Cabinet – 18 September 2023

2023/24 Financial Management Report Annex

INDEX

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, a challenge session was held to review the bi-monthly financial position and service performance with the Elected Mayor and Cabinet with the Assistant Chief Executive, Director of Resources and senior officers. In the future, Service Directors and their senior teams may also attend these challenge sessions as appropriate to discuss specific plans in progress to mitigate any pressures.

1.2 Adults Services

1.2.1 Adults Services is showing a forecast variance of £1.780m against its £64.328m net controllable expenditure budget. The net budget for 2023/24 has increased by £0.118m from May 2023, within this there were no savings targets allocated for 2023/24.

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

	2023/24 Budget £m	July Forecast £m	July Variance £m	May Variance £m	Change £m
Central, Strategy and Transformation	0.854	0.934	0.080	0.060	0.020
Social Work and Associated Activity	8.373	8.155	(0.218)	(0.112)	(0.106)
Integrated Services	2.687	1.853	(0.834)	(0.789)	(0.045)
Business Assurance	0.373	0.401	0.028	0.029	(0.001)
Sub-total Operations	**12.287**	**11.343**	**(0.944)**	**(0.812)**	**(0.132)**
Wellbeing and Assessment	17.382	18.371	0.989	0.742	0.247
Learning Disability	30.304	30.818	0.514	0.910	(0.396)
Mental Health	4.583	5.688	1.105	1.253	(0.148)
Other Services	(0.228)	(0.112)	0.116	0.183	(0.067)
Commissioned Services	**52.041**	**54.765**	**2.724**	**3.088**	**(0.364)**
Total Adult Services	**64.328**	**66.108**	**1.780**	**2.276**	**(0.496)**

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 £0.944m, an increase of £0.132m since the May position.

1.2.4 Cabinet will recall, as part of the 2023/24 budget process, that £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 impact of this investment has been positive however we continue to see a high turnover of staff which is reflected in the increased underspend. A Short-Term Review Team has recently started 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. On 28 July 2023 the Department of Health announced a supplement to the Market Sustainability and Improvement Fund – Workforce Fund. Nationally, this was worth £570m over 2 years, with £365m being allocated in 2023-24. North Tyneside will receive £1.568m in 2023/24, this is currently reflected in the overall position while officers continue to work through the detailed grant conditions.

1.2.6 Whilst there continues to be a shortage of homecare provision nationally, within the borough there has been a steady increase in home care hours provided since April. As at the end of July there were 60 clients on the brokerage waiting list, reduced down from 108 in April, which continues to improve. During 2022/23 the lack of home care provision resulted in increased short term residential care placements, in June 2023 there were 24 new short-term placements, which was a continued overall decline. The Authority continues to work with providers to look at new and innovative solutions to further maximise efficiency and support the “home-first” approach.

1.2.7 As previously reported, Adult Social Care Discharge funding of £1.343m, part of the Better Care Fund (BCF) for 2023/24, includes a scheme to increase in-house homecare capacity, this will increase control of home care provision with a focus on reablement. The posts will be directly employed by the authority and will form part of the social care career pathway.

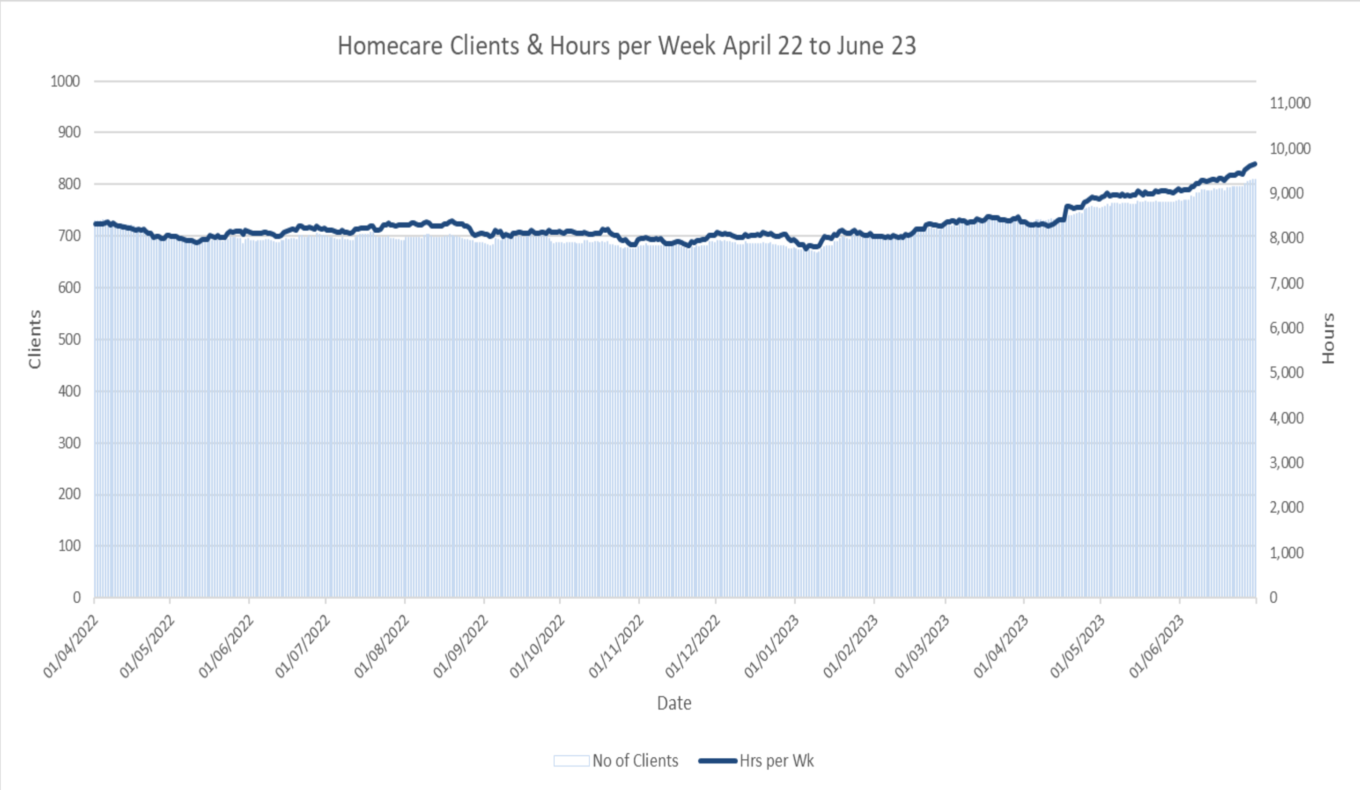
1.2.8 The hospital stepdown beds, additional Extra Care placements and reablement flats that helped with the transition from hospital during 2022/23, allowed more clients to receive community-based care. These initiatives worked extremely well across the winter to help maintain hospital flow and prevent delayed discharges. There was a total of 151 service users supported in these services up to February 2023, they allowed for admissions at very short notice, excellent flow through and from the extra care stepdown services 63% of clients were discharged back home. If it was assumed these clients had gone into residential care and remained there the saving across these services is £1.529m per annum. Work is on-going 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 pressure for Adult Services which continues to be monitored. 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.

