

North Tyneside Council

Report to Cabinet

31 July 2023

Title: 2023/24 Financial Management & Performance Report to 31 May 2023

Portfolios: Elected Mayor Finance and Resources Deputy Mayor	Cabinet Member: Dame Norma Redfearn DBE Councillor Anthony McMullen Councillor Carl Johnson
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Report from: Finance and Corporate Strategy

Responsible Officer: Jon Ritchie, Director of Resources Tel: 643 5701
Jackie Laughton, Assistant Chief Tel : 643 5724
Executive

Wards affected: All

1.1 Executive Summary

1.1.1 This report provides Cabinet with a full overview of both the budget and service delivery performance position across the Authority as at 31 May 2023. In terms of the budget, it sets out the forecast outturn position for 31 March 2024 for both revenue and capital. For performance, it sets out the key areas of service delivery for Cabinet to note, including where this impacts in budget terms. It also contains the key performance metrics which will be monitored by the new Office for Local Government which has now been established by Government.

1.1.2 The report also sets out for Cabinet to note the current position in relation to schools finance, the Authority's Investment Plan and treasury management.

In addition, it provides details of additional revenue grants received up until 31 May 2023 for Cabinet to approve.

- 1.1.3 From a budget perspective, the initial projection for 2023/24 is that the General Fund will outturn with a pressure of £11.7m and the Housing Revenue Account will have a forecast underspend of £0.015m.
- 1.1.4 The report sets out the programme of work which is in place to manage and mitigate the 2023/24 budget pressures and form the 2024-2028 Medium Term Financial Plan.
- 1.1.5 From a performance point of view, service delivery overall across the Authority remains strong. Key areas of strength are delivery of the Our North Tyneside Plan 2021-2025 programmes including delivery of the affordable homes and carbon reduction programme. The Ambition for North Tyneside Programme is progressing very well with regeneration projects across all four areas of the borough. The Authority continues to manage high levels of demand in a number of areas including Education, Health and Care Needs Assessments, children in care and home care.

1.2 Recommendations

- 1.2.1 It is recommended that Cabinet:
 - (a) notes the forecast budget monitoring position for the General Fund, Housing Revenue Account (HRA), schools finance and Treasury Management together with the service delivery performance position across the Authority as at 31 May 2023 (sections 1.5.1, 1.5.2, 1.5.3 and 1.5.5 of this report),
 - (b) notes the Authority's Investment Plan spend of £6.3m to 31 May 2023 and the proposed financing of the Plan to the end of the year (section 1.5.4 of this report),
 - (c) approves variations of £6.8m and reprogramming of £0.3m for 2023/24 within the 2023-2028 Investment Plan (section 1.5.4 of this report), and
 - (d) approves the receipt of £2.274m new grants (as outlined in section 1.5.6 of this report), including the acceptance of all Grant Funding Agreements and, in relation to the UK Shared Prosperity Fund for Communities and Place, authorise the Assistant Chief Executive to procure any goods, works or services to deliver the outcomes for that grant.

1.3 Forward Plan:

1.3.1 Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 23 June 2023.

1.4 Authority Plan and Policy Framework:

1.4.1 This report relates to all priorities in the Our North Tyneside Plan.

1.5 Information:

1.5.1 General Fund

1.5.1.1 The forecast net pressure for the current year as at 31 May 2023 is £11.7m. Table 1 below breaks this down by Directorate, with the key areas of variation summarised in following paragraphs. A more detailed commentary of pressures is contained in section 1 of Annex 1.

1.5.1.2 Table: 1 2023/24 General Fund Revenue Forecast Outturn as at 31 May 2023

Services	Budget	Forecast May	Variance May	Variance Outturn	Change since Outturn
	£m	£m	£m	£m	£m
Adults Services	64.210	66.486	2.276	1.130	1.146
Children's Services	33.267	38.648	5.381	8.866	(3.485)
Public Health	1.594	1.594	0.000	0.000	0.000
Commissioning & Asset Management	8.590	14.761	6.171	4.949	1.222
Environment	42.469	42.435	(0.034)	(0.198)	0.164
Regeneration & Economic Development	11.383	11.766	0.383	0.249	0.134
Corporate Strategy	2.316	2.768	0.452	0.507	(0.055)
Chief Executive Office	(0.070)	(0.079)	(0.009)	(0.089)	0.080
Resources	4.838	5.836	0.997	1.457	(0.460)
General Fund Housing	2.343	2.994	0.651	0.517	0.134
Central Items	(8.663)	(13.231)	(4.568)	(11.307)	6.739
Support Services	20.181	20.181	0.000	0.000	0.000
Total Authority	182.458	194.159	11.700	6.081	5.619

