

# 2023/24 Financial Management Report Annex

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## SECTION 1 – SERVICE COMMENTARIES

1.1 Meetings have been held between finance officers and budget managers to review the forecast position for 2023/24, with the forecast being prepared on a prudent basis to give sight of the overall challenges at this stage in the financial year. In addition, challenge sessions are planned to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Service Directors and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

### 1.2 Adults Services

1.2.1 Adults Services is showing a forecast variance of £2.276m against its £64.210m net controllable expenditure budget. The net budget for 2023/24 has increased by £7.401m from 2022/23, with the gross budget increasing by £11.584m, within this there were no savings targets allocated for 2023/24.

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

	Budget £m	May 23 Forecast £m	May Variance £m	Outturn Variance £m	Change £m
Central, Strategy and Transformation	0.854	0.914	0.060	(0.033)	0.093
Social Work and Associated Activity	8.373	8.261	(0.112)	(0.442)	0.330
Integrated Services	2.687	1.898	(0.789)	(1.524)	0.735
Business Assurance	0.373	0.402	0.029	0.010	0.019
<b>Sub-total Operations</b>	<b>12.287</b>	<b>11.475</b>	<b>(0.812)</b>	<b>(1.989)</b>	<b>1.177</b>
Wellbeing and Assessment	17.382	18.124	0.742	1.505	(0.763)
Learning Disability	30.304	31.214	0.910	1.167	(0.257)
Mental Health	4.583	5.836	1.253	0.975	0.278
Other Services	(0.346)	(0.163)	0.183	(0.528)	0.711
<b>Commissioned Services</b>	<b>51.923</b>	<b>55.011</b>	<b>3.087</b>	<b>3.119</b>	<b>(0.031)</b>
<b>Total Adult Services</b>	<b>64.210</b>	<b>66.486</b>	<b>2.276</b>	<b>1.130</b>	<b>1.146</b>

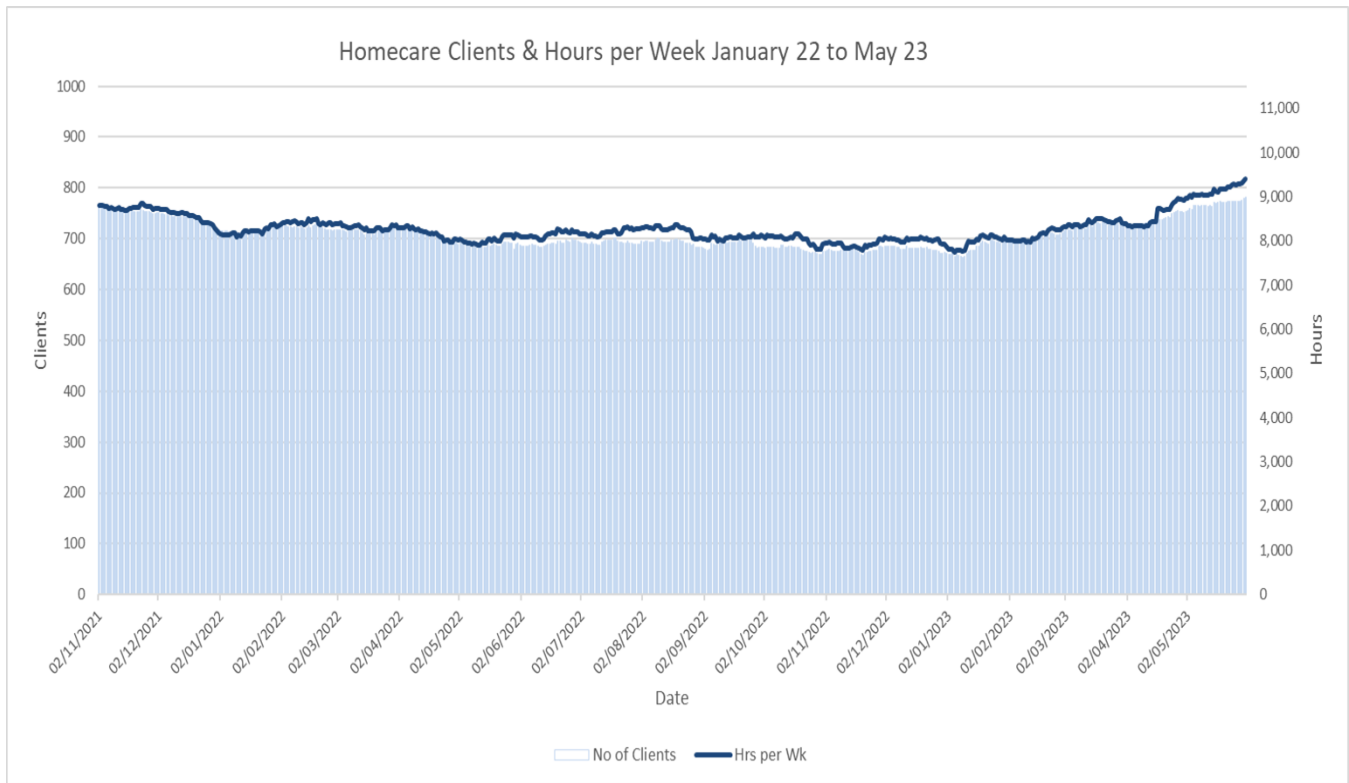
## Main budget pressures across Adults Services

- 1.2.3 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. The operational costs of the service are forecasting an underspend of £0.812m. In 2022/23 the outturn position was an underspend of £1.989m which reflected a large number of vacant posts because of the ongoing difficulty in the recruitment and retention of staff.
- 1.2.4 As part of the 2023/24 budget process £0.400m additional funding was allocated to address the problems with recruitment and retention of staff and the inconsistent grading of social work posts across the authority. The positive impact of this investment has already been recognised in recent recruitment. There are further plans to introduce a Short-Term Review Team to add capacity, support and challenge into the system.
- 1.2.5 Adult Services continues to manage a complex budget and is required to deal with a combination of funding arrangements, pressures, and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage but also from the cost-of-living increases currently being experienced across the country. The 2023/24 negotiations with providers resulted in a 2-year agreed fee increase and £9.080m additional budget to support social care providers to maintain their vital services.
- 1.2.6 There continues to be a shortage of homecare provision within the borough and as at the end of May there were 108 clients on the brokerage waiting list, however this has seen a steady downward trend over the last 10 months. During 2022/23 the lack of home care provision resulted in increased short term residential care placements, in April 2023 there were 30 new short-term placements slightly increased from March but an overall decline since August 2022. This is a regional and national issue and work is on-going to support the home care market. The Authority is working with providers to look at new and innovative solutions and this will form the basis for the re-procurement of the home care contract which will start from April 2024.
- 1.2.7 Adult Social Care Discharge funding of £1.343m is managed as part of the Better Care Fund (BCF) for 2023/24, pooled with Integrated Care Board (ICB) funding and approved via the Health & Wellbeing Board. The 2023 – 2025

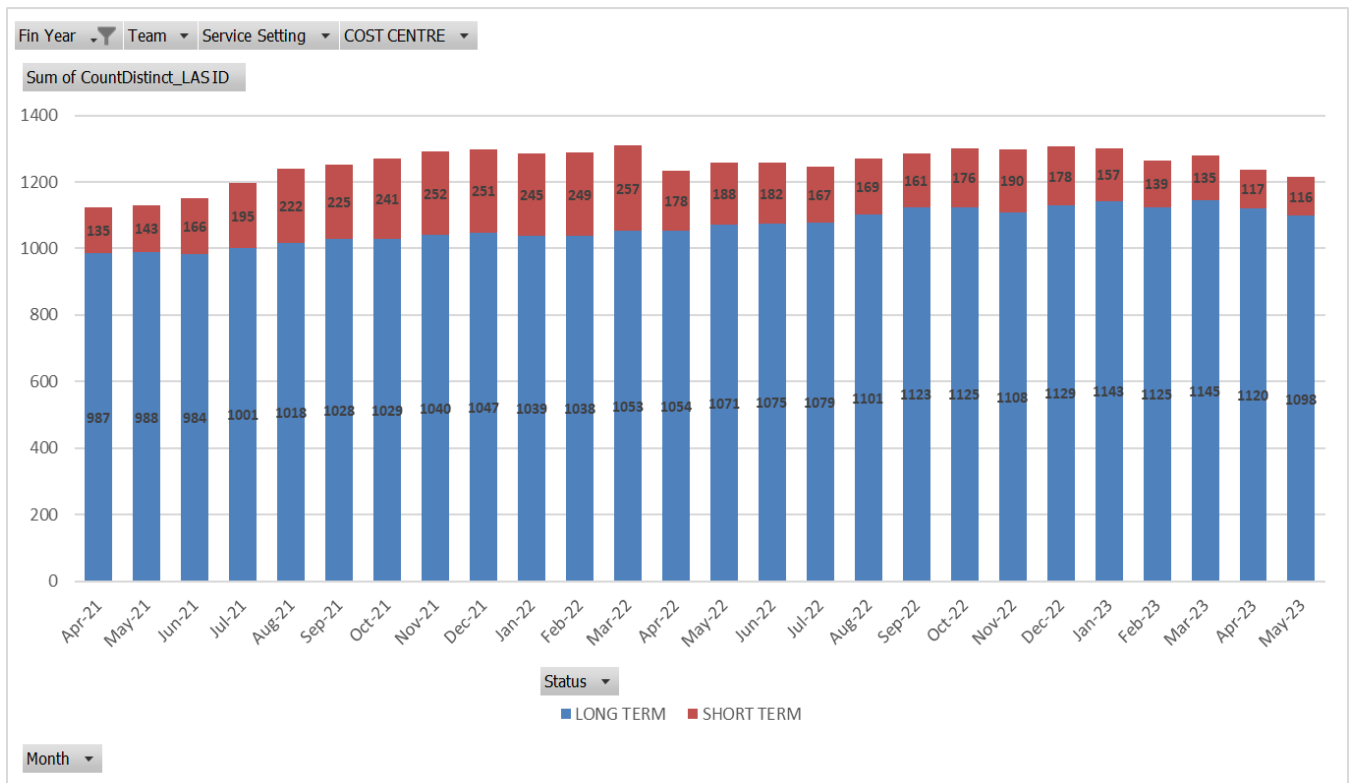
BCF plan includes a scheme to increase inhouse homecare capacity, this will increase control and capacity of home care provision with focus on reablement. The posts will be directly employed by the authority and will form part of the social care career pathway.