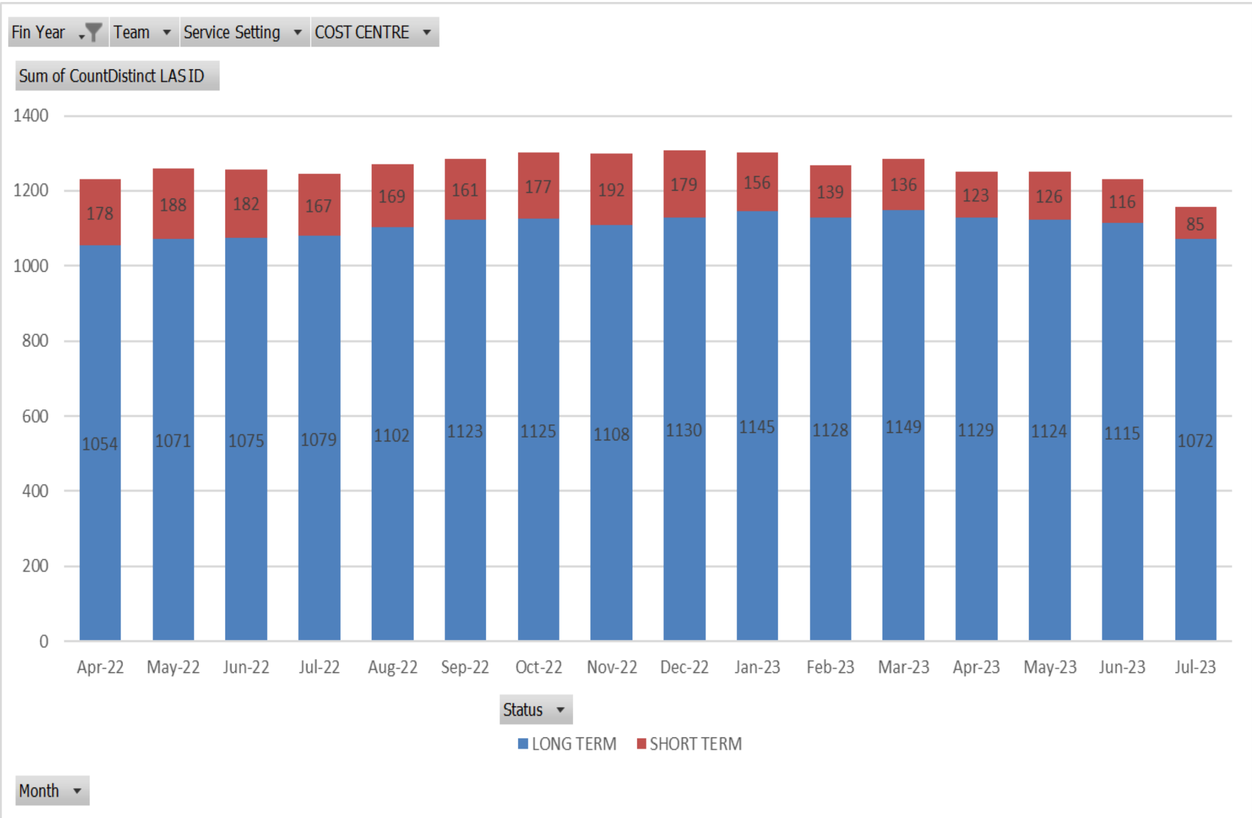
1.2.10 Cabinet will recall there was investment of 3.5 FTE admin posts, £0.106m in the Adult Social Care Finance Team to improve the income and debt collection processes which is now starting to impact positively on client contributions.

1.2.11 Work is on-going on the Health & Social Care workstream as part of the 2024 – 2028 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 £6.474m against its £34.146m net controllable expenditure budget. The net budget has increased by £0.879m from May as centrally held inflationary budgets were allocated to address pressures. There were no new savings targets allocated in 2023/24.

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

	2023/24 Budget £m	July Forecast £m	July Variance £m	May Variance £m	Change £m
Corporate Parenting & Placements	26.938	31.444	4.506	3.551	0.955
Quality of Practice	0.754	0.893	0.139	0.135	0.004
Multi-agency Safeguarding Arrangements	0.120	0.147	0.027	0.025	0.002
Health, Information & Advice, Virtual School & Emotional Wellbeing (HIVE)	0.013	0.013	0.000	0.000	0.000
Early Help & Vulnerable Families	1.805	1.606	(0.199)	(0.200)	0.001
Employment & Skills	0.725	0.719	(0.006)	(0.005)	(0.001)
Children's Disability Service	1.709	3.534	1.825	1.731	0.094
Education North Tyneside	1.604	1.968	0.364	0.302	0.062
Youth Justice Service	0.621	0.439	(0.182)	(0.158)	(0.024)
Regional Adoption Agency	(0.143)	(0.143)	0.000	0.000	0.000
Total Children's Services	**34.146**	**40.620**	**6.474**	**5.381**	**1.093**

Main budget pressures across Children's Services

1.3.3 The "Handling Children's Finance" workstream continues to work to address the pressures in Corporate Parenting linked to a higher number of children in need 1,664 and children in care 376.

1.3.4 The £6.474m forecast pressure partly relates to an increasing 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 table 4. The forecast also reflects ongoing pressure within the Children's Disability Service and inhouse children's homes.

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

	2023/24 Budget £m	July Forecast £m	July Variance £m	May Variance £m	Change since May £m
Commissioned Services	9.055	12.356	3.301	2.563	0.738
In-house Services	11.516	13.483	1.967	1.850	0.117
Staffing & Operations	13.718	14.924	1.206	0.968	0.238
Regional Adoption Agency	(0.143)	(0.143)	0.000	0.000	0.000
Total Children's Services	**34.146**	**40.620**	**6.474**	**5.381**	**1.093**

1.3.6 Table 3 shows the Children's Services position split between operational and commissioning pressures. The increased pressure in staffing & operations includes a reduction in SLA income from schools to Education North Tyneside as well as pressures for payments and allowances to families.

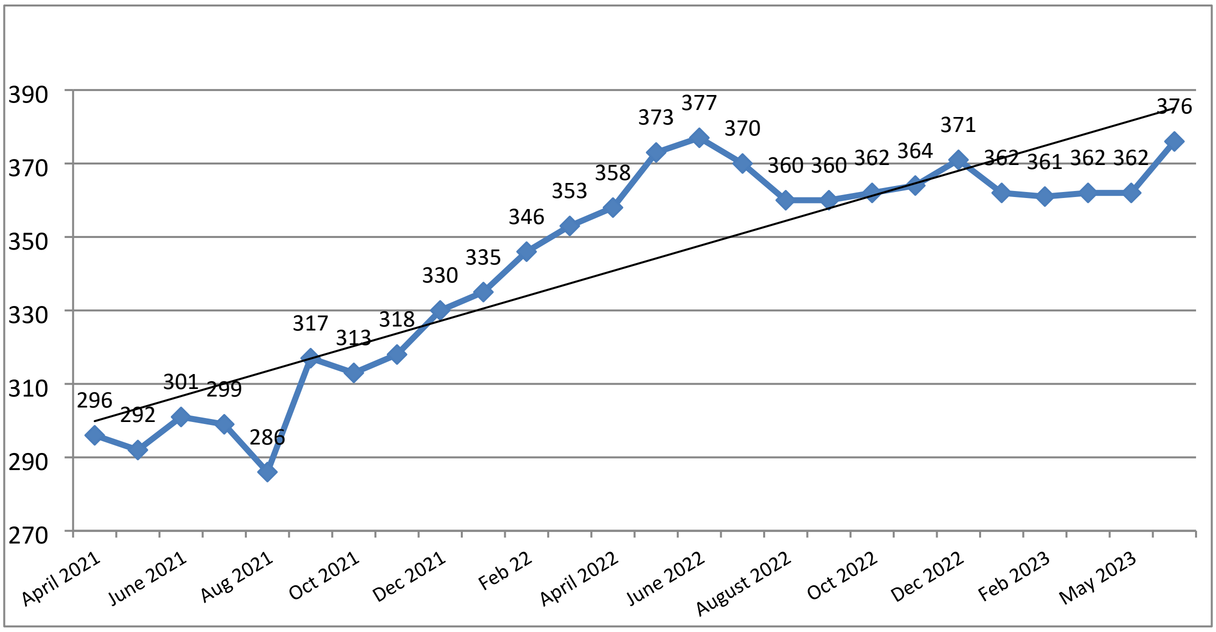
1.3.7 The increased pressure in Children's Disability Services relates to an increased forecast on short break care which, as cabinet will recall, work is on-going to identify additional resources to meet need which is vital to families and carers. Lack of provision could lead to future breakdown in care arrangements.

1.3.8 Commissioned services are showing a pressure of £3.301m, an increase of £0.738m since May which reflects the overall increase in Children in Care. In July there were 376 children in care compared to 362 in May. This increase has resulted in an increase in external fostering placements however we are still seeing pressures in external residential and supported accommodation placements above the "core" number reflected in the budget.

1.3.9 **Table 4: "Core" Number of Children in Care and planned placement mix**

Placement Type	"Core" Mix	No. of "Core" Children	No. of Children May 23	No. of Children July 23
External Residential Care	7.0%	23	27	26
External Fostering	6.7%	22	22	27
In-House Fostering	61.7%	204	209	222
External Supported Accommodation	9.7%	32	46	41
In-House Residential Care	6.4%	21	21	21
Other	8.5%	28	37	39
Total	**100%**	**330**	**362**	**376**

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



1.3.11 The forecast is based on the children in care at the end of July 2023. Chart 3 shows the number of children in care was 376, this is higher than the "core" number of 330 and in increase from May when there were 362 children in care.

