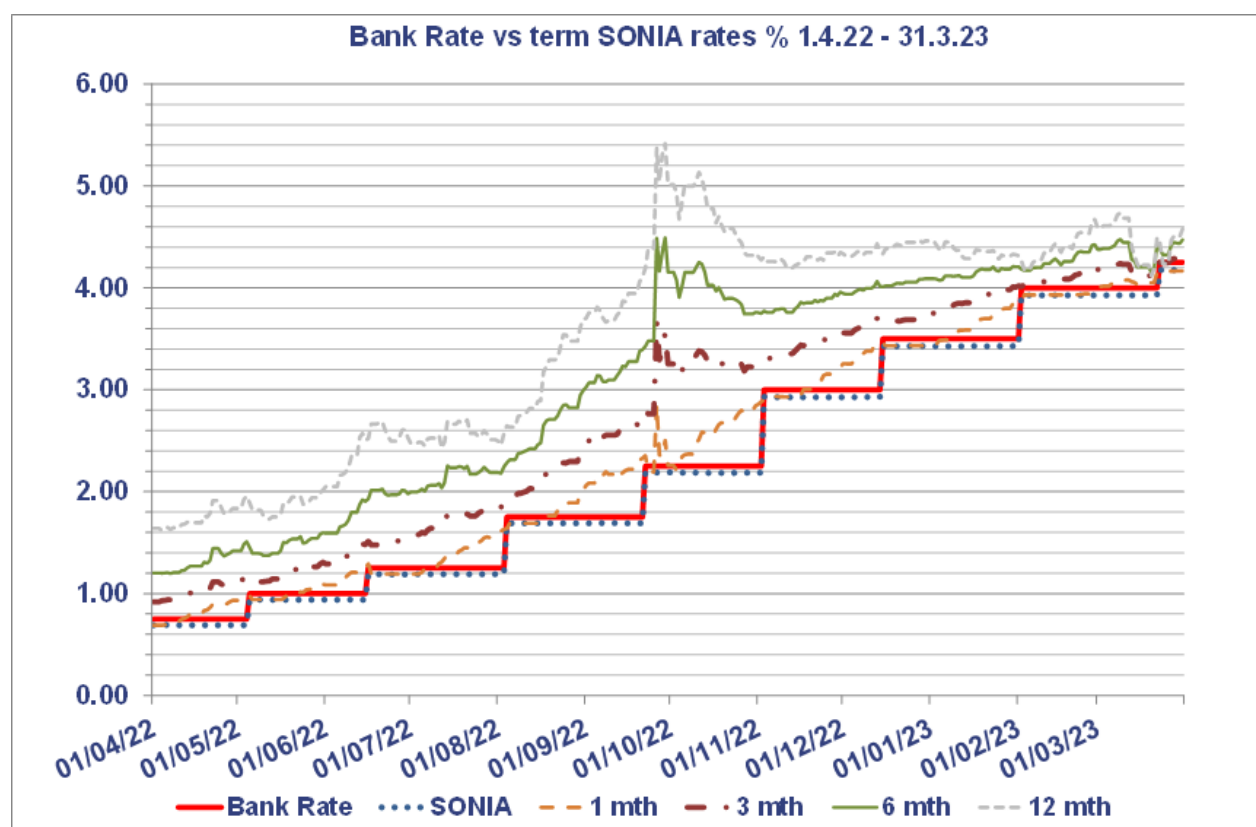
Non-Treasury investments	Actual 31 March 2023 £m	Actual 31 March 2022 £m
Joint venture	0.000	0.000
Companies	0.000	0.000
<b>TOTAL NON-TREASURY INVESTMENTS</b>	<b>0.000</b>	<b>0.000</b>

5.5.1 Return on investments have been at their best during 2022/23. Most local authorities managed surplus funds by undertaking inter local authority lending at a slightly cheaper rate than the PWLB, making it a very competitive market for those who seek short term cash .The expectation for interest rates within the treasury management strategy for 2022/23 was that Bank Rate would rise to combat inflation, with the base rate rising to its highest rate since 2008. Currently at 4.25% as of the last MPC meeting on the 22nd of March. The rate is likely to keep rising, until CPI shows consistent decrease.

5.5.2 The impact on the Bank's operations from Covid and associated restrictions on activity have begun to lessen. The Bank has considered the economic and financial implications for its remits. In particular, the rises in a range of energy and commodity prices have added further inflationary pressure and also increased the squeeze on people's real

incomes, sharpening the trade-off that the MPC faces. Twelve-month CPI inflation fell from 10.5% in December to 10.1% in January but then rose to 10.4% in February, 0.6 percentage points higher than expected in the February Report. If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required causing a further increase to base rate at the next meeting on the 11th of May.