- 1.2.8 The hospital stepdown beds, additional Extra Care placements and reablement flats helped with the transition from hospital during 2022/23, 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 work has already begun to look for similar arrangements and support for 2023/24.
- 1.2.9 The transition of complex clients from both Children's Services and long-term hospital settings are a growing pressure for Adult Services. The Authority works closely with the ICB to ensure funding contributions for clients with these health needs continue on an equitable basis but the social care element continues to grow. Funding received from the ICB for S117 mental health after care services has increased overall (ICB contribution for these clients is 50% of total care costs), however, there continues to be pressure around funding from the NHS for clients with shared care and to support mental health infrastructure originally established in relation to clients resettled from long stay NHS hospitals.
- 1.2.10 Client contributions for 2022/23 was £15.078m and was the first full financial year without the impact of hospital discharge COVID support. There was investment in the Adult Social Care Finance Team throughout 2022/23 to improve the income and debt collection processes which is now starting to impact positively on income levels.
- 1.2.11 Work has started on the Health & Social Care workstream as part of the 2024 – 2027 Medium Term Financial Plan (MTFP). This is a cross cutting exercise involving Public Health colleagues to consider the medium to long-term pressures and efficiencies that health and social care adult services will face.

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



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



### 1.3 Children, Young People and Learning (CYPL)

1.3.1 Children's Services is showing a forecast variance of £5.381m against its £33.267m net controllable expenditure budget. The net budget has increased by £7.514m from 2022/23 (£10.630m including the contingency budget allocated from central contingency as part of 2022/23 outturn). Within the 2023/24 budget there were no new savings targets allocated.

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

	2023/24 Budget	2022/23 Outturn	May Forecast	May Variance	Change since 2022/23
	£m	£m	£m	£m	£m
Corporate Parenting & Placements	26.315	26.939	29.866	3.551	2.927
Quality of Practice	0.000	0.000	0.135	0.135	0.135
Multi-agency Safeguarding Arrangements	0.618	0.628	0.643	0.025	0.015
Health, Information & Advice, Virtual School & Emotional Wellbeing (HIVE)	0.013	(0.027)	0.013	0.000	0.040
Early Help & Vulnerable Families	1.805	1.326	1.605	(0.200)	0.279
Employment & Skills	0.725	0.576	0.720	(0.005)	0.144
Children's Disability Service	1.709	3.414	3.440	1.731	0.026
Education North Tyneside	1.604	1.530	1.906	0.302	0.376
Youth Justice Service	0.621	0.398	0.463	(0.158)	0.065
Regional Adoption Agency	(0.143)	(0.168)	(0.143)	0.000	0.025
<b>Total Children's Services</b>	<b>33.267</b>	<b>34.616</b>	<b>38.648</b>	<b>5.381</b>	<b>4.032</b>

## Main budget pressures across Children's Services

- 1.3.3 The "Handling Children's Finance" workstream looked to address the pressures in Corporate Parenting linked to an increased number of children in need and children in care.
- 1.3.4 The £5.381m forecast pressure partly relates to a higher number of external residential care and external supported accommodation placements as work is ongoing to reach the "core" children in care numbers as well as the placement mix identified in the workstream, see paragraph 1.3.14. The forecast also reflects ongoing pressure within the Children's Disability Service and inhouse children's homes.
- 1.3.5 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. Coupled with the ongoing impact of increasing need, this has led to additional challenges in delivering savings targets. In response to this Cabinet agreed to remove unachieved savings of £1.500m in 2023/24.
- 1.3.6 **Table 3: Forecast Variation for Children's Services Split between Operational & Commissioned Care Costs**

	2023/24 Budget	2022/23 Outturn	May Forecast	May Variance	Change since 2022/23
	£m	£m	£m	£m	£m
Commissioned Services	8.479	9.849	11.042	2.563	1.193
In-house Service's	11.213	12.913	13.064	1.850	0.151
Staffing & Operations	13.718	12.022	14.685	0.968	2.663
Regional Adoption Agency	(0.143)	(0.168)	(0.143)	0.000	0.025
<b>Total Children's Services</b>	<b>33.267</b>	<b>34.616</b>	<b>38.648</b>	<b>5.381</b>	<b>4.032</b>



- 1.3.7 Table 3 shows the Children's Services position split between operational and commissioning pressures. The commissioned and in-house services gross budget was increased as part of the Children's services workstream by £7.162m to reflect the "core" number of children in need.
- 1.3.8 Commissioned services are showing a pressure of £2.563m which reflects the pressures in external residential and supported accommodation placements. As well as the number of children in external placements currently being higher than the "core" number we are working towards, there is also an increased pressure being experienced in the external care market which is seeing unprecedented weekly costs for externally commissioned care packages.
- 1.3.9 There is also pressure in external fostering and short break care. There continues to be a lack of provision of short break care available for children with disabilities and work is on-going to identify additional resources to meet need. This provision is vital to families and carers and lack of provision could lead to future breakdown in care arrangements.
- 1.3.10 Addison Street children's home is an in-house service which provides short break care to children with disabilities. The pressure against in-house services of £1.850m reflects pressure across all of the inhouse children's homes as the cost-of-living crisis and the challenges of life after Covid continues to impact.
- 1.3.11 The staffing budgets were increased by £2.584m as part of the Children's Services workstream and this has addressed the historic pressure within social work. The remaining pressure relates to non-social work posts.
- 1.3.12 To support a core number of 1,600 Children in Need, the structure was increased to 74 qualified social worker posts. There are currently 1,669 Children in Need and 16.60 vacant social work posts, partly being covered by 13 agency staff. This level of vacancies puts additional pressure on staff which is unsustainable in the long term. The Children's Services workstream also focused on social worker recruitment and retention and developed a recruitment pilot to try and address the high level of vacancies.

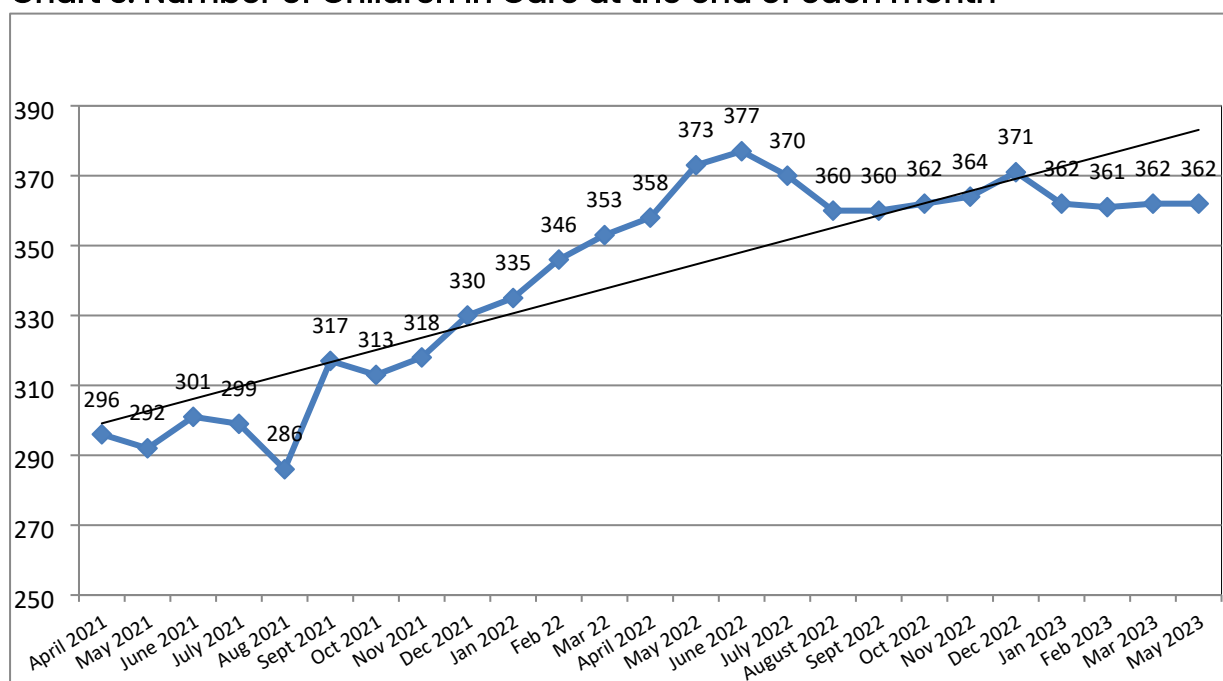
## Corporate Parenting and Placements

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

Type of Service	2023/24 Budget	2022/23 Outturn	May Forecast	May Variance	Change since 2022/23
	£m	£m	£m	£m	£m
Care provision – children in care	15.693	16.475	17.973	2.280	1.498
Care provision – other children	4.131	4.606	4.595	0.464	(0.011)
Management & Legal Fees	0.114	0.531	0.697	0.583	0.166
Social Work	6.327	5.273	6.546	0.219	1.273
Safeguarding Operations	0.050	0.054	0.055	0.005	0.001
<b>Total</b>	<b>26.315</b>	<b>26.939</b>	<b>29.866</b>	<b>3.551</b>	<b>2.927</b>

1.3.14 The forecast is based on the children in care at the end of May 2023. Chart 3 shows the number of children in care was 362, this is higher than the “core” number of 330 resulting in the forecast also being higher than the revised budget for 2023/24.

1.3.15 Chart 3: Number of Children in Care at the end of each month



1.3.16 Current numbers include 33 unaccompanied asylum-seeking children (UASC), an increase of 7 since the March position, which the Authority is mandated to take.

## Care Provision – Children in Care

1.3.17 Table 5 gives a further breakdown of the care provision costs for the 362 children in care. Children’s Services 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. While there is a pressure within in-house residential care, unit costs for external residential care continue to increase significantly more than inhouse services and there are plans to look to increase the capacity of the in-house provision.

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

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

Placement Type	2023/24 Budget	May Forecast	May Variance	Average Annual Placement Cost	Place-ment Mix	No. of children May 2023
	£m	£m	£m			
External Residential Care	5.022	5.712	0.690	0.375	7.5%	27
External Fostering	0.926	0.956	0.030	0.042	6.1%	22
In-House Fostering Service	5.626	5.504	(0.122)	0.026	57.7%	209
External Supported Accommodation	1.647	2.436	0.789	0.099	12.7%	46
In-House Residential Care	2.472	3.365	0.893	0.160	5.8%	21
Other*	-	-	-		10.2%	37
<b>Total</b>	<b>15.693</b>	<b>17.973</b>	<b>2.280</b>	<b>-</b>	<b>100%</b>	<b>362</b>

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

1.3.20 Since the refresh of the Fostering Strategy, approved in November, in-house fostering allowances now follow national uplifts and keep the Authority competitive in the local market. The 2023/24 uplift of 12.43% meant the

allowances budget was increased by £0.165m however the longer-term aim is to increase the number of foster carers to allow less reliance on other types of care provision.