1.3.12 Current numbers include 25 unaccompanied asylum-seeking children (UASC) under the age of 18 and 14 above 18 years of age now classed as leaving care. The Authority is mandated to take 39 UASC. This is offset by an increase in external funding however the total funding received still leaves a shortfall of £0.024m to cover the cost of the placements and allowances. The additional placements required for UASC increases the pressure on the sufficiency of placements available within the Borough. Work is ongoing with Housing to look for innovative local solutions.

Corporate Parenting and Placements

1.3.13 **Table 5: Analysis of Pressures in Corporate Parenting and Placements**

Type of Service	2023/24 Budget £m	July Forecast £m	July Variance £m	May Variance £m	Change since May £m
Care provision – children in care	16.270	19.213	2.943	2.280	0.663
Care provision – other children	4.434	4.963	0.529	0.464	0.065
Management & Legal Fees	0.035	0.657	0.622	0.583	0.039
Social Work	6.150	6.557	0.407	0.219	0.188
Safeguarding Operations	0.049	0.054	0.005	0.005	0.000
Total	**26.938**	**31.444**	**4.506**	**3.551**	**0.955**

Care Provision – Children in Care

1.3.14 Table 6 gives a further breakdown of the care provision costs for the 376 children in care. Since May there has been an increase in numbers of children both within in-house and external fostering and while this has increased the pressure, it is a way of mitigating against high costs for external provision. There is a continued pressure within in-house residential care, however 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.

1.3.15 The number of Children in Care can be volatile, with an increase of 14 children since May and costs for individual children can be very high. There is always a potential risk that the forecast could increase if numbers of care nights delivered on complex cases starts to rise above current levels.

1.3.16 **Table 6: Forecast cost, forecast variance, average placement cost and placement mix**

Placement Type	2023/24 Budget £m	July Forecast £m	July Variance £m	Average Annual Placement Cost	Number of Children		
					"Core"	May 2023	July 2023
External Residential Care	5.492	5.581	0.089	£0.340	23	27	26
External Fostering	0.993	1.166	0.173	£0.045	22	22	27
In-House Fostering Service	5.627	5.613	(0.014)	£0.025	204	209	222
External Supported Accommodation	1.686	3.474	1.788	£0.097	32	46	41
In-House Residential Care	2.472	3.379	0.907	£0.161	21	21	21
Other*	-	-	-	-	28	37	39
Total	**16.270**	**19.213**	**2.943**	**-**	**330**	**362**	**376**

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

1.3.17 The average annual placement cost is based on the full year effect of the packages in place at the end of July, however the forecast is based on actual activity and expected duration of placements. We have seen a reduction of 1 child in external residential placements and the overall % of fostering placements is above the "core" mix we are aiming for, however whist the number of children in care is 46 above the "core" number the pressure will continue.

1.3.18 External fostering is currently supporting 27 children in care, this has increased by 5 and is now above the number of "core" children in care that would expect to be placed in external fostering arrangements. However external fostering is still a preferred option for children in care, after in-house fostering.

<u>Care Provision – Other Children (not in care)</u>

1.3.19 The increased pressure of £0.065m relating to care provision for children not in the care system relates to children under a Special Guardianship Order (SGO), as this is a means tested allowance, there is an increasing pressure due to the impact of the cost-of-living crisis. There is also an increased pressure within adoption services as there has been an increase in the number of children adopted.

<u>Management and Legal Fees</u>

1.3.20 This area has a forecast pressure of £0.622m 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.

<u>Social Work</u>

1.3.21 The pressure has increased by £0.187m which relates to Section 17 payments to families, transport costs and interpretation all which continues to see a high level of demand as families continue to be impacted by the cost-of-living crisis.

1.4 <u>Public Health</u>

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

1.4.2 **Table 7: Public Health Forecast Variation**

	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £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	0.334	0.334	0.000	0.000	0.000
Public Protection	0.902	0.902	0.000	0.000	0.000
GRAND TOTAL	**1.477**	**1.477**	**0.000**	**0.000**	**0.000**

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

1.4.3 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. However, this is being mitigated by other funding streams within Public Health 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 £6.002m as set out in Table 8, an improvement of (£0.169m) since the May Cabinet report.

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

	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
School Funding & Statutory Staff Costs	5.468	5.511	0.043	0.063	(0.020)
Commissioning Service	0.486	0.463	(0.023)	(0.026)	0.003
Facilities & Fair Access	1.354	7.289	5.935	5.957	(0.022)
Strategic Property & Investment	1.037	1.117	0.080	0.080	0.000
Property	(0.022)	(0.022)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.168	0.135	(0.033)	(0.003)	(0.030)
Procurement	0.099	0.099	0.000	0.100	(0.100)
GRAND TOTAL	**8.590**	**14.592**	**6.002**	**6.171**	**(0.169)**

1.5.3 The main budget issues relate to Facilities and Fair Access which is showing a forecast pressure of £5.935m (May pressure of £5.957m). 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 £1.431m and inflationary pressures of £1.461m. 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 897 in May 2023 as shown in the performance data and 65.19% 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 £1.673m, wages of £0.192m 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 £0.439m and lost income from other catering post COVID 19 pandemic of £0.151m.

1.5.5 Cleaning has a pressure of £0.059m due to inflation. There is also a pressure on Attendance and Placement/Access & Admissions of £0.046m due the removal of DSG funding £0.030m and reduction in school attendance penalty notices income forecast £0.016m.

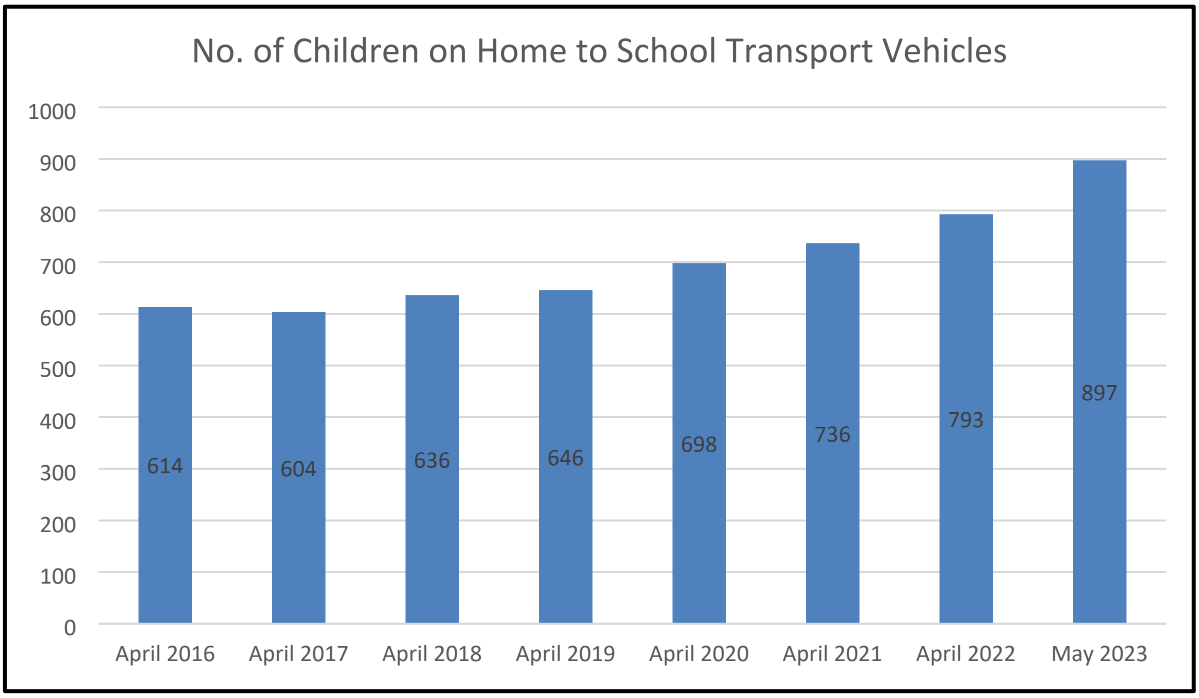
1.5.6 The remaining main pressures are on school funding and statutory staff costs of £0.043m due to a pressure on teachers early/ill health retirements of £0.085m due to removal of DSG funding which is partially offset by redundancy payments savings (£0.030m) and school related premises costs savings (£0.012m).

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 £0.579m to balance actual net expenditure to budget.

1.5.8 53.96% of the total service pressures are due to inflation for which there has been no corresponding budget increase or mitigation of costs within the service.

1.5.9 The forecast deficit for catering has increased by £0.099m due to this forecast being based on more detailed actual data being available for 2023/24. However, this is wholly offset by a reduction in the pressure on cleaning services £0.052m, due to the actual income schedule for 2023/24 now being confirmed, and the delivery of a cross cutting procurement savings from mobile and voice data contract of (£0.100m).