- 1.5.1.3 Many of the pressures in the current year are consistent with those faced in recent years. This includes the impact of inflation, on both in-house delivery and externally commissioned services, as well as rising demand and increased complexity for services within both adults and children's social care. An overview of the key areas of pressure and related performance information is set out below.
- 1.5.1.4 Adults Services has a forecast pressure of £2.3m. Within this, costs for externally commissioned care are the main cause, with the greatest pressure continuing within residential care. This is partly mitigated by vacant posts, additional health income but the main improvement being seen in increased client contributions. The pressure is driven by a range of factors, but primarily inflationary pressure on care providers fees and the lack of home care provision, resulting in more short-term residential care placements to facilitate hospital discharge. Further detail is contained within section 1.2 of the annex.
- 1.5.1.5 From a performance perspective within Adults Services, despite the focus to facilitate hospital discharge, the number of clients in short- and long-term placements in residential and nursing care settings has remained constant. There is an on-going drive to find alternatives to short-term residential placements, where home care is not available, as well as improve the monitoring and reporting of these placements. Demand for homecare services remains high and there is ongoing work to support the homecare market, which is a national issue across all authorities.
- 1.5.1.6 Children's Services has a forecast pressure of £5.4m. In 2022/23 there were significant pressures (£14.6m at its height) in Children's Services. The majority of this (£12.3m) related to services for children in care. This was due to increased staffing costs for children's social care and increased numbers of children, both in need and in care, compared to the numbers assumed when the budget was set originally.
- 1.5.1.7 A significant programme of work to analyse and understand the position, has resulted in an increase to the gross budget of £9.7m based on new assumptions. This assumes a level of children in need at 1,600, with 330 of those being children in care. The associated staffing requirement has been increased to 74 social workers. In previous years the budget had been based on assumptions of 1,400 children in need with 260 children in care, supported by 55 social workers. This led to significant financial pressures as well as increased demand on the team. Within the current year, the increased budget has improved the position, however, there is still a forecast financial pressure due to the number of external residential care placements and the level of demand remaining higher than assumed. The number of

children in care is at 362, with the overall level of children in need at 1662. Work is therefore ongoing with this area as part of the programme to mitigate and manage both the budget pressures and set the Medium-Term Financial Plan. More information on Children's Services is set out in section 1.3 of the annex.

- 1.5.1.8 Commissioning and Asset Management (C&AM) has a forecast pressure of £6.2m due to two main areas. Firstly, Home to School Transport which has a pressure of £2.9m due to higher-than-expected levels of children with complex needs who have support with transport. This is further exacerbated by inflationary pressures on the transport contracts. There is also a forecast pressure of £2.9m for Catering Services. This is due to a combination of inflation on the costs of food purchases, staffing costs relating to sickness, maternity cover and 'deep cleaning' days and due to reduced income from fewer schools now using this service. Further information on C&AM is included in section 1.5 of the annex.
- 1.5.1.9 These main pressures in the General Fund are partly offset by a forecast underspend in Central items. This includes savings in the minimum revenue provision (£1.5m), treasury management savings (£1.0m) and the application of contingencies for general inflationary pressures (£1.1m). Further details on Central Items is included in section 1.11 of the annex.
- 1.5.1.10 Cabinet will wish to note that a programme of work is in place to both manage and mitigate the 2023/24 budget pressures as well as form the 2024-2028 Medium Term Financial Plan. A full overview of the 15 workstreams within this programme is set out in section 6 of the annex. The workstreams include the work in relation to the High Needs Block (section 1.5.2) and Children's Services as referenced above.

1.5.2 Schools

- 1.5.2.1 In relation to individual schools, they are required to submit their rolling three-year budget plan to the Authority by 31 May each year. All schools have provided returns but two still require final Governor approval, therefore the figures for 2023/24 included in this report are draft.
- 1.5.2.2 The provisional outturn for school balances for 2022/23 is a deficit of £0.4m. Budget plans submitted by schools indicate that this will increase to a deficit of £8.5m by the end of 2023/24. There are currently 14 schools that have submitted a deficit budget plan for 2023/24. Cabinet should note that there are five new schools requiring a licenced deficit agreement in 2023/24 and nine schools that continue to require support. Of these nine schools, one has a structural deficit, which means that the school is unable to submit a recovery plan which shows it coming back into financial balance within 3

years which is required in line with the scheme for financing schools. The Authority will hold budget review sessions with the fourteen schools involved across July and September.