1.3.21 External fostering is currently supporting 22 children in care, which is the same number as the “core” number of children in care that would expect to be placed in external fostering arrangements. However, there is a pressure within external fostering due to on-going placements for older children who remain with their external foster carer. These placements are no longer included within children in care put attract a “staying put” allowance.

1.3.22 **Table 6: “Core” Number of Children in Care and planned placement mix**

Placement Type	Placement Mix	No. of children
External Residential Care	7.0%	23
External Fostering	6.7%	22
In-House Fostering Service	61.7%	204
External Supported Accommodation	9.7%	32
In-House Residential Care	6.4%	21
Other*	8.5%	28
<b>Total</b>	<b>100%</b>	<b>330</b>

### Care Provision – Other Children (not in care)

1.3.23 The pressure of £0.464m relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). SGO’s are also impacted by the agreed increases to foster care allowances but as this is a mean tested allowance, there is also an increased pressure due to the impact of the cost-of-living crisis.

### Management and Legal Fees

1.3.24 This area has a forecast pressure of £0.583m however some of the pressure within this area is due to residual savings targets, which the service are looking to reprofile. There is also an ongoing pressure due to increased legal fees and whilst there has been an exercise to provide more support internally from Legal Services, there remains a pressure around court fees.

## **Social Work**

- 1.3.25 The Children's Services workstream addressed the pressure previously seen within social work budgets and resulted in a staffing structure which can support the "core" number of children. The remaining pressure of £0.219m relates to Section 17 payments to families which continues to see a high level of demand as families continue to be impacted by the cost-of-living crisis.

## **Other Service Areas**

- 1.3.26 Children's Disability Service was not included in the initial scope of the Children's Services workstream and is forecasting a pressure of £1.731m. Pressures within Disability Services should be seen within the national and local context of increasing numbers of children with complex needs, work continues with the Integrated Care Board (ICB) to identify health needs and corresponding Children's Continuing Care (CCC) health income.
- 1.3.27 One of the main pressures relate to operational staffing costs within the in-house children's disability homes. The service plans to start a review of this provision to identify any areas of spend which can be reduced without adverse impacts on the children and families receiving support.
- 1.3.28 Education North Tyneside is reporting a pressure of £0.301m which reflects a reduction in income for an education training venue while the building is temporarily being used for alternative accommodation. The School Improvement Service has seen a reduction in external funding however have recently undergone a review of services to address the resulting pressure. As part of the 2023/24 MTFP the Ambition for Education workstream will look at continuing pressures within this area.

## **1.4 Public Health**

- 1.4.1 Public Health is forecasting to outturn on budget, which is the same as the Outturn Cabinet Report.

## 1.4.2 Table 7: Public Health Forecast Variation

	Budget	Forecast	Variance	Variance	Change
	£m	May	May	Outturn	since
	£m	£m	£m	£m	Outturn
					£m
Public Health Ring Fenced Grant	(0.032)	(0.032)	0.000	0.000	0.000
0-19 Children's Public Health Service*	0.273	0.273	0.000	0.000	0.000
Community Safety & Resilience	0.451	0.451	0.000	0.000	0.000
Public Protection	0.902	0.902	0.000	0.000	0.000
<b>GRAND TOTAL</b>	<b>1.594</b>	<b>1.594</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 There is an overspend in Public Protection which is mainly due to the ongoing pressures with the taxi licensing service of £0.120m as a result of the costs to run the service, coupled with reduced income due to the number of drivers and vehicles reducing before and during the pandemic and not currently seeing any signs of recovery. The remaining pressure of £0.015m is spread across the remaining service areas due to increased supplies and services and reduced income forecasts. However, this is being mitigated by other funding streams elsewhere to bring the service to a nil variance.

## 1.5 Commissioning and Asset Management

1.5.1 Commissioning and Asset Management (C&AM) is showing a pressure of £6.171m as set out in Table 8, an increase of £1.222m since the Outturn Cabinet report.

### 1.5.2 Table 8: Commissioning and Asset Management (C&AM) Forecast Variation

	Budget	Forecast May	Variance May	Variance Outturn	Change since Outturn
	£m	£m	£m	£m	£m
School Funding & Statutory Staff Costs	5.468	5.531	0.063	(0.157)	0.220
Commissioning Service	0.486	0.460	(0.026)	(0.041)	0.015
Facilities & Fair Access	1.354	7.311	5.957	5.029	0.928
Strategic Property & Investment	1.037	1.117	0.080	0.082	(0.002)
Property	(0.022)	(0.022)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.168	0.165	(0.003)	(0.003)	0.000
Procurement	0.099	0.199	0.100	0.039	0.061
<b>GRAND TOTAL</b>	<b>8.590</b>	<b>14.761</b>	<b>6.171</b>	<b>4.949</b>	<b>1.222</b>

1.5.3 The main budget issues relate to Facilities and Fair Access which is showing a forecast pressure of £5.957m (Outturn pressure of £5.029m). The Home to School Transport position is forecasting a pressure of £2.892m which relates to the sustained increase in children with complex needs attending special schools of £1.501m and inflationary pressures of £1.391m. Demand pressures in High Needs is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant. As a result of the increase in need for home to school transport for children with additional needs, the number of children in vehicles has risen from 614 in April 2016 to 888 in April 2023 as shown in the performance data and 66.36% 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 a pressure on the catering service of £2.938m due to inflationary pressures of £1.805m, wages of £0.130m 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

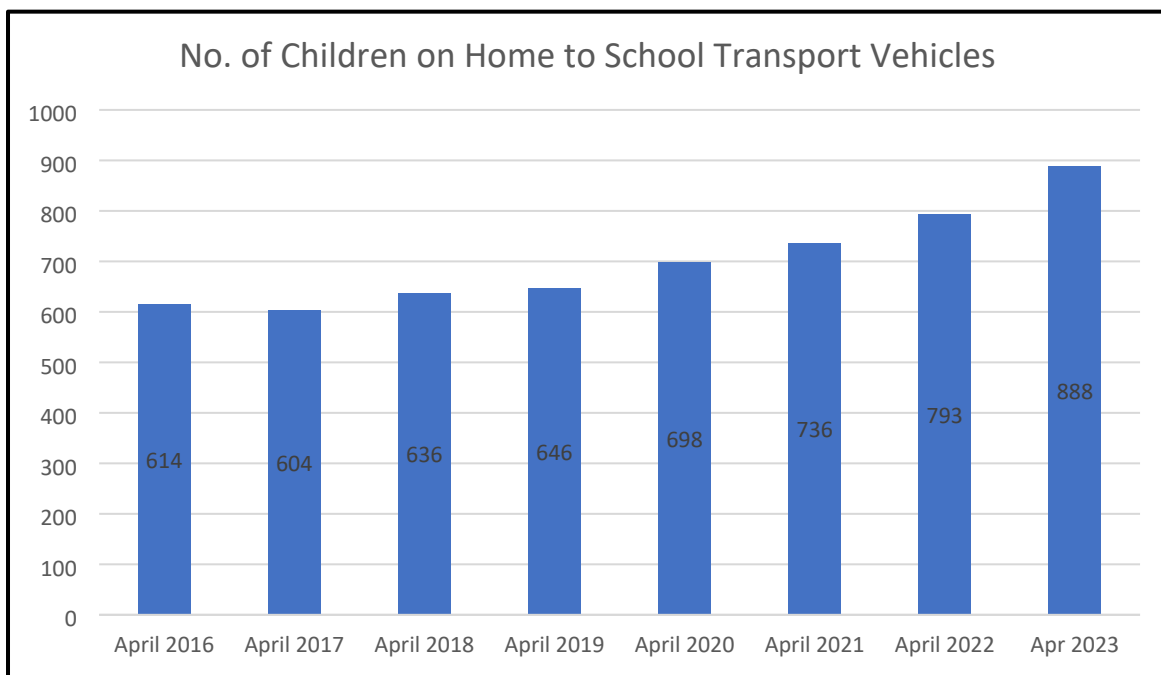
hours worked and also management operational pressures. There are pressures on paid school meals of £0.089m and SLA income of £0.075m due to the number of schools that have left the SLA in recent years. The service is currently reviewing all costs associated with SLA provision to mitigate the loss of income. The management and central establishment element of the catering SLA cannot now be recovered from the schools that have left the SLA which is a pressure of £0.319m. There is also pressures on income budgets due to reduced SLA and paid meals income as a result of schools leaving the catering service and pupils not returning to paid schools meals post COVID 19 pandemic of £0.369m and lost income from other catering posts COVID 19 pandemic of £0.151m.

- 1.5.5 Cleaning has a pressure of £0.111m which results from inflationary pressures of £0.061m and an additional income target of £0.050m.
- 1.5.6 The remaining main pressures are on school funding and statutory staff costs of £0.063m due to a pressures on teachers early/ill health retirements of £0.105m which are partially offset by redundancy payments savings of (£0.030m) and school related premises costs savings of (£0.012m). There are pressures on the procurement service of £0.100m due to the cross cutting savings target allocated in 2023/24 of £0.100m.
- 1.5.7 There are also pressures on Strategic Property & Investment due to no car parking income being received for Quadrant of £0.101m which are partially offset by operational savings (£0.021m). The property forecast currently assumes that Capita will make a forecast payment at year end of £0.605m to balance actual net expenditure to budget.
- 1.5.8 50.85% of the total service pressures are due to inflation for which there has been no corresponding budget increase.
- 1.5.9 The main movements of £0.050m or more from the previous cabinet report are an increase in the Home to School Transport pressure £0.941m due to less central funding allocated to Home to School Transport in 2023/24 of £0.200m, a reduction in DSG contribution of £0.060m and increases in the route costs due to full year effect of the increasing number of pupils being transported and associated inflation of £0.681m. The movement in catering of £0.549m is due to not receiving Covid 19 central funding in 2023/24 of £0.654m, which is partially offset by additional income from school meals



price increases from September 2023 with a part year effect of (£0.083m). The movement in School funding and statutory staff costs is due to a reduction in the DSG funding in 2023/24 of £0.100m for teachers early retirements and the annual increase in payments for teachers early retirements for which no additional budget is provided of £0.120m. The movement in procurement is due to income received from capita KPI penalties in 2022/23 having now been removed from the forecast for 2023/24 of £0.054m and other operational pressures of £0.008m. There has also been a movement in Attendance and Placement/Access and Admissions due to the full year effect of vacancies being filled and a reduction in forecast income from penalty notices of £0.067m. The movement in Commissioning is an increase in the salary forecast due to new posts in Childrens Commissioning for the DSG management plan that have no permanent budget of £0.059m and other operational pressures of £0.015m.