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 £0.140m, as set out in Table 9 below, an increase of £0.106m since the May Cabinet Report.

1.6.2 **Table 9: Forecast Variation in Environment**

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Bereavement	(0.549)	(0.544)	0.005	(0.027)	0.032
Fleet Management	0.730	0.697	(0.033)	(0.007)	(0.026)
Head of Service Environment & Leisure	0.147	0.125	(0.022)	(0.037)	0.015
Library & Community Centres	6.152	6.260	0.108	0.192	(0.084)
Sport & Leisure	5.106	5.305	0.199	0.156	0.043
Street Environment	9.285	9.312	0.027	0.083	(0.056)
Waste & Refuse Management	4.345	4.311	(0.034)	(0.065)	0.031
Waste & Recycling Disposal Contracts	12.116	11.726	(0.390)	(0.329)	(0.061)
Street Lighting PFI	5.137	5.137	0.000	0.000	0.000

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
GRAND TOTAL	42.469	42.329	(0.140)	(0.034)	(0.106)

1.6.3 Bereavement is forecasting a pressure of £0.005m, which reflects a higher increase in expenditure compared to the forecast overachievement against challenging income targets; the 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) is contributing to the overachievement of income.

1.6.4 Street Environment is forecasting a £0.027m pressure, which is an improvement on the last reported position. As previously mentioned, the overall pressure in the service area 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. Mitigations within the wider Environment service have helped to partly mitigate the pressure in Street Environment.

1.6.5 A underspend of (£0.033m) is now forecast in Fleet Management, an improvement of (£0.026m) since the May Cabinet Report. 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 £0.199m cost pressure which is an adverse change of £0.043m since the May Cabinet Report. This worsening reflects a less optimistic picture on income generation than previously reported which is mainly linked to Contours Gym member and users, where an income shortfall of £0.200m is now forecast.

1.6.7 Libraries & Community Centres is forecasting a £0.108m pressure which is an improvement of £0.084m compared to the May Cabinet Report. The reported variance includes a £0.137m cost pressure against Wallsend Customer First Centre linked to inflationary increases to the annual Rent paid to the building landlords. In addition, there are income pressures across all of the Libraries and Customer First Centres. The income pressures are proposed to be managed and absorbed by mitigating actions across the service over the course of the financial year.

1.6.8 A combined underspend of £0.424m is forecast in Waste Management and Waste & Recycling Disposal Contacts which is an improvement of £0.030m compared to the May Cabinet Report.

1.6.9 Of that £0.424m forecast, Waste & Recycling Disposal Contracts is reporting a (£0.390m) 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 In terms of performance during 2022/23, there was 36% of waste recycled, reused and composted, which was a reduction of 2 percentage points compared to the previous two years. This was largely attributable to a significant reduction in composting from households due to the unseasonably hot weather during the period.

1.6.11 Waste & Refuse Management is forecasting a £0.034m underspend, which can be attributed to a combined forecast overachievement on income of (£0.163m) across Commercial Waste & Special Collections. The forecast income mitigates the higher than anticipated operational pressures around fleet/transport costs.

1.6.12 Although a nil variance is to be reported on the Street Lighting PFI Contract, the cost pressure against electricity is forecast to increase to £1.773m which, combined with the inflationary cost pressure against the Unitary Charge, requires an anticipated £2.251m Contribution from Reserves.

1.6.13 During 2022/23, carbon reduction in council service operations have decreased by 58% against the baseline year in 2010/11.

1.7 <u>Regeneration and Economic Development</u>

1.7.1 Regeneration and Economic Development (R&ED) is forecasting a breakeven position as shown in Table 10 below, which is an improvement of (£0.383m) since the May Cabinet report.

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

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Culture	1.628	1.781	0.153	0.160	(0.007)
Business & Enterprise	0.814	0.729	(0.085)	(0.024)	(0.061)
Regeneration	0.428	0.656	0.228	0.227	0.001
Resources & Performance	0.363	0.440	0.077	0.064	0.013
Technical Package - Planning	0.303	0.296	(0.007)	0.000	(0.007)
Technical Package - Transport & Highways	7.847	7.481	(0.366)	(0.044)	(0.322)
GRAND TOTAL	**11.383**	**11.383**	**0.000**	**0.383**	**(0.383)**

1.7.3 Culture is forecasting a pressure of £0.153m which is an improvement of (£0.007m) since the May Cabinet Report. This is due to revised costings for the Mouth of Tyne Festival resulting in a total forecast pressure of £0.093m as a result of increased production costs for the event and ticket sales being below capacity. 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 The technical package for both Transport & Highways and Planning is forecasting an underspend of (£0.373m) which is as a result of additional staffing costs being expected to be charged into Capital and S278 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 an increased pressure of £0.077m due to staffing pressures in the management team following a restructure.

1.7.7 Business & Enterprise is forecasting an underspend of £0.085m, which is an improvement on the previously reported £0.024m underspend. This is due to increased costs being grant funded within Raising Enterprises (£0.030m) along with increased grant income within Inward Investment (£0.032m).

1.8 Corporate Strategy

1.8.1 Corporate Strategy is forecasting a £0.327m pressure, an improvement of £0.125m since the May Cabinet report.

1.8.2 **Table 11: Forecast Variation Corporate Strategy**

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Children's Participation & Advocacy	0.475	0.537	0.062	0.052	0.010
Community & Voluntary Sector Liaison	0.367	0.367	0.000	0.000	0.000
Corporate Strategy Management	0.736	0.953	0.217	0.254	(0.037)
Elected Mayor & Executive Support	0.043	0.042	(0.001)	0.000	(0.001)
Marketing	0.445	0.376	(0.069)	0.035	(0.104)
Policy Performance and Research	0.250	0.368	0.118	0.111	0.007
GRAND TOTAL	**2.316**	**2.643**	**0.327**	**0.452**	**(0.125)**

1.8.3 Children's Participation & Advocacy is overspent by £0.062m, an increase of £0.010m since the May Cabinet Report. 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 £0.271m 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 £0.217m is forecast against Corporate Strategy Management which reflects a £0.107m underachievement against a cross service income target (assuming no income generation will occur). Included within the overall forecast is a £0.100m staffing pressure relating to the Customer Service Programme.

1.8.5 There is a £0.120m staff cost pressure forecast in Marketing (a result of increasing capacity within the team and the regrading of existing posts), 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. The position is partly mitigated by a £0.100m underspend in Design.

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 £0.118m 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 £0.958m, which is an improvement of £0.030m since the May Cabinet Report.

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

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Chief Executive	(0.070)	(0.083)	(0.013)	(0.009)	(0.004)
Finance	(0.164)	(0.406)	(0.242)	(0.057)	(0.185)
IT	2.824	2.824	0.000	0.000	0.000
People Team	0.057	0.017	(0.040)	(0.039)	(0.001)
Internal Audit and Risk Management	0.052	0.056	0.003	0.002	0.001
Revenues and Benefits	0.494	0.494	0.000	0.000	0.000
Director of Resources	0.167	0.197	0.031	0.025	0.006
Governance	0.175	0.207	0.032	0.022	0.010
Law and Registration	1.233	2.420	1.187	1.044	0.143
Business Package Holding Codes	0.000	0.000	0.000	0.000	0.000
GRAND TOTAL	**4.768**	**5.726**	**0.958**	**0.988**	**(0.030)**

1.9.3 Law & Registration is forecasting a pressure of £1.187m, an increase of £0.143 since the May Cabinet Report. 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 £0.656m on locums, which is partially offset (£0.188m) by the vacancies within the team which is an increase of £0.123m since the last Cabinet report due to the requirement to extend the locums for a longer period than previously forecast. 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 £0.511m overspend to deliver the Service, which is an increase of £0.035m since the last cabinet report as a result of a pay award to the coroners (£0.009m) and a 5% increase in the rates for Pathology Reports. This is alongside the already forecast pressures 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. These increases in forecast spend are partially offset by increased income of (£0.015m) within Land Charges and Legal Services.

1.9.4 Within Finance there is a reported underspend of £0.242m, which is mainly due to increased income for recharges of staffing resources to Adult Social Care and Housing Revenue Account and the application of new burdens funding.