**Chart 9: Investment strategy and control of interest rate risk**



## 5.6 Borrowing strategy and control of interest rate risk

5.6.1 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

- 5.6.2 A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.
- 5.6.3 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 5.6.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Resources monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
- If it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
  - If it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years
- 5.6.5 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23

but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

Chart 10: Interest Rate View

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
<b>BANK RATE</b>	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

5.6.6 Gilt yields have been on a continual rise since the start of 2021, peaking in the autumn of 2022. Currently, yields are broadly range bound between 3% and 4.25%. At the close of the day on 31 March 2023, all gilt yields from 1 to 50 years were between 3.64% and 4.18%, with the 1 year being the highest and 6–7.5 years being the lowest yield.

5.6.7 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England’s 2% target. As a general rule, short dated gilt yields will reflect movements in the bank rate, whilst medium to long term yields are determined by the inflation outlook.

The margins over gilt yields are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

5.6.8 The Bank of England is also embarking on a process of Quantitative Tightening, but the scale and pace of this has already been affected by the change in Prime Minister in the autumn of 2022 and more recently by the financial market unease with some US (e.g., Silicon Valley Bank) and European banks (e.g., Credit Suisse). The gradual reduction of the Bank's original £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing

## 5.7 Borrowing Outturn for 2022/23

5.7.1 PWLB Interest rates remain heightened in 2022/23 with rates of 4.78% for 1 year borrowing at 31.03.2023. This has led to an increase rate in the LA Temporary Market due increased demand with Authorities holding off on PWLB borrowing, as forecasts show that rates are expected to reduce in 2023/24. Alongside increased borrowing demand in the short-term market, the consistent rise of the BoE base rate by the MPC has caused rates to soar. Our borrowing strategy for 2022/23 has been if borrowing is required to take this from the temporary market as opposed to locking into long term debt at heightened rates, in anticipation of rates reducing in the near future.

5.7.2 At the end of 2022/23, £25.000m of short-term borrowing was taken by the Authority to manage cashflow into 31 March 2023.

5.7.3 Maturing long-term loans of £5.000m were repaid in 2022/23 as detailed in Table 32 below:

**Table 32 - Maturing Long-Term Loans repaid during 2022/23**

Principal £m	Interest Rate %	Date Repaid
5.000	7.00	12 September 2022

5.7.4 Short-term savings were achieved during the year by internally financing new capital expenditure by running down existing cash balances.

### 5.7.5 Borrowing in advance of need

The Authority has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.

### 5.7.6 Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 5.8 Investment Outturn

5.8.1 **Investment Policy** – the Authority’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by full Council. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

5.8.2 The investment activity during the year conformed to the approved strategy.

5.8.3 **Resources** – the Authority’s cash balances comprise revenue and capital resources and cash flow monies. The Authority’s core cash resources comprised as follows:

**Table 33: Core Cash Balances**

Balance Sheet Resources	31 March 2023 £m	31 March 2022 £m
Balances	9.933	13.899
Earmarked reserves	77.222	98.514
Insurance Provisions	3.150	3.698
Usable capital receipts	16.192	13.167
<b>Total</b>	<b>106.497</b>	<b>117.622</b>

5.8.4 **Investments held by the Authority** – The Authority maintained an average balance of £24.000 of internally managed funds invested with



the Debt Management Office (DMO). An average balance of £5.000m was held in Lloyds Bank on an on-call basis to meet any unforeseen cashflow requirements whilst managing credit exposures. As at 31 March the Authority had £15.000m outstanding with other local authorities. This balance generated a weighted average return for the Authority of 3.90%.

- 5.8.5 Internally managed investments generated £0.891m compared to a budget of £0.023m. The high interest rate environment from Q2 of 2022/23 driven by Bank of England rate rises provided higher return on short term investments.
  
- 5.9 A full list of the Prudential and Treasury Indicators is shown in **Appendix D**.

## SECTION 6 – USE OF 2023/24 CONTINGENCIES

6.1 As part of the 2023–2027 Medium Term Financial Plan, approved by full Council on 16 February 2023, a higher than normal balance was allocated to contingencies. This was set aside to help address some of the main pressures the Authority faces in 2023/24 and beyond.

6.2 The Authority proposes to allocate £16.702m from Contingencies and £1.779m from Corporate Growth balances within Central Items into the base Budgets of various service areas via Budget virements. Table 34 below shows the allocations:

6.3 **Table 34 Allocation of Contingencies and Corporate Growth**

Allocation to	Contingencies £m	Corporate Growth £m	Total £m
Childrens, Young People & Learning	9.430	0.376	9.806
Adults Social Care	5.528	0.000	5.528
Resources	1.270	1.362	2.632
Regeneration & Economic Development	0.150	0.000	0.150
Corporate Strategy	0.124	0.041	0.165
Commissioning & Asset Management	0.200	0.000	0.200
<b>Total</b>	<b>16.702</b>	<b>1.779</b>	<b>18.481</b>

6.4 In addition to the balances shown in the table above, the Authority is still holding contingencies related to energy pressures and any 2023/24 Pay Award that is agreed. These will be allocated throughout the 2023/24 Financial Year, as required and will be reported in the 2023/24 Financial Management Reports to Cabinet.