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



1.6 **Environment**

1.6.1 Environment is forecasting an underspend of (£0.034m), as set out in Table 9 below, an increase of £0.164m since the Outturn Cabinet Report.

## 1.6.2 Table 9: Forecast Variation in Environment

Service Areas	Budget £m	Forecast May £m	Variance May £m	Variance Outturn £m	Change since Outturn £m
Bereavement	(0.549)	(0.576)	(0.027)	0.052	(0.079)
Fleet Management	0.730	0.723	(0.007)	0.157	(0.164)
Head of Service Environment & Leisure	0.147	0.110	(0.037)	(0.031)	(0.006)
Library & Community Centres	5.992	6.184	0.192	(0.116)	0.308
Sport & Leisure	4.946	5.102	0.156	0.389	(0.233)
Street Environment	9.285	9.368	0.083	0.144	(0.061)
Waste & Refuse Management	4.345	4.280	(0.065)	(0.017)	(0.048)
Waste & Recycling Disposal Contracts	12.437	12.108	(0.329)	(0.776)	0.447
Street Lighting PFI	5.137	5.137	0.000	0.000	0.000
<b>GRAND TOTAL</b>	<b>42.469</b>	<b>42.435</b>	<b>(0.034)</b>	<b>(0.198)</b>	<b>0.164</b>

- 1.6.3 Bereavement is forecasting a (£0.027m) underspend, which reflects a potential full operational 12 months of burials and cremations compared to 2022/23 (where the replacement of the cremator at Whitley Bay was not completed until July 2022) and contributing to a forecast overachievement against challenging income targets.
- 1.6.4 Street Environment is forecasting a £0.083m pressure, which reflects higher than expected operational costs including essential expenditure on a new ICT system linked to management of the Council's tree stock. In addition, the higher inflationary cost of obtaining materials, equipment or supplies across the service are a contributing factor and forecast to impact against base budgets resulting in many minor cost pressure variances. Following the allocation of central support for Gas and Electricity, there may be small underspends over the course of the year which may assist to mitigate the overall pressure.
- 1.6.5 A small underspend of (£0.007m) is initially forecast in Fleet Management at the outset of the 2023/24 financial year. The forecast assumes the budgeted

allocation £1.110m of revenue financing repayment being made linked to the Capital Vehicle Replacement Programme.

- 1.6.6 Sport & Leisure is forecasting a £0.156m cost pressure which is an improvement of (£0.233m) since the 2022/23 year-end outturn position. The impact on the reported variance compared to the 2022/23 year-end outturn follows the allocation of central support uplift against Gas & Electricity budgets.
- 1.6.7 Libraries & Community Centres is forecasting a £0.192m pressure which is an adverse movement of £0.308m compared to the 2022/23 year-end outturn. The reported variance includes a £0.102m cost pressure against Wallsend Customer First Centre linked to the annual Rent paid to the building landlords. In addition, there are income pressures across all of the Libraries and Customer First Centres.
- 1.6.8 A combined underspend of (£0.394m) is forecast in Waste Management which is a worsening of £0.399m compared to the 2022/23 Outturn Cabinet Report.
- 1.6.9 Waste & Recycling Disposal Contracts is forecasting a (£0.329m) underspend which reflects the ongoing underspend from 2022/23 around Kerbside/Home Recycling Disposal costs which are forecast to be significantly lower than the base budget given the current market rate for recycled materials and subsequent lower disposal gate fee per tonne.
- 1.6.10 Waste & Refuse Management is initially forecasting a (£0.065m) underspend, which can be attributed to a combined forecast overachievement on income of (£0.152m) across Commercial Waste & Special Collections. The forecast income mitigates the higher than anticipated operational pressures around fleet/transport costs.
- 1.6.11 Although a nil variance is to be reported on the Street Lighting PFI Contract, the cost pressure against electricity is initially forecast to be £0.969m which, combined with the inflationary cost pressure against the Unitary Charge, requires an anticipated £1.328m Contribution from Reserves.

1.6.12 A range of key performance measures are being discussed to enhance reporting on key areas within Environment, such as waste recycling, anti-social behaviour, carbon reduction and income in Sport & Leisure. Data will be gathered on these measures in the coming weeks and included in future versions of this report and the Performance Dashboard.

## 1.7 Regeneration and Economic Development

1.7.1 Regeneration and Economic Development (R&ED) is forecasting a pressure of £0.383m, as shown in Table 10 below, which is a worsening of £0.134m since the Outturn Cabinet report.

1.7.2 **Table 10: Forecast Variation for Regeneration and Economic Development**

Service Areas	Budget	Forecast May	Variance May	Variance Outturn	Change since Outturn
	£m	£m	£m	£m	£m
Culture	1.628	1.788	0.160	0.056	0.104
Business & Enterprise	0.814	0.790	(0.024)	(0.187)	0.162
Regeneration	0.428	0.655	0.227	0.270	(0.043)
Resources & Performance	0.363	0.427	0.064	0.110	(0.046)
Technical Package - Planning	0.303	0.303	0.000	0.000	0.000
Technical Package - Transport & Highways	7.847	7.803	(0.044)	0.000	(0.044)
<b>GRAND TOTAL</b>	<b>11.383</b>	<b>11.766</b>	<b>0.383</b>	<b>0.249</b>	<b>0.134</b>

1.7.3 Culture is forecasting a pressure of £0.160m which is a worsening of £0.104m since the Outturn Cabinet Report. This is due to a pressure of £0.080m with the Mouth of Tyne Festival as a result of increased production costs for the event. The precept to Newcastle Council for Tyne & Wear Museums & Archives has an increased pressure of £0.032m due to increases in staffing costs. The service has seen a number of posts regraded (with pay back dated to April 2022), which has resulted in a staffing pressure of £0.100m across the service for 2023/24. Some of these pressures have been offset by the forecast income from the profits of Whitley Bay Playhouse (£0.060m).

- 1.7.4 Transport and Highways and Planning is forecasting an underspend of (£0.044m) which is as a result of additional staffing costs being expected to be charged into Capital works currently being undertaken across the service.
- 1.7.5 The forecast pressure within Regeneration is mainly due to an ongoing issue at the former Swans site in relation to costs and income shortfalls relating to the Centre for Innovation (CFI) building which were present during 2022/23 and are expected to continue in 2023/24. Despite the shortfall, the service is still actively marketing vacant units and looking to attract tenants.
- 1.7.6 Resources & Performance is showing a pressure of £0.064m due to staffing pressures in the management team following a restructure.

## 1.8 Corporate Strategy

- 1.8.1 Corporate Strategy is forecasting a £0.452m pressure, an improvement of (£0.055m) since the Outturn Cabinet report.

### 1.8.2 Table 11: Forecast Variation Corporate Strategy

Service Areas	Budget	Forecast May	Variance May	Variance Outturn	Change since Outturn
	£m	£m	£m	£m	£m
Children's Participation & Advocacy	0.475	0.527	0.052	0.131	(0.079)
Community & Voluntary Sector Liaison	0.367	0.367	0.000	(0.002)	0.002
Corporate Strategy Management	0.736	0.990	0.254	0.247	0.007
Elected Mayor & Executive Support	0.043	0.043	0.000	0.017	(0.017)
Marketing	0.445	0.480	0.035	0.063	(0.028)
Policy Performance and Research	0.250	0.361	0.111	0.051	0.060
<b>GRAND TOTAL</b>	<b>2.316</b>	<b>2.768</b>	<b>0.452</b>	<b>0.507</b>	<b>(0.055)</b>

- 1.8.3 Children's Participation & Advocacy is overspent by £0.052m. This is due to the net impact of additional unfunded posts linked to Social Inclusion

activities and demands which is anticipated to result in a £0.262m Employee/Staffing cost pressure being forecast, with partially mitigating income from external and internal sources identified. Approved 2023/24 revenue growth of £0.104m has been allocated and been absorbed with the staffing cost pressure. Over (£0.080m) income/staff time recharged from the Holiday Activities Fund is included in the variance together with additional income recharges for staff time and services delivered.

- 1.8.4 An overspend of £0.254m is forecast against Corporate Strategy Management which reflects a £0.157m underachievement against a cross service income target (assuming no income generation will occur). Included within the overall forecast is a £0.100m shortfall in the funding of Customer Service Programme posts not being fully met.
- 1.8.5 There is a £0.117m staff cost pressure forecast in Marketing (caused by capacity issues over the last couple of years plus regrading's), which is partially mitigated by reduced spend/income overachievement. Included within the Employee cost pressure, staff will receive a 'Standby' payment (on a call out rota basis) to cover Emergency Planning/unsocial call out Marketing & Public Relations activities when required is likely to be a £0.010m annual pressure in 2023/24 going forward.
- 1.8.6 Within Policy Performance and Research, a number of staff are paid through ring-fenced budgets and through Service Level Agreements with other services or schools. Together with capacity issues over the last couple of years, plus increased hours as well as unfunded posts to meet cross service demands, a significant staffing cost pressure exists which contributes to the £0.111m adverse variance being reported. Approved 2023/24 revenue growth of £0.046m has been allocated and been absorbed within the staffing cost pressure. A reduction in staff recharge and grant income is also forecast and contributing to the adverse variance.
- 1.8.7 A range of key performance measures have been agreed for the service looking at important areas such as complaints and member enquiries. Future versions of this report and the performance dashboard will include updates of how the Authority is performing against each of these.

## 1.9 Resources and Chief Executive Office

1.9.1 This report shows the forecast position for the full Resources directorate and the Chief Executive Office, which is showing a pressure of £0.988m, which is a decrease of (£0.380m) since the Outturn Cabinet Report.