1.9.5 Revenues and Benefits is forecasting a nil pressure which is no change to the May Cabinet Report. This is following application of new burdens grant funding and pension cap and collar income. The main pressures mitigated by these sources of funding are:

- Overpayment income recovery is forecast to under recover by £0.400m against targets due the ongoing reduction in Housing Benefit claimants caused by the ongoing move to Universal Credit (UC) which has resulted in reduced overpayments being made to claimants and as a result less are also requiring recovery, therefore, less income is being raised against the current target. 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.

1.9.6 The proportion of council tax collected is consistent with last year at 35.66% at the end of July. At the end of 2022/23, collection was slightly lower than national performance. Business rates collection performance is showing significant improvement. 40.85% of business rates has been collected at the end of July. At the end of 2022/23 local performance was in line with national performance.

1.10 General Fund Housing

1.10.1 General Fund Housing is reporting a forecast £0.651m pressure, which no change since the May Cabinet Report.

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

Service Areas	Budget £m	Forecast July £m	Variance July £m	Variance May £m	Change since May £m
Building Control	0.108	0.108	0.000	0.000	0.000
Housing Strategy	0.535	0.535	0.000	0.000	0.000
Housing Options – General Fund	0.453	0.453	0.000	0.000	0.000
Housing Operations – General Fund	0.027	0.027	0.000	0.000	0.000
Housing Property – General Fund	1.220	1.871	0.651	0.651	0.000
GRAND TOTAL	**2.343**	**2.994**	**0.651**	**0.651**	**0.000**

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 The other area of concern within the Housing General Fund currently is the level of spend in relation to temporary B & B and hotel accommodation. There has been an explosion in the numbers of cases requiring temporary accommodation with over £0.500m being spent in 2022-23, of which only around £150k was recovered via benefits. In order to address the pressure in 2022-23 a significant amount of homelessness prevention grant funding was allocated to cover the shortfall. This trend continues into 2023-24, with over £0.170m spent to date with only £0.060m being covered by income recovery, so it looks as if a significant amount of grant funding will need to be diverted again to cover the shortfall. There is now an officer working group in place looking at options to try and mitigate some of these costs, but this will result in cost avoidance rather than savings as the current position is not a direct pressure. This could change of course if available grant funding streams were to reduce or disappear.

1.10.5 With regards to key performance measures in the Service the Affordable homes programme is on track against profiled target, with 2,144 homes delivered to the end of quarter 1.

1.10.6 Homeless presentations to the Authority remain high at the end of July 2023 (431 against 416 at the same period last year), however the number of priority homeless acceptances are stable and consistent with previous years.

1.11 Central Items

1.11.1 Central Items is forecasting a (£4.688m) underspend which is an increase of (£0.120m) since the May Cabinet report.

1.11.2 **Table 14: Forecast Variation Central Budgets and Contingencies**

Service Areas	Budget	Forecast July	Variance July	Variance May	Change since May

	£m	£m	£m	£m	£m
Corporate & Democratic Core	3.241	1.918	(1.323)	(1.140)	(0.183)
Other Central Items	(12.783)	(16.201)	(3.418)	(3.428)	0.010
GRAND TOTAL	**(9.542)**	**(14.283)**	**(4.741)**	**(4.568)**	**(0.173)**

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

1.11.4 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. The movement since the May Cabinet report is due to an Energy rebate received of £0.130m and a forecast £0.010m contribution to the NECA transport committee.

SECTION 2 - SCHOOLS FINANCE

2.1 Update on School Budgets 2023/24

2.1.1 Cabinet will be aware some schools continue to face significant financial challenges. There were fourteen schools that submitted a deficit budget plan for 2023/24, initial deficit review sessions for the majority of the fourteen schools forecasting budget deficits took place in July 2023. Deficit sessions for the Special Schools will be held in September to allow time for work on pupil numbers and bandings to be complete.

2.1.2 As in previous years, the details of schools' balances have been reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. A report of this update will be presented to Cabinet in November in the finance report for the position to 30 September 2023.

2.2 School Additional Funding – Falling Rolls and Growth

2.2.1 Cabinet should be aware Schools Forum previously set aside school funding to support schools with falling rolls or with growth in pupil numbers. The rules and procedures for allocating this funding are based on guidance from Department of Education (DfE) and are set by School Forum. Eligible schools are identified by the School Finance Service and a case requesting funding is presented to the finance sub-group for their initial agreement before final approval at Schools Forum. This funding is not part of the Authority's general fund and is managed by Schools Forum, following initial assessment there were five schools identified as being eligible for falling roll funding with a total value of £0.168m. The details of these schools and the funding identified for each school is included in Table 15

2.2.2 **Table 15: Breakdown of Falling Rolls Eligibility**

School	Value £m
Monkseaton Middle	0.042
St Joseph's RC Primary	0.037
Battle Hill Primary	0.044
Collingwood Primary	0.032
Forest Hall Primary	0.013
Total	**0.168**

2.3 School Additional Funding – Schools in Financial Difficulty

2.3.1 The opening balance for de-delegated funds for Schools in Financial Difficulty (Headroom funding) in 2023/24 was £0.563m. Cabinet should be aware Schools Forum approved the Falling Rolls applications as mentioned above which left £0.082m to be transferred from Falling Rolls to Schools in Financial Difficulty (Headroom), giving a balance of £0.645m. This balance is available to fund Headroom applications submitted by schools for consideration by Schools Forum Sub-Group.

2.4 Growth Policy 2023/24

2.4.1 The DfE established a separate fund in the School Block of the DSG for growth in 2019/20. In North Tyneside this fund was not used for growth and was instead added into the remaining balances to be redistributed to all schools. When setting the 2023/24 School Block allocation, Schools Forum agreed to set aside £0.250m of the identified growth funding, with a further £0.145m carried forward from 2022/23. Total Growth Funding available in 2023/24 is therefore £0.395m.

2.4.2 Officers from the Authority have reviewed all schools' projected pupil numbers for Sept 2023 using the latest information available from the Admissions Team. Eight schools, with a total funding of £0.764m were initially identified as being eligible for growth funding. However, the eligibility criteria also specifies that schools must provide evidence that additional costs have been incurred to support structural class changes in relation to the additional pupils. The initial list of schools and the funding associated with each school was considered by the Schools Forum Finance Subgroup on 13 June 2023 and presented to Schools Forum on 12 July 2023.

2.4.3 Four schools responded to the call for evidence. From the evidence received three schools are eligible for growth funding and have provided sufficient evidence to the Authority showing structural changes that have had to be made to accommodate the additional children within those schools. Table 16 below shows the details of those schools that are eligible and the total funding for those schools is £0.432m. If all funding is approved the 2023/24 closing balance will be £0.037m deficit which will be carried forward into 2024/25.

2.4.4 **Table 16: Growth Funding Eligibility 2023/24**

Growth Funding	£m	Eligibility
Backworth Park Primary	0.060	Final year Growing School Criteria
Redesdale Primary	0.032	Confirmed eligibility
Burnside	0.182	Confirmed eligibility
Longbenton	0.158	Confirmed eligibility
Total	**0.432**	
Total Funding Available	**0.395**	
Deficit Growth Fund 2024/25	**0.037**	

2.4.5 The Authority has reviewed the evidence received from Monkseaton High and Norham High School and whilst this did show that additional costs had been incurred there was insufficient evidence to show that the schools have to make structural class changes to accommodate the additional children. The Authority has contacted both schools to understand the overall position and if the eligibility does change then this will be highlighted to Schools Forum at the next meeting in September 2023 for further review.

2.4.6 In addition, two schools have yet to provide evidence of eligibility therefore the funding to George Stephenson and North Gosforth has been removed. Details are included in Table 17 below.

2.4.7 **Table 17 Schools not eligible for Growth Funding 2023/24**

Growth Funding	£m	Eligibility
Monkseaton High	0.112	Not Eligible
Norham High	0.079	Not Eligible
George Stephenson	0.050	Evidence has yet to be received
North Gosforth	0.091	Evidence has yet to be received
Total	**0.332**	

2.5 High Needs Block

2.5.1 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. As reported in May, 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. A breakdown of the in-year pressure is shown in Table 18;

2.5.2 **Table 18: Breakdown of High Needs Pressure at July 2023**

Provision	**Budget £m**	**July 23 Forecast £m**	**Forecast Variance £m**	**Comment**
Special Schools and PRU	22.387	22.836	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.
TOTAL	**35.917**	**36.4301**	**0.514**	
DSG High Needs Funding	(33.606)	(33.606)	0.000	
In-Year Planned Deficit	**2.311**	**2.824**	**0.514**	
2022/23 Bal B/fwd	10.112	9.592	(0.521)	
Safety Valve Funding 23/24	(1.950)	(1.950)	0.000	
Deficit c/fwd to 24/25	**10.473**	**10.466**	**(0.007)**	

2.6 Safety Valve Intervention Programme

2.6.1 As previously reported, the Authority submitted the first report against the DSG Management Plan on 16 June 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 next reporting deadline is 15th September 2023.