- 1.5.2.3 Cabinet will recall there has also been significant pressures within the Dedicated Schools Grant (DSG) in relation to the High Needs block which ended 2022/23 with an overspend of £9.6m. As reported previously, to address these pressures, the Authority joined the Department for Education's (DfE) Safety Valve Intervention Programme on 1 April 2023. Subject to meeting specific performance measures, this will provide the Authority with £19.5m of revenue funding to support the current deficit position within this budget area. The DSG Management Plan (which was submitted to the DfE as part of the agreement), demonstrates how, over a five-year period, the Authority will bring the High Needs Block back into balance by the end of that period. The Authority is on track to reach a positive in-year balance on this budget by the end 2027/2028. The current year position includes the first tranche of funding from the DfE of £7.8m.
- 1.5.2.4 The Authority's DSG management plan forecasts that there would be 2,134 Education Health and Care Plans (EHCP) maintained in January 2024 and currently the authority is on track to do this. There are 2,140 EHCPs at the end of May 2023. The rate of EHCPs maintained by the authority has slowed, despite the higher demand for Education, Health and Care Needs Assessments in North Tyneside compared to national and regional rates.
- 1.5.2.5 As part of the Safety Valve Intervention Programme, the Authority will receive £4.7m from the DfE in capital funding to support the Dedicated Schools Grant (DSG) Management Plan which will be used to develop an Early Years hub and increase the Additionally Resourced Provisions (ARPs) in schools. As part of this programme, the Authority is working with its maintained special schools to agree pupil numbers and the banding of these pupils which could impact on the funding they receive.

1.5.3 Housing Revenue Account

- 1.5.3.1 The projected outturn position for the Housing Revenue Account (HRA) is an underspend of £0.015m. The main areas of pressure within this budget area relate to housing repairs due to the impact of inflationary increases on materials and subcontractor prices. There is also an anticipated pressure due to the 2023/24 pay award expected to be greater than assumed in the HRA Business Plan. Other significant pressures relate to the cost-of-living crisis and the continued uncertainty and volatility of utility bill costs. In performance terms for housing, rental income collection is better than forecast despite the gradual increase in rent arrears for current tenants due

to the impact of Universal Credit. Fewer than 1% of homes are empty and available for letting, therefore maximising the amount of rent that can be collected.

1.5.4 Investment Plan

1.5.4.1 The approved 2023–2028 Investment Plan totals £329m (£114m in 2023/24) and is detailed in table 22 of Annex, within section 4.

1.5.4.2 A review of the Investment Plan has resulted in proposals for variations (changes to the financing of the Plan) of £6.8m and reprogramming (changes to the delivery of the Plan) of £0.3m in 2023/24, details of which are set out in Section 4 of Annex, paragraphs 4.3 and 4.4. At the end of May 2023, spend of £6.3m had been incurred in year, representing 5.21% of the overall plan for 2023/24.

Progress at the end of May:-

- **Affordable homes delivery programme;** there are several projects progressing during 2023/24. Work is currently on site with three projects including conversion of two former recreation rooms to affordable bungalows by the end of July 2023 and a further phase of the project converting garage sites in Battle Hill to nine new affordable homes due to complete early 2024. Aurora Affordable Homes continues to purchase homes on the open market and currently owns 97 homes, with 7 homes in the legal process to be purchased.
- **Housing Capital delivery programme;** is on track to deliver a range of improvements to maintain homes to the decent homes standard.
- **Education Investment Works;** delivery of the priority condition related projects as part of the agreed Schools Condition Investment Programme following consultation with all schools, with works to be delivered over the summer.
- **Asset Planned Maintenance programme;** delivery of the priority condition related projects across the asset property estate is on track.
- **Highways and Infrastructure Works;**
 - Delivery of the Local Transport Plan including the annual resurfacing programme and integrated transport projects. Larger projects will include the strengthening of Harrow Street pedestrian bridge at Shiremoor.
 - Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities.

- Continuation of the Tanners Bank highway improvement scheme at various junctions in North Shields.
- Progression of a number of major highway improvement schemes such as the Seafront Sustainable Cycle Route, Stephenson Street junction upgrades and the next phases of the Routes to Metro project.
- Continuation of the surface water programme to reduce the risk of flooding in the borough.
- **Ambition for North Tyneside;**
 - **Wallsend** – A draft masterplan prepared with proposals to upgrade public realm, housing development and employment and business support programmes. The plan was considered by Cabinet on 22 May 2023, following public engagement, and powers delegated to officers to finalise the plan. Government advised in January that the Levelling Up Fund bid had been unsuccessful and therefore the next round of bidding is now awaited.
 - **Killingworth Lake** – work refining draft concept plans are underway and cost estimates are being produced to inform potential funding bids.
 - **Waggonways project** – work is underway to develop the scope of the project and ecological surveys have been commissioned focusing on Waggonway route in the North West of the borough. Work is underway to assimilate potential S106 contributions to use in part to fund the project. A concept plan has been developed and a funding bid has been submitted to the North of Tyne Combined Authority to cover design fees.