### 1.9.2 Table 12: Forecast Variation Resources and Chief Executive

Service Areas	Budget £m	Forecast May £m	Variance May £m	Variance Outturn £m	Change since Outturn £m
Chief Executive	(0.070)	(0.079)	(0.009)	(0.089)	0.080
Finance	(0.164)	(0.221)	(0.057)	(0.019)	(0.038)
IT	2.824	2.824	0.000	0.000	0.000
People Team	0.057	0.018	(0.039)	0.000	(0.039)
Internal Audit and Risk Management	0.052	0.055	0.003	(0.029)	0.032
Revenues and Benefits	0.494	0.494	0.000	0.000	0.000
Director of Resources	0.167	0.192	0.025	0.011	0.014
Governance	0.175	0.197	0.022	0.106	(0.084)
Law and Registration	1.233	2.277	1.044	1.388	(0.344)
Business Package Holding Codes	0.000	0.000	0.000	0.000	0.000
<b>GRAND TOTAL</b>	<b>4.768</b>	<b>5.757</b>	<b>0.988</b>	<b>1.368</b>	<b>(0.380)</b>

1.9.3 Law & Registration is forecasting a pressure of £1.044m. While the service (Legal) has implemented a new structure to mitigate the use of Locums and reduce the cost pressures in the service, with recruitment underway, the use of Locums is still required until the structure is fully resourced. This has resulted in a forecast pressure of £0.466m on locums, which is partially offset (£0.134m) by the vacancies within the team. The responsibility of legal fees for Childrens Services cases transferred into the team from 1st April 2023 and is forecasting a pressure of £0.134m, alongside a legal fees pressure of £0.086m for services delivered for other parts of the business. It is expected that this pressure will reduce once the new restructure is fully implemented. Within the new combined Newcastle & North Tyneside Coroner Service there is a £0.474m 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, which we are working closely with Newcastle Council to monitor.

- 1.9.5 Within Finance there is a reported underspend of £0.057m, which is mainly due to increased income for recharges of staffing resources to Adult Social Care and Housing Revenue Account.
- 1.9.6 Revenues and Benefits, which was included as part of Finance in the Outturn Report, is forecasting a nil pressure which is no change to the Outturn Cabinet Report.
- Overpayment income recovery is forecast to under recover by £0.400m against targets due the ongoing 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 (£0.095m), by an in-year reduction in the Bad Debt Provision requirement, due to the reduction of overpayment income debt.
  - The Benefits subsidy grant is showing a net pressure of £0.023m. 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 £0.088m 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.
- 1.9.7 A range of key performance measures are being developed for the Resources area focusing on collection rates of council tax and business rates and key areas of welfare support such as Universal Credit and Housing Benefit.
- 1.10 **General Fund Housing**
- 1.10.1 General Fund Housing is reporting a forecast £0.651m pressure, which is an increase of £0.134m since the Outturn Cabinet Report.



### 1.10.2 Table 13: Forecast Variation for General Fund Housing

Service Areas	Budget	Forecast May	Variance May	Variance Outturn	Change since Outturn
	£m	£m	£m	£m	£m
Building Control	0.108	0.108	0.000	0.002	(0.002)
Housing Strategy	0.535	0.535	0.000	(0.075)	0.075
Housing Options – General Fund	0.453	0.453	0.000	(0.007)	0.007
Housing Operations – General Fund	0.027	0.027	0.000	0.000	0.000
Housing Property – General Fund	1.220	1.871	0.651	0.597	0.054
<b>GRAND TOTAL</b>	<b>2.343</b>	<b>2.994</b>	<b>0.651</b>	<b>0.517</b>	<b>0.134</b>

1.10.3 The main overspend is in Housing Property – General Fund and is due to ongoing cost pressures, as seen during 2022/23, and the continuation of large jobs that are coming through the Public Buildings Repairs team, which is resulting in a £0.700m pressure in this area. The team are working to reduce this across 2023/24, but the service is very much demand led. This pressure is partially offset by a forecast underspend of £0.050m within the General Fund side of Adaptations, through increased income for private sector and Disabled Facilities Grant work.

1.10.4 With regards to key performance measures in the Service, homeless presentations to the Authority remain high at the end of May 2023 (431 against 416 at the same period last year), however the number of priority homeless acceptance are stable and consistent with previous years.

### 1.11 Central Items

1.11.1 Central Items is forecasting a (£4.568m) underspend which is an increase of £6.739m since the Outturn Cabinet report.

1.11.2 Within Corporate and Democratic Core there is a (£1.121m) contribution of growth to support inflationary pressures across the Authority.

1.11.3 Included in Other Central Items is a (£1.500m) movement as a result of Minimum Revenue Provision (MRP) savings and a (£1.000m) reduction in projected external interest charges primarily due to a higher than forecast cash balance and reprogramming of the 2022/23 Investment Plan. There is an allocation of (£0.381m) Section 31 Grant and a (£0.547m) contribution from the Business Rates Volatility Fund.

1.11.4 Table 14: Forecast Variation Central Budgets and Contingencies

Service Areas	Budget	Forecast May	Variance May	Variance Outturn	Change since Outturn
	£m	£m	£m	£m	£m
Corporate & Democratic Core	4.120	2.980	(1.140)	(0.206)	(0.934)
Other Central Items	(12.783)	(16.211)	(3.428)	(11.101)	7.673
<b>GRAND TOTAL</b>	<b>(8.663)</b>	<b>(13.231)</b>	<b>(4.568)</b>	<b>(11.307)</b>	<b>6.739</b>

## SECTION 2 – SCHOOLS FINANCE

### 2.1 Update on School Budgets 2023/24

2.1.1 All Schools have provided their rolling three-year budget plan but a couple still require final Governor approval, therefore the total 2023/24 figure below is draft. No material movement is anticipated once final Governor approved figures are received. Table 15 below shows the current movement in budget from 2022/23 to 2023/24.

#### 2.1.2 Table 15: Schools three-year budget plan summary by phase

Phase	Budget Plan 2022/23 £m	Outturn * 2022/23 £m	Budget Plan 2023/24 £m	Budget Movement £m
Nursery/First/Primary	(4.957)	(5.529)	(2.690)	2.267
Middle	(0.716)	(1.655)	(0.488)	0.228
Secondary	9.907	6.822	9.638	(0.269)
Special / PRU	1.299	0.744	1.696	0.397
<b>Total</b>	<b>5.532</b>	<b>0.382</b>	<b>8.156</b>	<b>2.623</b>

\*note 22/23 outturn is pre commitments of circa £5.0m

2.1.3 The initial planned deficit for school balances is forecast to worsen from a £0.382m deficit outturn in 2022/23 by £8.156m planned deficit in 2023/24 resulting in planned school balances of £8.538m. The schools finance team is continuing to work with schools to refine these budget positions and will also be supporting schools' applications for de-delegated funding held centrally to mitigate the impact where schools are experiencing falling rolls, where a potential application to schools in financial difficulty could be made, or where schools are experiencing growth in rolls where there is a lag in funding. These applications will be considered by a sub-group of Schools Forum and will be reported back to Cabinet as they are agreed.

## 2.2 Deficit Schools

2.2.1 Some schools continue to face significant financial challenges. There are currently fourteen schools that have submitted a deficit budget plan for 2023/24, five new schools requiring a licenced deficit agreement in 2023/24. The nine schools that continue to require support from the Authority were in

deficit at the end of the 2022/23 financial year. Of these nine schools one had a structural deficit in 2022/23 which continues into 2023/24. The Authority agreed with the Education and Skills Funding Agency (ESFA) to allow their School Resources Management Advisors (SRMAs) to work with the four schools that were new to deficit in 22/23, along with Beacon Hill Special School in order to produce a comprehensive review of their finances, leading to a budget deficit plan. This work was carried out in the autumn term.

2.2.2 Initial deficit review sessions for 2023/24 are planned in July 2023, with sessions for two special schools planned for September to allow time for pupil numbers and banding reviews to be fed into the process. Before any adjustments identified during the upcoming challenge sessions and the allocation of falling rolls and headroom funding, the balances of these 14 deficit schools are expected to total £14.826m with individual school deficit values shown in Table 16 below.

2.2.3 Table 16: Schools in an expected deficit position 2023/24

Deficit School Positions 2023/24	Outturn 2022/23 £m	Budget Plan 2023/24 £m	Movement £m	Comments
Benton Dene	(0.018)	0.022	0.040	New Deficit
Forest Hall	0.013	0.052	0.039	New Deficit
Greenfields	0.078	0.041	(0.037)	New Deficit
Whitehouse Primary	0.044	0.008	(0.036)	New Deficit
Silverdale	0.044	0.079	0.035	New Deficit
Monkseaton High	5.546	6.128	0.582	Structural Deficit
Coquet Park	0.051	0.157	0.106	Existing Deficit
Holystone	0.133	0.129	(0.004)	Existing Deficit
Balliol Primary	0.097	0.125	0.028	Existing Deficit
Wallsend St Peter's	0.092	0.113	0.022	Existing Deficit
Ivy Road Primary	0.149	0.164	0.015	Existing Deficit
Longbenton High	1.697	1.510	(0.187)	Existing Deficit
Norham High	3.984	4.352	0.369	Existing Deficit
Beacon Hill	1.232	1.946	0.714	Existing Deficit
<b>Total</b>	<b>13.142</b>	<b>14.826</b>	<b>1.684</b>	

2.2.4 Further work continues with special schools to look at appropriate levels of funding for the needs of their current cohort of pupils.

2.2.5 As in previous years, the details of schools' balances, including commitments, will be reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. This return is co-ordinated on behalf of all maintained schools by the Authority and will be submitted by the deadline of 14 July 2023.

### **2.3 High Needs Block**

2.3.1 Cabinet will recall that the High Needs block ended 2022/23 with a pressure of £17.391m. The first allocation of the Safety Valve funding of £7.800m was received in March 23 reducing the 2022/23 pressure to £9.591m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund. This overall pressure in the High Needs block is broadly in line with the national and regional picture and remains an area of concern nationally.

2.3.2 The forecast for the High Needs Block in 2023/24 is an anticipated in-year pressure of £0.514m, offset by a £0.521m improvement in the 22/23 closedown position. 2022/23 high needs outturn showed an improved position against the original Safety Valve Intervention (DSG Management Plan), however there has been an assumption within 2023/24 high needs spend to represent ongoing discussions with maintained special schools on pupil numbers and bandings. The cumulative forecast position remains in line with the DSG Management Plan. A breakdown of the in-year pressure is shown in Table 17;

### 2.3.3 Table 17: Breakdown of High Needs Pressure at May 2023

Provision	Budget £m	May 23 Forecast £m	Forecast Variance £m	Comment
Special Schools and PRU	22.387	22.837	0.450	
ARPS /Mainstream Top-ups	6.065	6.156	0.091	
NMSS/ISP	4.305	4.151	(0.154)	Reflects indicative saving on the most complex Out of Borough placements
Commissioned Services / Other EOTAS	3.160	3.287	0.127	Pressure reflects Commissioned Services savings assumed in DSG Management Plan but not yet confirmed.
<b>TOTAL</b>	<b>35.917</b>	<b>36.431</b>	<b>0.514</b>	
DSG High Needs Funding	(33.606)	(33.606)	0.000	
<b>In-Year Planned Deficit</b>	<b>2.311</b>	<b>2.825</b>	<b>0.514</b>	
2022/23 Bal B/fwd	17.912	17.391	(0.521)	
Safety Valve Funding 22/23	(7.800)	(7.800)	0.000	
Safety Valve Funding 23/24	(1.950)	(1.950)	0.000	
<b>Deficit c/fwd to 24/25</b>	<b>10.473</b>	<b>10.466</b>	<b>0.007</b>	

## 2.4 Safety Valve Intervention Programme

2.4.1 The Authority submitted a final DSG Management Plan on 3 February 2023 to the Department for Education (DfE) and is on track to reach a positive in year balance on its DSG High Needs Block by the year end 2027/28, as shown in Table 18. This was reported in the first submission to the DfE on 16 June 2023.