2.6.2 At the end of July, there are 2,136 Education Health and Care Plans maintained, by the authority, which is on track against the DSG management plan. The rate of EHCPs per population is showing improvement, putting North Tyneside in line with the region, but remains higher than national rates. There are also 4,021 pupils with SEN Support, which is increasing.

2.6.3 **Table 19: High Needs Block Financial Summary**

Year	Balance B/F £m	High Needs Expenditure (incl. Growth & Mitigations) £m	High Needs Funding £m	Block Transfer £m	Safety Valve Funding £m	Balance C/F £m
2022/23	13.511	33.973	(30.092)	0.000	(7.800)	9.592
2023/24	9.592	36.430	(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)

2.7 Early Years Block update

2.7.1 Cabinet will recall, the Early Years block outturn for 2022/23 was a surplus of £0.337m. 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 2023 to 2024 this funding will be known as the Early Years Supplementary Grant (EYSG).

2.7.2 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. For 2024 to 2025, the additional £288m will be allocated to local authorities through the DSG.

<u>SECTION 3 - HOUSING REVENUE ACCOUNT</u>

3.1 Forecast Outturn

3.1.1 The forecast set out in Table 20 below is based on the results to July 2023. Currently the Housing Revenue Account (HRA) is forecasting an in-year underspend of £0.053m. 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 relate to utility costs across the sheltered estate, and the forecast impact of the tabled 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. The Repairs budget continues to manage the impact of the cost of living crisis and the impact on material and sub-contractor costs, as well as the impact of the pay award mentioned above, however, at the current time this budget is still forecast to come in on budget overall.

3.1.2 **Table 20: Forecast Variance Housing Revenue Account**

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.133	2.159	0.026
Management – Operations	5.528	5.775	0.247
Management – Strategy & Support	4.033	4.106	0.073
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)	(67.167)	(0.189)
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
Total	**0.383**	**0.330**	**(0.053)**

3.2 Rental Income

3.2.1 Rental Income overall across all areas is currently forecast to be better than budget (£0.189m), a small improvement against an overall £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. Right to Buy (RTB) levels have shown a slight reduction against recent trend levels, which is not totally surprising in the current economic climate, and this will have benefitted the forecast position slightly. The impact of Universal Credit on arrears and the bad debt provision also continues to be closely monitored.

3.3 Management Costs

3.3.1 Management Costs are currently forecast to come in £0.346m 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 particularly across sheltered schemes and communal areas of apartment blocks across the rest of the housing estate. These significantly increased costs 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.

3.4 Bad Debt Provision and Contingency

3.4.1 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.

3.5 Repairs

3.5.1 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. Although starting to ease slowly in the domestic market (overseas prices continue to be at a premium), 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.

3.5.2 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.

3.5.3 In addition to this, the Authority continues to deal with the implications of the Social Housing (Regulation) Act 2023, which arose from the Housing White Paper produced following 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.

3.5.4 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, it is anticipated that budgets can to cover the pressures in-year within overall existing budgets, but as always this will depend on a range of factors, and not having extreme adverse weather conditions during the winter months.

3.6 Rent Arrears and Bad Debt Provision

3.6.1 Arrears are made up of two elements:

- Current Tenant Arrears and,
- Former Tenant Arrears

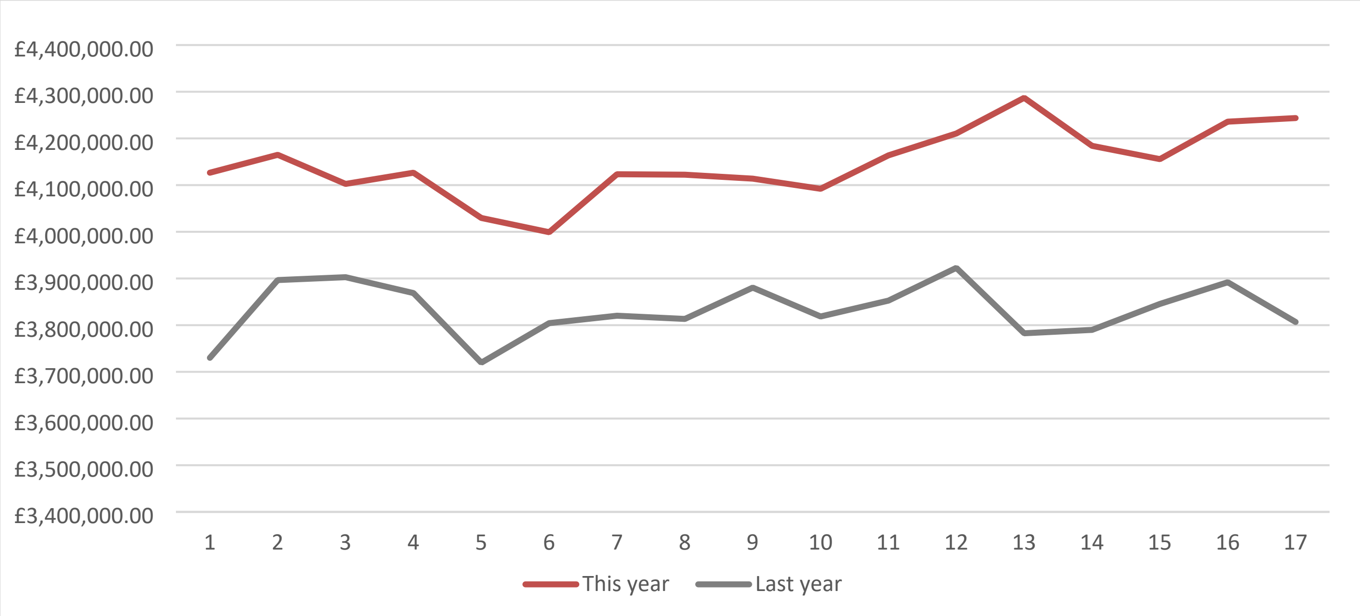
3.6.2 **Table 21: Rent Arrears**

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
31/07/2023(to-date)	4,243,601	2,315,459	6,559,060	258,656

3.6.3 Arrears continue to rise each year but significantly the pace at which they have increased over the last three years has slowed significantly compared to the three prior years, which is encouraging, particularly given the difficulties created during the pandemic. Write Offs are partly responsible for the reduction in former arrears. The overall level of arrears is still significant at over £6.550m and has more than doubled in the last eight years.

3.6.4 Chart 5 below shows the value of current rent arrears in 2023/24 at the end of July 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 four months of 2023/24 as compared to 2022/23, with an increase of £0.259m 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.

3.6.5 **Chart 5: Current Rent Arrears in Weeks 1-17 (April-July) 2023/24 compared to 2022/23**



3.6.6 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 £3.210m. By the end of July 2023 this had increased to 4,283 UC cases with arrears of £3.503m, which is an increase of 334 tenants and £0.293m 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 from increased numbers of UC cases 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.