1.5.5 Treasury Management

- 1.5.5.1 The level of external borrowing (excluding PFI) has remained the same since 31 March 2023 at £422m to 31 May 2023. The level of internal funding remains high at £68.5m at 31 May 2023 (£102m at 31 March 2022). This is in line with the Authority's Treasury Management Strategy as this avoids external interest charges wherever possible.
- 1.5.5.2 As at 31 May 2023 the Authority had Treasury investments of £15m. During April and May 2023, £0.2m was generated through interest earned on investments, of which £0.1m relates to income earned on HRA balances. The Authority invests in line with Chartered Institute of Public Finance Accountancy (CIPFA) guidance, maintaining a low-risk approach to investments.

1.5.6 New Revenue Grants Received

1.5.6.1 The table below sets out the details of new revenue grants received up to end May 2023 for Cabinet's approval.

Table 3 – Grants Received April and May 2023/24

Directorate	Grant Provider	Grant	Purpose	2023/24 value £m
Corporate Strategy & Customer Services	Department for Levelling Up, Housing and Communities (DLUHC)	UK Shared Prosperity Fund (UKSPF) – Communities and Place	Development of Community Partnership to support VCSE.	Revenue 1.081 Capital 0.400
Children's	DfE	Initial Teacher Training Reform Set-Up Costs Grant Funding	ITT course development ahead of ITT reform delivery in 2024/25.	0.025
Environment	Arts Council England	Coronation Library Fund	To support local celebrations of the Coronation	0.001
Environment	Material Focus	Electrical Recycling Fund	Working to stop electricals being hoarded and thrown away, and ensure they're reused and recycled instead.	0.015
Environment	Trees for Climate	North East Community Forest – Trees for Towns	Various environmental benefits from tree planting schemes	0.048
Environment	Trees For Climate	Trees for Climate – Extraordinary Payments for Replanting in Exceptional Circumstances	Various environmental benefits from tree planting schemes	0.004
Regeneration and Economic Development	North of Tyne Combined Authority	The Business Factory Project	Support residents and businesses in the Borough looking to start up and grow, increasing the number of businesses, availability of jobs and levels of productivity within North Tyneside Council	0.700
Total				2.274

1.6 Decision Options:

1.6.1 The following decision options are available for consideration by Cabinet:

1.6.2 Option 1

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

1.6.3 Options 2

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

1.7 Reasons for Recommended Option:

1.7.1 Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex 1: Financial Management Report to 31 May 2023

Annex 2: Performance Report to 31 May 2023

Appendix 1: Investment Plan Summary

1.9 Contact Officers:

Jon Ritchie – Corporate Finance matters – Tel. (0191) 643 5701

Claire Emmerson – Corporate Finance and Schools matters – Tel. (0191) 643 8109

David Dunford – Corporate Finance and General Fund matters – Tel. (0191) 643 7027

Jane Cross – Corporate Finance and General Fund matters

David Mason – Investment Plan matters – Tel. (0191) 643 5747

Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

Jackie Laughton – Performance matters – Tel (0191) 643 5724

Pam Colby – Performance matters – Tel (0191) 643 7252

1.10 Background Information:

1.10.1 The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Revenue budget 2023/24
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%202023_24.pdf
- (b) Investment Plan 2023–2028
<https://democracy.northtyneside.gov.uk/documents/s11473/Annex%201%20Appendix%20D%20i%202023%20-%202028%20Investment%20Plan.pdf>
(Agenda reports pack 16 February 2023 – Appendix D(i))
- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/documents/s11480/Annex%201%20Appendix%20G%20-%202023-24%20Reserves%20and%20Balances%20Policy.pdf>
(Agenda reports pack 16 February 2023 – Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s11482/Annex%201%20Appendix%20I%20-%202023-24%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20Development%20Committee%20Jan%20202.pdf>
(Agenda reports pack 16 February 2023 – Appendix I)
- (e) North Tyneside Safety Valve Agreement
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142857/North_Tyneside_Safety_Valve_Agreement_2022-2023.pdf

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

- 2.1.1 Financial and other resources implications are covered in the body of the report.

Legal

- 2.2.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/Community Engagement

2.3.1 Internal Consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Deputy Mayor, Cabinet Members, the Senior Leadership Team and Senior Finance Officers.

2.3.2 External Consultation / Engagement

The 2023/24 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

2.4 Human Rights

2.4.1 The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and Diversity

2.5.1 There are no direct equalities and diversity implications arising from this report.

2.6 Risk Management

2.6.1 Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and Disorder

2.7.1 There are no crime and disorder implications directly arising from this report.

2.8 Environment and Sustainability

2.8.1 There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

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