### 2.4.2 Table 18: High Needs Block Financial Summary

Year	Balance B/F	High Needs Expenditure (including Growth & Mitigations)	High Needs Funding	Block Transfer	Safety Valve Funding	Balance C/F
2022/23	13.511	33.973	(30.092)	0.000	(7.800)	9.592
2023/24	9.592	36.431	(33.606)	0.000	(1.950)	10.466
2024/25	10.466	36.064	(34.614)	(0.751)	(1.950)	9.215
2025/26	9.215	36.566	(35.653)	(0.766)	(1.950)	7.412
2026/27	7.412	37.112	(36.722)	(0.781)	(1.950)	5.071
2027/28	5.071	37.429	(37.824)	(0.797)	(3.900)	(0.021)

2.4.3 The Authority engaged with partners across SEND to co-create the DSG Management Plan and will report progress to the DfE across the year. The next reporting deadline is 15<sup>th</sup> September 2023.

## 2.5 Early Years Block update

2.5.1 The Early Years block outturn for 2022/23 was a surplus of £0.337m. An adjustment to funding takes place usually in July each year when the DfE reviews funding estimates based on the January pupil census prior to the new financial year. The Authority would normally expect a clawback of funding as a result of this review. Initial indications for 2023/24 show that services can be delivered within the budget available.

2.5.2 In the 2023 Spring Budget the DfE announced additional funding to increase the hourly funding rates for early years providers to deliver the

existing early years entitlements for disadvantaged 2-year-olds and 3 and 4-year-olds from September 2023. The DFE will provide £204 million of additional funding to local authorities in 2023 to 2024, rising to £288 million in 2024 to 2025.

- 2.5.3 For 2023 to 2024 this funding will be known as the Early Years Supplementary Grant (EYSG). In setting the local funding rates for distributing EYSG to providers, the DFE encourage local authorities to engage with early year providers about the additional funding, but local authorities will not be required to consult formally.
- 2.5.4 For 2024 to 2025, the additional £288m will be allocated to local authorities through the DSG.



## SECTION 3 – HOUSING REVENUE ACCOUNT

### Forecast Outturn

- 3.1 The forecast set out in Table 17 below is based on the results to May 2023. Currently the Housing Revenue Account (HRA) is forecasting an in-year underspend of £0.015m. Throughout the year, costs will be monitored closely across all areas with additional focus on Rent Arrears and the effect this has on bad debt provision. In addition, changes to prudent assumptions around Rental Income, Council Tax voids, Contingency and staffing vacancies will be monitored to assess the impact on the forecast position. The main areas of pressure continue to relate to repairs budget and the impact of inflationary increases, in addition there is an anticipated pressure caused by the 2023/24 pay award due to be at least at the same level as last year overall, which is greater than was budgeted for 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.

#### 3.1.1 Table 19: Forecast Variance Housing Revenue Account

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.360	2.337	(0.023)
Management – Operations	5.387	5.413	0.026
Management – Strategy & Support	3.948	4.160	0.212
Capital Charges – Net Effect	11.074	11.074	0.000
Contingencies, Bad Debt & Transitional Protection	2.253	2.253	0.000
Contribution to Major Repairs Reserve – Depreciation	14.220	14.220	0.000
Interest on Balances	(0.075)	(0.285)	(0.210)
PFI Contracts – Net Effect	2.143	2.143	0.000
Rental Income - Dwellings, Direct Access Units, Garages	(66.978)	(66.998)	(0.020)
Rental Income – HRA Shops and Offices	(0.426)	(0.426)	0.000
Revenue Support to Capital Programme	11.609	11.609	0.000
Repairs	14.869	14.869	0.000
<b>Total</b>	<b>0.384</b>	<b>0.369</b>	<b>(0.015)</b>

## **Rental Income**

- 3.2 Rental Income overall across all areas is currently forecast to be slightly better than budget (£0.020m), which is a minimal variation on a £67m budget. This is helped by the level of Empty Homes continuing to trend at well below 1% which increases the level of rent that is collectable. However, Right to Buy (RTB) levels have still been trending at higher than anticipated levels which has eroded this forecast position slightly. The impact of Universal Credit on arrears and the bad debt provision also continues to be closely monitored.

## **Management Costs**

- 3.3 Management Costs are currently forecast to come in £0.214m above budget, and this is due to a combination of issues, namely the 2023/24 tabled pay award being higher than the pay contingency budgeted for, and the other main pressure relates to the cost-of-living crisis and increased energy costs, which will necessitate a fundamental further review of service charges and a potential rebasing of those budgets. In addition, the Unified System project has reached contract sign-off, and the project will now move on to implementation. Should any delays occur, reprofiling of when key spend and resources will happen may be necessary, but the budgets provided should be sufficient this year to cover anticipated costs.

## **Bad Debt Provision and Contingency**

- 3.4 Early indications are that the in-year rate of increase in arrears will be contained within the Bad Debt Provision budget for the year, so currently the forecast for use of the provision is on budget. As usual this situation will be closely monitored to anticipate any potential shift either a betterment to help the overall bottom line, or any potential increased pressure which has happened a few times in the last 5 years. Contingency is also being forecast to come in on budget (£1.450m), with most of the ongoing £0.200m being assumed against the 2023/24 pay award pressure, and £1.250m being the first contribution to the new Tenancy Sustainment Reserve, to be used to fund initiatives to try and relieve some of the current cost of living issues being faced by tenants.

## Repairs

- 3.5 The Housing Repairs budget continues to feel pressure from a number of sources, mainly caused by the current economic instability being experienced across the world. The current rates of inflation in material and sub-contractor prices, plus difficulty accessing certain materials and services within the supply chain continue to challenge the service. Issues also continue in recruiting to certain trades which then places more reliance on sub-contractors and agency staff. Additional funding has been provided to cover market supplement payments and revised Craft Agreement reviewed rates of pay moving forward. In addition to this, the Authority continues dealing with the implications of the Housing White Paper which arose from the Grenfell Disaster, such as installing carbon monoxide detectors in all properties, and more frequent periodic electrical testing, for which some additional funding has again been provided. The main in-year pressure however relates to the tabled 2023/24 pay award which will be as a minimum in line with last year's settlement, which is above the level budgeted for in pay contingency which was 3%. This means a much larger proportion of any repairs contingency provision has already been committed to known spend. As the forecast stands, we anticipate being able to cover the pressures in-year within overall existing budgets, but as always this will depend on a range of factors, and not having another Storm Arwen any time soon.

## Rent Arrears and Bad Debt Provision

- 3.6 Arrears are made up of two elements:
- Current Tenant Arrears and,
  - Former Tenant Arrears

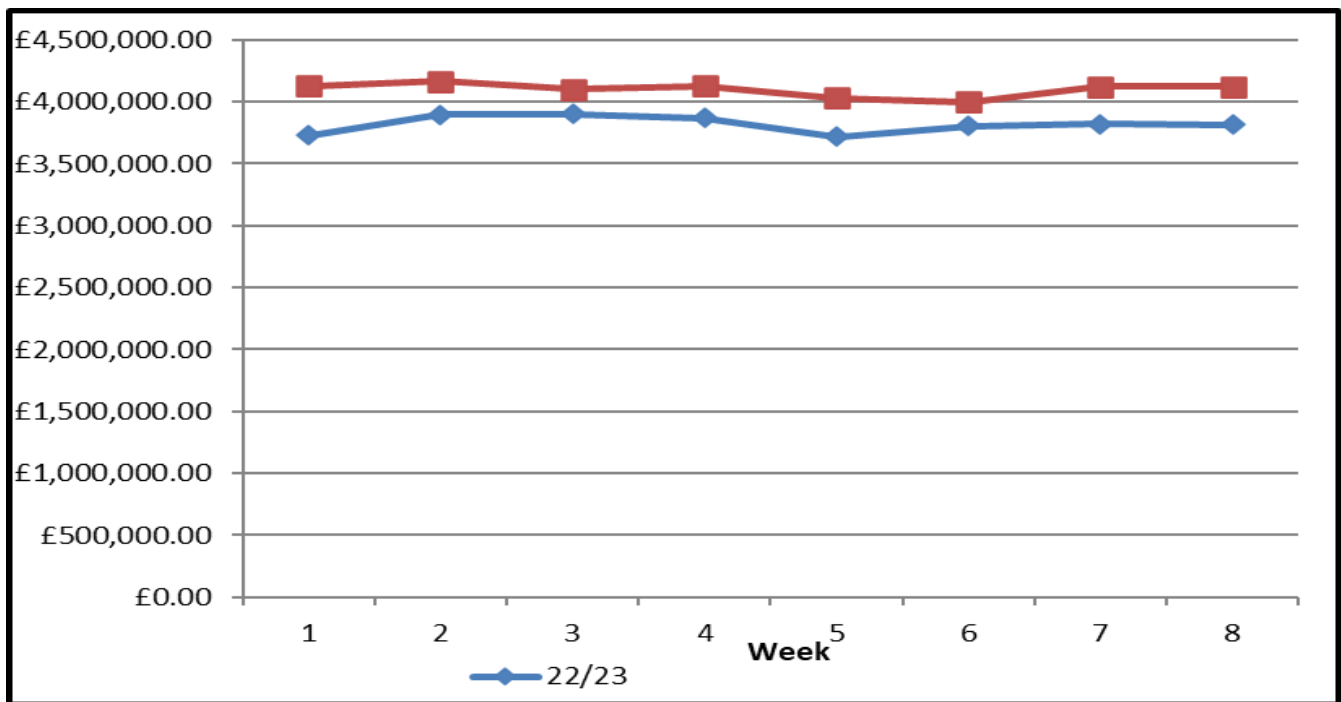
3.7 **Table 20: Rent Arrears**

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
28/05/2023(to-date)	4,122,295	2,236,009	6,358,304	57,900

3.8 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.