3.6.7 **Table 22 - Proportion of Rent Debit met by Housing Benefit**

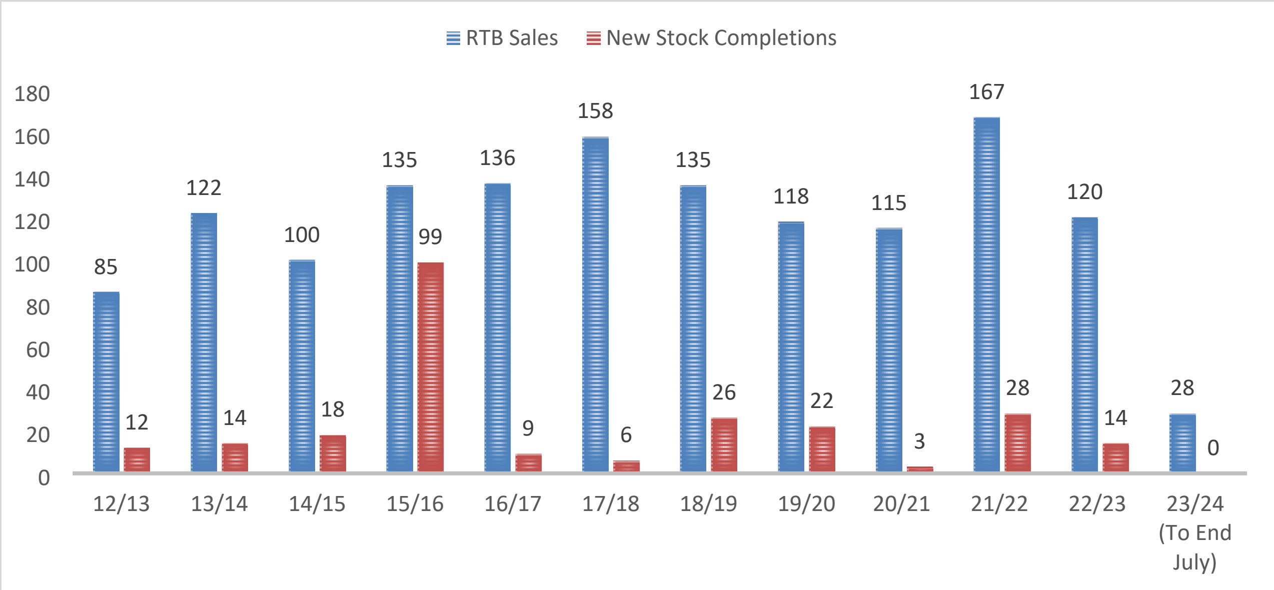
Year	Housing Benefit received via Direct Payment	Total Rent Debit	% of Rent Debit covered by HB Direct Payments
	£	£	%
2016/17	33,218,096	58,729,152	56.6
2017/18	31,970,851	57,889,823	55.2
2018/19	28,932,255	56,795,935	50.9
2019/20	24,490,067	56,931,399	43.0
2020/21	22,151,257	56,955,677	38.9
2021/22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

3.6.8 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.

3.7 Right to Buy (RTB) Trends

3.7.1 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 four months of 2023/24 saw 28 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.

3.7.2 Chart 6: Yearly RTB Sales v New Stock Additions



SECTION 4 - INVESTMENT PLAN

4.1 Review of Investment Plan

4.1.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. The Investment Plan is subject to ongoing review and challenge. During July a series of challenge sessions were held with project managers and Directors to understand the latest position on delivery and associated risks. Whilst there are indications that inflationary pressures are beginning to ease, continuing challenges remain within the supply chain and costs remain at a heightened level.

4.1.2 The Authority continues to manage project expenditure within existing budgets where possible; reprofiling spend, undertaking value engineering or reducing scheme scoping where the impact on the project outputs is considered to be minimal or represent greater value for money. Any request to utilise contingencies to meet unavoidable additional costs will be reviewed on a case-by-case basis.

4.1.3 A rising rate interest environment has an impact on the investment plan. Interest rates were increased again at August 2023 Monetary Policy Committee (MPC), further details within section 5 (Treasury Management Position) of this report. Continues to have wider implication for the investment Plan and items which are not fully externally funded, therefore require a Council Contribution funded by borrowing. Higher interest rates will mean a higher cost of borrowing to the Authority.

4.2 Variations to the 2023-2028 Investment Plan

4.2.1 Reprogramming of £8.489m into 2024/25, and £5.579m of variations 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 and new funding awards secured by the Authority, in addition to the report to Council on 16 February 2023.

4.2.2 **Table 23: 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
2023/24 Monitoring	6.536	3.843	0.083	0.000	0.000	10.462
Approved Investment Plan	**120.143**	**62.010**	**50.138**	**53.775**	**53.884**	**339.950**
July 23 Monitoring						
Variations	1.073	4.506	0.000	0.000	0.000	5.579
Reprogramming	(8.489)	8.489	0.000	0.000	0.000	0.000
Total Variations	**(7.416)**	**12.995**	**0.000**	**0.000**	**0.000**	**5.579**
Revised Investment Plan	**112.727**	**75.005**	**50.138**	**53.775**	**53.884**	**345.529**

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

(a) **EV100 Active Travel 3 – Permanent Seafront Scheme (-£4.234m) –** The external funding for the project has now been confirmed and approved and detailed design work is in progress. It has been necessary to re-profile resources to 2024/25 with phase 1 expected to commence work by November 2023 following the outcome of the public engagement and Traffic Regulation Order process which is expected to conclude in October.

(b) **DV073 Ambition for North Tyneside (-£1.376m) –** Additional re-profiling has been identified to future years as work continues to develop investment plans for the Killingworth Lake and Borough Wide Waggonways schemes.

(c) **ED075 Devolved Formula Capital (-£1.000m) –** The decisions regarding expenditure rest with the individual Schools who tend to work in partnership with the Authority to identify opportunities. Additional funding was awarded relating to investment in energy improvement measures, however a review of delivery plans has identified re-profiling of funding to future years with Schools having the ability to apply the funds over a period of 3 years.

(d) **ED190 High Needs Provision Capital Allocation (-£0.525m) –** Additional Department for Education funding has been reflected in the Investment Plan relating to the Safety Valve Project amounting to £0.475m in 2023/24 (£4.681m in total), which will deliver works at Riverside Centre to create an Early Years Hub as well as works across a range of schools to provide additional resourced provision capacity

(e) **DV082 Wallsend Town and High Street Programme (-£0.300m) –** North of Tyne Combined Authority have awarded £0.500m of additional funding towards the scheme which includes £0.300m of capital resource as well as £0.200m of revenue resource. However, reprofiling has been identified to future years following additional development work being undertaken relating to the digital infrastructure to ensure the works will align with the requirements of the Cultural Quarter and businesses within it.

(f) **EV083 Street Lighting LED (-£0.356m) –** This scheme is being delivered by the PFI Contractor and re-profiling has been identified reflecting the pressures experienced in the supply chain relating to supply and therefore installation timescales.

(g) **North Shields Cultural Quarter (£0.300m) –** Additional funding has been awarded by North of Tyne Combined Authority relating to proposed investment in the Globe Gallery and Business Centre as part of developing the cultural quarter. The funding will be used to invest in mechanical, electrical and building improvements.

(h) **GEN03 Contingencies (-£0.379m) –** It is proposed that the contingency is utilised to fund the acquisition of additional mechanical street sweepers (£0.244m) and the delivery to refurbish the Former Rectory St Columbas (£0.135m) to deliver supported accommodation for care leavers.

4.2.3 In addition to the proposed variations outlined within the report, work is ongoing to confirm the resource requirement to support investment in replacing the Authority's fibre networks as part of its Wide Area Network and the planned replacement of the Enterprise Resource Planning (ERP) system. Once confirmed, this will be considered as a variation to the Investment Plan to enable the procurement processes to proceed.

4.3 Capital Financing

4.3.1 The impact of the changes detailed above on capital financing is shown in table 24 below.

4.3.2 Table 24: Impact of variations on Capital financing

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Approved Investment Plan	**120.143**	**62.010**	**50.138**	**53.775**	**53.884**	**339.950**
Council Contribution	(1.732)	1.732	0.000	0.000	0.000	0.000
Grants and Contributions	(5.684)	11.263	0.000	0.000	0.000	5.579
Contribution from Reserves	0.000	0.000	0.000	0.000	0.000	0.000
HRA Grants & Contributions	0.000	0.000	0.000	0.000	0.000	0.000
HRA Major Repairs Reserve	0.000	0.000	0.000	0.000	0.000	0.000
Total Financing Variations	**(7.416)**	**12.995**	**0.000**	**0.000**	**0.000**	**5.579**
Revised Investment Plan	**112.727**	**75.005**	**50.138**	**53.775**	**53.884**	**345.529**

4.4 Capital Receipts – General Fund

4.4.1 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 (2023-2028 £1.417m). To date £5.298m of capital receipts have been received in 2023/24. The receipts position is shown in table 25 below.

4.4.2 **Table 25: 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
Net Useable Receipts	**(5.298)**	**0.000**	**0.000**	**0.000**	**0.000**
Surplus Receipts	(7.108)	(7.108)	(7.108)	(7.108)	(7.108)

4.5 Capital receipts – Housing Revenue Account

4.5.1 Housing Capital Receipts brought forward at 1 April 2023 were £12.961m. 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 £1.479m have been received in 2023/24. In total, subject to future pooling, this leaves a surplus balance of £10.499m to be carried forward to fund planned investment in future years.

4.5.2 **Table 26: Capital Receipt Requirement - Housing Revenue Account**

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Requirement reported to July 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
Revised Requirement	**3.941**	**2.170**	**2.153**	**1.060**	**1.202**
Receipts Brought Forward	(12.961)	(10.499)	(8.329)	(6.176)	(5.116)
Receipts Received 2022/23	(1.479)	0.000	0.000	0.000	0.000
Receipts Pooled Central Government	0.000	0.000	0.000	0.000	0.000
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(10.499)**	**(8.329)**	**(6.176)**	**(5.116)**	**(3.914)**

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.