3.9 Chart 7 below shows the value of current rent arrears in 2023/24 at the end of May 2023 compared to the same period in 2022/23. The Housing team is continually working proactively with tenants to minimise arrears. Current Rent Arrears have risen albeit gradually in the first two months of 2023/24 as compared to 2022/23, with an increase of £0.226m being seen in this period since the start of April 2023. There was an under-spend against bad debt provision in 2022/23 for the third year in a row, hence there only being a minimal increase in the budget for this year, so the position will need to be monitored closely to maintain confidence that the overall forecast increase in arrears can be contained within the budgeted provision made. This will also be impacted by the amount of debt written off. This will all help to inform the in-year monitoring position as we go but also will be pivotal in refreshing the HRA Business Plan for the 2024/25 budget round.

3.10 **Chart 5: Current Rent Arrears in Weeks 1-8 (April-May) 2023/24 compared to 2022/23**



3.11 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. By the end of May 2023 this had increased to 4,176 UC cases with arrears of £4.122m, which is an increase of 227 tenants and £0.225m of arrears from the beginning of the financial year. As always, the impact of Universal Credit (UC) continues to be monitored, as significant increases in numbers on UC could also adversely affect the rate at which arrears grow. The extra pressure increased numbers of UC cases brings can be seen from table 21 below, which shows the change in the proportion of the overall debit that is now cash based, rather than being covered by direct payment of Housing Benefit.

**Table 21 – Proportion of Rent Debit met by Housing Benefit**

Year	Housing Benefit received via Direct Payment		Total Rent Debit	% of Rent Debit covered by HB Direct Payments
	£		£	%
2016/17	33,218,096		58,729,152	56.6
2017/18	31,970,851		57,889,823	55.2
2018/19	28,932,255		56,795,935	50.9
2019/20	24,490,067		56,931,399	43.0
2020/21	22,151,257		56,955,677	38.9
2021/22	20,464,887		57,327,202	35.7
2022/23	19,655,720	59,128,802		33.2

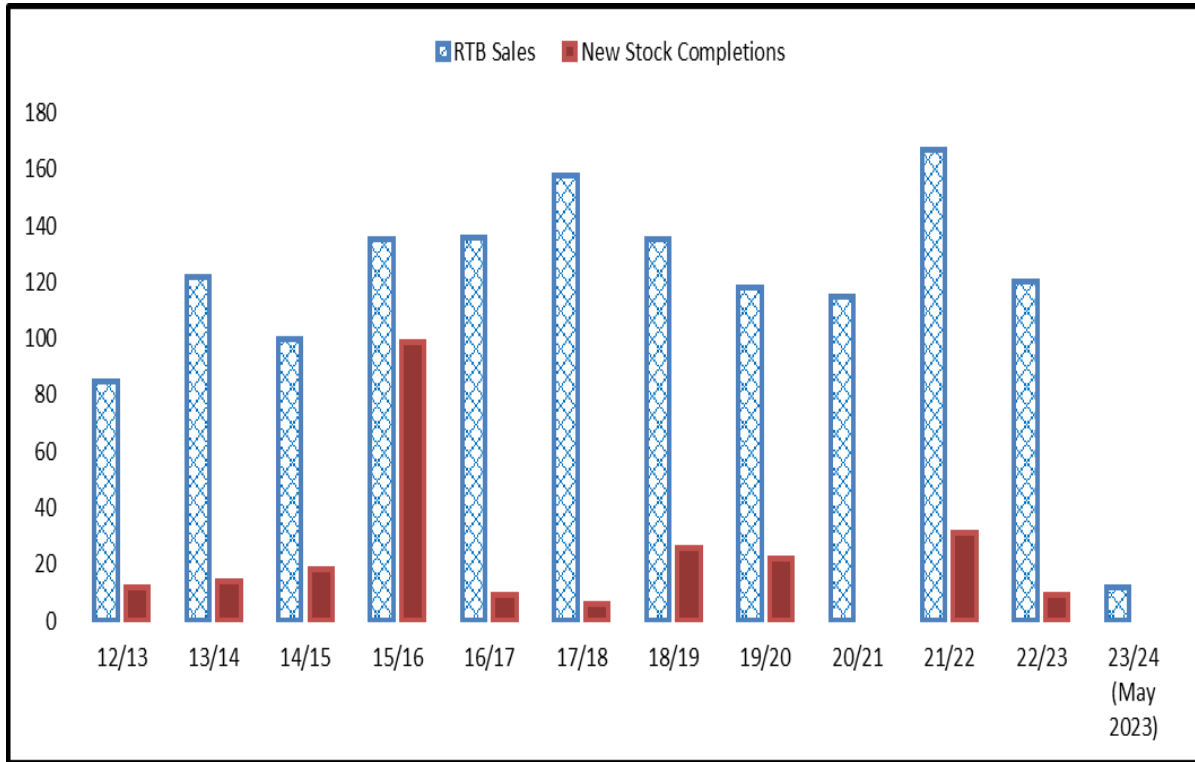
3.12 The main mechanism for helping to manage arrears is the Bad Debt Provision (BDP), which at the start of 2023/24 stood at £5.207mm on the HRA Balance Sheet with the budget for the 2023/24 contribution at £0.772m. As alluded to above in 3.4 currently Bad Debt Provision is forecast to come in on budget, but this will again be continually tracked to ensure that any change against budget forecast is picked up as soon as possible.

### 3.13 Right to Buy (RTB) Trends

3.13.1 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 8 below shows the trend in RTB sales since that time. The first two months of 2023/24 saw 12 completed RTB sales, which is slightly lower than previous years, including 2021/22 where the Authority saw the highest number of RTB sales at 167 since the changes were introduced in 2012. It is just possible that impending changes in the mortgage market may curtail sales slightly, but as always trends will need to

be closely monitored as they impact not only in-year forecasts, but significantly on future refreshes of the HRA 30-year Business Plan.

### 3.13.2 Chart 6: Yearly RTB Sales v New Stock Additions



## **SECTION 4 – INVESTMENT PLAN**

### **Review of Investment Plan**

- 4.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers will continue to review the delivery of those key projects included within the 2023/24 Investment Plan, with continuing challenges within the market due to ongoing inflationary cost pressures within the supply chain.
- 4.2 The Authority continues to manage project expenditure within existing budgets where possible; reprofiling spend, undertaking value engineering or reducing scheme scoping where the impact is minimal or can be managed. Any request to utilise contingencies to meet unavoidable additional costs will be reviewed on a case-by-case basis.
- 4.3 A rising rate interest environment has an impact on the investment plan. Interest rates were increased again at June 2023 Monetary Policy Committee (MPC), further details within section 5 (Treasury Management Position) of this report. This has wider implication for the investment plan and items which are not fully externally funded, therefore require Council Contribution funded by borrowing. Higher interest rates will mean a higher cost of borrowing to the Authority.

### **Variations to the 2023–2028 Investment Plan**

- 4.3 Variations of £6.786m, and £0.250m of reprogramming to the 2023–2028 Investment Plan have been identified as part of the ongoing monitoring of the Investment Plan and these are summarised in tables 22 and 23 below. Further details of the key changes impacting on the current financial year are provided in paragraph 4.4 and 4.5. The variations relating to future years are primarily relating to the refresh of the Investment Plan, set out in the report to Council on 16 February 2023.



4.3.1 Table 22: 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
Previously Approved Reprogramming/Variations						
2022/23 Monitoring	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
Approved Investment Plan	113.607	58.167	50.055	53.775	53.884	329.488
May 23 Monitoring Variations	6.786	3.593	0.083	0.000	0.000	10.462
Reprogramming	(0.250)	0.250	0.000	0.000	0.000	0.000
Total Variations	6.536	3.843	0.083	0.000	0.000	10.462
Revised Investment Plan	120.143	62.010	50.138	53.775	53.884	339.950

4.4 The proposed significant variations to the Investment Plan in 2023/24 are shown below:

- (a) **EV100 Active Travel 3 – Permanent Seafront Scheme (£5.000m)** – Due to cost pressures and changes in scheme scope following public consultation, a change control request was submitted and approved by Active Travel England seeking additional funding (£6.5M over the 2023–2028 Investment plan) to allow the whole scheme to be delivered. Additionally, a funding contribution of £1M from Sustrans has also been approved and included within EV100.
- (b) **EV056 Additional Highways Maintenance (£0.501m)** – DfT funding has been awarded for additional resurfacing and footway improvements.
- (c) **ED120 Basic Need/ED190 High Needs Capital (£2.236m)** – Aligning external grant funding from ED120 to ED190 to deliver the proposed

extension at Beacon Hill School in Wallsend. This has a net nil impact to the investment plan.

- (d) **HS015 Refurbishment / Decent Homes Improvements (£0.600m)** – The inclusion of £1.211m of grant award over the 2023–2028 investment plan (planned investment of £0.600m in 2023/24) relating to the Social Housing Decarbonisation Fund (SHDF) Wave 2 to deliver energy efficiency measures that support our Carbon reduction ambitions.
- (e) **HS055 Home Upgrade Grant (£0.311m)** – The inclusion of Home Upgrade Grant 2 award to the Authority for energy efficiency and clean heating upgrades in owner occupied and private rented sector fuel-poor homes off the gas grid.
- (f) **DV081 North Shields Cultural Quarter (£0.250m)** – Reprogramming of £0.250m relating to digital delivery into 2024/25 reflecting the latest delivery plans.

4.5 The impact of the changes detailed above on capital financing is shown in table 23 below.

4.5.1 Table 23: Impact of variations on Capital financing

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
<b>Approved 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>
Council Contribution	0.000	0.000	0.000	0.000	0.000	0.000
Grants and Contributions	5.907	3.232	0.083	0.000	0.000	9.222
Contribution from Reserves	0.029	0.000	0.000	0.000	0.000	0.029
HRA Grants & Contributions	0.600	0.611	0.000	0.000	0.000	1.211
HRA Major Repairs Reserve	0.000	0.000	0.000	0.000	0.000	0.000
<b>Total Financing Variations</b>	<b>6.536</b>	<b>3.843</b>	<b>0.083</b>	<b>0.000</b>	<b>0.000</b>	<b>10.462</b>
<b>Revised Investment Plan</b>	<b>120.143</b>	<b>62.010</b>	<b>50.138</b>	<b>53.775</b>	<b>53.884</b>	<b>339.950</b>

## Capital Receipts – General Fund

4.6 General Fund Capital Receipts brought forward at 1 April 2023 were £3.227m. The capital receipts requirement for 2022/23, approved by Council in February 2023, was £1.417m (2023–28 £1.417m). To date £5.298m of capital receipts have been received in 2023/24. The receipts position is shown in table 24 below.