4.6 Investment Plan Monitoring Position to 31 July 2023

4.6.1 Actual expenditure for 2023/24 in the General Ledger was £19.264m; 16.03% of the total revised Investment Plan at 31 July 2023.

4.6.2 **Table 27: Total Investment Plan Budget & Expenditure to 31 July 2023**

	2023/24 Approved Investment Plan £m	Actual Spend to 31 July 2023 £m	Spend as % of revised Investment Plan %
General Fund	85.604	12.063	14.09%
Housing	34.539	7.201	20.85%
TOTAL	**120.143**	**19.264**	**16.03%**

SECTION 5 – TREASURY MANAGEMENT & CASH POSITION

5.1 Current Cash Position

5.1.1 The Authority's current available cash balance as at the end of July 2023 is £22.580m, with £15.000m invested externally with other UK Local Authorities or institutions. All investments are made in line with the approved Treasury Management Strategy.

5.1.2 **Table 28: Investment Position as at 31 July 2023**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	21.250	1 August 2023
Barclays	Call	1.330	n/a
Other LA	Fixed	10.000	09 February 2024*
Fixed Deposits	Fixed	5.000	October 2023

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

5.1.3 At its meeting ending on 03 August 2023, the MPC voted by a majority of 6–3 to increase Bank Rate by 0.25 percentage points, to 5.25%. The decision was based on projections for activity and inflation in the accompanying August Monetary Policy Report. The report states that that Banks expects the UK economy to continue to grow at a similar rate despite the interest rate increase. Underlying quarterly GDP growth has been around 0.2% during the first half of this year, however some more recent indicators show signs of weakening.

5.1.4 Twelve-month CPI inflation fell from 7.9% in June6.8% in July. CPI inflation remains well above the 2% target. The Bank forecasts inflation fall significantly further, to around 5% by the end of the year, accounted for by lower energy, and to a lesser degree, food and core goods price inflation.

5.1.5 The impact of raising base rate had an immediate impact to the cost of borrowing. Table 29 below demonstrates the increase in rates both in the temporary space and longer-term PWLB rates.

5.1.6 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.

5.1.7 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.

5.1.8 **Table 29: Summary of Borrowing Levels**

Temporary Space		*PWLB***	
Tenor	Level	Tenor	Level *
1 week	5.13%	2 years	6.00%
1 month	5.13%	5 years	5.61%
3 month	5.21%	10 years	5.43%
6 month	5.40%	20 years	5.67%
9 month	5.65%	30 years	5.60%
12 month	5.85%	50 years	5.36%

**Please note these levels are from 03/08/2023*
***PWLB rates do not include certainty rate reductions,*

5.1.9 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. In July the authority required £5.000m to manage treasury cashflow activities.

5.2 Borrowing Position

5.2.1 Table 30 shows the Authority's current debt position, with total borrowing maturing in 2023/24 of £4.000m.

5.2.2 **Table 30: Current Debt Position**

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	387.443	20.000	5.000	422.443
Debt Maturing 2023/24	(4.000)	0.000	(5.000)	(9.000)

5.2.3 The Authority was under-borrowed to the value of £68.532m at 31 March 2023. Whilst the Authority cannot borrow to fund revenue activity, it can look to utilise reserves, unwind its under-borrowed position, and externalise borrowing.

5.2.4 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.

5.2.5 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 5.14 % for 50-year borrowing, during the current quarter, before tracking back down to lower levels from September 23 onwards.

5.2.6 **Table 31: Link Interest Rate Forecasts**

Bank Rate													
	NOW	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Link Group	5.25%	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%	2.75%	2.75%	2.50%	2.50%
Capital Economics	5.25%	5.50%	5.50%	5.50%	5.50%	5.00%	4.50%	4.00%	3.50%	3.25%	3.00%	-	-
5yr PWLB Rate													
	NOW	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Link Group	5.41%	5.60%	5.30%	5.10%	4.80%	4.50%	4.20%	3.90%	3.60%	3.40%	3.30%	3.30%	3.20%
Capital Economics	5.41%	5.10%	4.70%	4.50%	4.40%	4.20%	4.00%	4.00%	3.90%	3.80%	3.70%	-	-
10yr PWLB Rate													
	NOW	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Link Group	5.22%	5.20%	5.00%	4.90%	4.70%	4.40%	4.20%	3.90%	3.70%	3.50%	3.50%	3.50%	3.40%
Capital Economics	5.22%	5.10%	4.60%	4.50%	4.30%	4.20%	4.10%	4.00%	3.90%	3.90%	3.80%	-	-
25yr PWLB Rate													
	NOW	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Link Group	5.45%	5.40%	5.20%	5.10%	4.90%	4.70%	4.50%	4.20%	4.00%	3.90%	3.80%	3.80%	3.70%
Capital Economics	5.45%	5.30%	4.90%	4.70%	4.60%	4.50%	4.30%	4.30%	4.20%	4.10%	4.10%	-	-
50yr PWLB Rate													
	NOW	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Link Group	5.14%	5.10%	5.00%	4.90%	4.70%	4.50%	4.30%	4.00%	3.80%	3.60%	3.60%	3.50%	3.50%
Capital Economics	5.14%	4.90%	4.70%	4.60%	4.50%	4.40%	4.30%	4.20%	4.10%	4.10%	4.00%	-	-

**Please note these forecasts are as at 08.08.23*

SECTION 6 – DEVELOPER CONTRIBUTIONS

6.1 Section 106 Contributions

6.1.1 Planning obligations under Section 106 (s106) of the Town and Country Planning Act 1990, are commonly known as s106 agreements. They are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable, and are focussed on mitigating the impact of the development on an area. S106 agreements are often called 'developer contributions' or 'planning gain' and include a range of identified categories, historically including highways, affordable housing, sport and leisure, health and play sites, amongst others.

6.1.2 The s106 Capital Programme Manager and s106 service area leads utilise the information collated within the Authority's s106 governance and monitoring process to define what monies are available for what and where this can be allocated, and develop projects based on this information.

6.1.3 The s106 programme of works aims to supplement and support the wider Authority budget, to ensure a good spread of spend for all areas of the Borough and to provide flexibility and value for money.

6.1.4 The s106 Capital Programme Manager and s106 service area leads utilise the information collated within the Authority's s106 governance and monitoring process to define what monies are available and where this can be allocated, and develop projects based on this information.

6.1.5 The s106 programme of works aims to mitigate the impacts of developments within the Borough, supplementing and supporting the wider strategic North Tyneside Plan.

6.1.6 Service areas are routinely reviewing this information and developing projects, which are then presented to Investment Programme Board (IPB) for consideration prior to securing full IPB approval. If approved the projects are then delivered.

6.1.7 The latest s106 finance spreadsheet which includes the financial information of all developer contributions, which have been received by the Authority can be found within Appendix 3 and Appendix 4.

6.1.8 **Table 32: Section 106 Spend Update**

	31 December 2022	28 February 2023	31 July 2023
Received to date	£20.266m	£20.300m	£20.342m
Spend to date	(£6.609m)	(£8.836m)	(£9.604m)
Committed *(through IPB Governance)*	(£3.910m)	(£2.898m)	(£3.244m)
Uncommitted Balance	**£9.747m**	**£8.566m**	**£7.494m**

6.1.9 As at 31 July 2023, £20.342m had been received by the Authority, of which £9.604m has been expended in line with agreements. £10.738m remains as at 31 July 2023, of which £3.244m is committed. This leaves an uncommitted balance of £7.494m

6.1.10 In order to deliver projects within the allocated balance, service areas are developing and completing projects based on the legal parameters set within the wording of the planning obligations, all overseen by the Investment Programme Board (IPB) group. Significant work is ongoing with relevant officers in developing key projects and allocating the spend within all service areas.

6.2. Community Infrastructure Levy (CIL)

6.2.1 These are planning tools used to secure financial or non-financial contributions towards the provision of infrastructure to support and enable development and to mitigate the impact of development. CIL contributions now include secondary education, health and community facilities and other infrastructure developer contributions.

6.2.2 CIL continues to develop within the Authority and updates will be incorporated within this report over time as necessary. £675k of CIL monies have been received by the Authority, with no projects allocated or monies spent to date.

6.2.3 The Authority is strategically building balances in relation to CIL to facilitate investment within the Borough which will provide greatest benefit.