4.6.1 **Table 24: Capital Receipt Requirement – General Fund**

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Requirement reported to 16 February 2023 Council	1.417	0.000	0.000	0.000	0.000
Receipts Brought Forward	(3.227)	0.000	0.000	0.000	0.000
Total Receipts received 2023/24	(5.298)	0.000	0.000	0.000	0.000
Receipts used to repay capital loans	0.000	0.000	0.000	0.000	0.000
<b>Net Useable Receipts</b>	<b>(5.298)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Surplus Receipts</b>	<b>(7.108)</b>	<b>(7.108)</b>	<b>(7.108)</b>	<b>(7.108)</b>	<b>(7.108)</b>

## Capital receipts – Housing Revenue Account

4.7 Housing Capital Receipts brought forward at 1 April 2023 were £12.955m. The housing receipts are committed against projects included in the 2023–2028 Investment Plan. The approved Capital Receipt requirement for 2023/24 was £3.941m. To date, receipts of £0.579m have been received in 2023/24. In total, subject to future pooling, this leaves a surplus balance of £9.593m to be carried forward to fund planned investment in future years.

4.7.1 Table 25: Capital Receipt Requirement – Housing Revenue Account

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Requirement reported to May 2023	3.941	2.170	2.153	1.060	1.202
Variations to be reported to Jun 2023 Cabinet	0.000	0.000	0.000	0.000	0.000
<b>Revised Requirement</b>	<b>3.941</b>	<b>2.170</b>	<b>2.153</b>	<b>1.060</b>	<b>1.202</b>
Receipts Brought Forward	(12.955)	(9.593)	(7.423)	(5.270)	(4.210)
Receipts Received 2022/23	(0.579)	0.000	0.000	0.000	0.000
Receipts Pooled Central Government	0.000	0.000	0.000	0.000	0.000
<b>(Surplus)/ Balance To be generated to fund future years (subject to further pooling)</b>	<b>(9.593)</b>	<b>(7.423)</b>	<b>(5.270)</b>	<b>(4.210)</b>	<b>(3.008)</b>

*The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2023/24.*

**Investment Plan Monitoring Position to 31 May 2023**

4.8 Actual expenditure for 2023/24 in the General Ledger was £6.264m; 5.21% of the total revised Investment Plan at 31 May 2023.

4.8.1 Table 26: Total Investment Plan Budget & Expenditure to 31 May 2023

	2023/24 Revised Investment Plan £m	Actual Spend to 31 May 2023 £m	Spend as % of revised Investment Plan %
General Fund	85.604	4.009	4.68%
Housing	34.539	2.255	6.53%
<b>TOTAL</b>	<b>120.143</b>	<b>6.264</b>	<b>5.21%</b>

## SECTION 5 – TREASURY MANAGEMENT & CASH POSITION

### Current Cash Position

5.1 The Authority's current available cash balance as at the end of May 2023 is £36.396m, with £15.000m invested externally with other UK Local Authorities or institutions. All investments are made in line with the approved Treasury Management Strategy.

#### 5.1.1 Table 27: Investment Position as at 31 May 2023

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	35.000	1 June 2023
Barclays	Call	1.396	n/a
Other LA	Fixed	15.000	09 February 2024
Fixed Deposits	Fixed	7.350	October 2023

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

5.2 At its meeting ending on 10 May 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.25 percentage points, to 4.5%. Two members preferred to maintain Bank Rate at 4.25%. Any thoughts that the current cycle of UK interest rate increases had peaked, have now been retracted following the latest inflation numbers. The Consumer Prices Index (CPI) rose by 8.7% in the 12 months to April 2023, down from 10.1% in March but 0.5% higher than the estimate. The inflation rate target still sits at 2% and as a result of this, a further 0.50 bps increase was voted for at the latest meeting on the 22<sup>nd</sup> of June 2023.

5.3 The impact of raising base rate had an immediate impact to the cost of borrowing. Table 24 below demonstrates the increase in rates both in the temporary space and longer-term PWLB rates.

5.4 The Authority is currently monitoring interest rates, and whether the Authority should look to lock in rates as part of managing risk. This process considers the Authority's underlying need to borrow, Investment Plan priorities and commitments as well as the profile of existing loan arrangements.

5.5 Investment rates have also seen an increase in line with the increases in base rate, delivering better returns on investments and negating cost of carry.

5.5.1 **Table 28: Summary of Borrowing Levels**

<i>Temporary Space</i>		<i>PWLB</i>	
Tenor	Level	Tenor	Level *
1 week	3.82%	2 years	5.58%
1 month	4.55%	5 years	5.25%
3 month	4.68%	10 years	5.17%
6 month	4.85%	20 years	5.50%
9 month	4.85%	30 years	5.49%
12 month	4.90%	50 years	5.30%

*\*Please note these levels are from 31/05/2023*

*\*\*PWLB rates do not include certainty rate reductions,*

5.5.2 Rates quoted in Table 24 above are as at 31 May 2023, which relate to interest rates before June 2023 Monetary Policy Committee (MPC) rate rises.

5.6 Any shortfalls in cashflow are covered by in year temporary borrowing, which may be a quick and cost-effective method of cash management in the current climate. No further short-term borrowing has been acquired since March 2023.

**Borrowing Position**

5.7 Table 29 shows the Authority's current debt position, with total borrowing maturing in 2023/24 of £4.000m.

5.7.1 **Table 29: Current Debt Position**

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	387.443	20.000	20.000	422.443
Debt Maturing 2023/24	(4.000)	0.000	0.000	(4.000)

- 5.8 The Authority was under-borrowed to the value of £102.011m as at 31 March 2022. Whilst the Authority cannot borrow to fund revenue activity, it can look to utilise reserves, unwind its under-borrowed position, and externalise borrowing.
- 5.9 In August 2022 the Authority took £10m of long-term PWLB loans, this was for a combination of refinancing existing debt, de-risk the Authority's under-borrowed position, as well as take advantage of relatively low long-term rates.
- 5.10 Table 30 below shows the latest interest rate forecasts as provided by the Authority's treasury advisors Link. Rates remain uncertain over the next 2 years, forecasting to peak at 5.10 % for 50 year borrowing in September 2023 before tracking back down to lower levels from December 23 onwards.

#### 5.10.1 Table 30: Link Interest Rate Forecasts

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
<b>BANK RATE</b>	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50



## **SECTION 6 – Fifteen Medium Term Plan Themes**

- 6.1 As part of the Authority’s approach to setting a balanced budget for 2024/25 and a 4-year medium term financial plan for 2024–2028, fifteen workstreams are being established to tackle the areas of the highest pressures facing the Authority and to explore areas of opportunity to be more efficient or maximise resources.
- 6.2 The themes will form a key part of the revised budget and performance information which will be presented to Cabinet and progress updates, where applicable, will be included in future Financial Management reports.
- 6.3 Each workstream is sponsored by at least one Director and lead by a Head of Service, working with appropriate senior officers from across the organisation.
- 6.3 The fifteen themes are as follows:
- PR01 – External Partnerships – this workstream will explore pressures and challenges within the Technical Partnership (Capita) and the Business Partnership (Equans);
  - PR02 – Buildings & Asset Management – this workstream will explore the pressures and challenges in relation to the public buildings occupied and owned by the Authority to support service delivery. To be clear about sufficiency, suitability and condition of the buildings scheduled, and to consider future demands on both capital and revenue resources linked to future occupation/use;
  - PR04 – Public Sector Reform – this workstream will carry out research into public sector reform and how this could influence and shape the Authority’s Medium–Term Financial Plan for 2024–2028 and beyond;
  - PR05 – Inclusive Education & SEND – this workstream includes the Safety Valve Intervention Programme and aims to achieve an in-year balanced budget within the High Needs Block by 2027/28;
  - PR06 – Ambition for Education – this workstream sets out the vision and priorities for ensuring that all children in North Tyneside have access to a high-class education in order to achieve their full potential. This

workstream aims to improve outcomes and practices in schools and educational settings; ensure schools receive an excellent school support offer, and; ensure we maintain a sustainable, sufficient and high-quality educational system in NT which enables children and young people to achieve positive outcomes, including those with additional needs;

- PR07 – Home to School Transport – this workstream will explore the pressures and challenges in relation to the Home to School Transport arrangements for children and young people with Special Educational Needs and Disabilities;
- PR08 – Handling Children’s Finance – this workstream includes two main elements, children’s social care staffing (people) and population of children in need (demand) aiming to help manage demand, increase sufficiency and ensure robust and effective decision making about a child’s best interests.
- PR09 – Climate & Waste – this workstream explores Environmental Sustainability, recognising the huge challenge of transitioning to a net-zero economy in an accelerated timeframe, with the committed aim of reaching net-zero carbon emissions by 2030 across the Authority and Borough-wide, waste and recycling disposal, including food waste, and associated waste minimisation campaigns, recognising the considerable uncertainties surrounding the national policy context and availability and extent of external funding in this area and a review of the Street Lighting PFI contract as we move to words the contract end point;
- PR10 – Great Landlord & Specialist Housing – this workstream will explore pressures, challenges, and opportunities around the provision of specialist housing including areas for further consideration to support the delivery of specialist care for adults, children and those requiring temporary accommodation;
- PR11 – Health and Social Care (Adults) – this workstream will respond to the emergence of budget pressures in 2022/23 after several years of a

balanced budget position. There is a clear indication of increased demand arising as a legacy of the pandemic. In addition, expected population changes, especially within older people, will result in unaffordable additional costs unless we can meet needs differently. There are also risks of increased spend due to scarcity within the care market;

- PR12 – Unachieved Savings Targets – this workstream will explore pressures and challenges in relation to unachieved savings in the Authority’s base budget. These elements have features in financial management reports in recent years but, given the passage of time and the nature of some of these projects, it is recognised that some may not be possible in the way they were initially envisaged.
- PR13 – Accounting Treatments – this workstream will explore the pressures and challenges in central finance relating to the accounting treatment of a range of activities, which will link to/support various operational areas of the Authority;
- PR14 – People and Workforce – this workstream will be linked to the wider People Strategy.
- PR15 – Customer Service Programme – this workstream will build upon the existing Customer Service Programme, working to improve how services are delivered and the customer’s experience; and,
- PR16 – Schools SLAs – this workstream will aim to build a better understanding the portfolio of Services to Schools as delivered by The Authority.

\*PR03 – Commercial Properties and PR17 – External Funding have been merged into PR13