Cabinet – 27 November 2023

2023/24 Performance and Financial Management Report Annex 2 – Financial Summary

INDEX

SECTION 1 – SERVICE COMMENTARIES

1.1 Meetings have been held between finance and performance 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 £1.679m against its £64.247m net controllable expenditure budget. The net budget for 2023/24 has decreased by £0.081m from July to reflect a movement of 2 posts into Children’s Services.

1.2.2 **Table 1: Forecast Variation for Adults Services as at 30 September 2023**

	2023/24 Budget £m	Sept Forecast £m	Sept Variance £m	July Variance £m	Change July-Sep £m
Central, Strategy and Transformation	0.866	0.768	(0.098)	0.080	(0.179)
Social Work and Associated Activity	8.284	8.061	(0.223)	(0.218)	(0.004)
Integrated Services	2.657	1.724	(0.933)	(0.834)	(0.099)
Business Assurance	0.403	0.429	0.026	0.028	(0.002)
Sub-total Operations	**12.210**	**10.982**	**(1.228)**	**(0.944)**	**(0.284)**
Wellbeing and Assessment	17.408	19.099	1.691	0.989	0.702
Learning Disability	30.304	31.153	0.848	0.513	0.335
Mental Health	4.583	5.402	0.819	1.105	(0.286)
Other Services	(0.258)	(0.710)	(0.452)	0.116	(0.568)
Commissioned Services	**52.037**	**54.944**	**2.907**	**2.724**	**0.183**
Total Adult Services	**64.247**	**65.926**	**1.679**	**1.780**	**(0.101)**

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 £1.228m, an increase of £0.284m since the July position.

1.2.4 Despite the actions taken to address grading and the problems with recruitment and retention of staff across Adult Services, there continues to be an underspend against staffing budgets, which is starting to impact on service delivery. There continues to be a high turnover of staff which is reflected in the increased underspend. The Short-Term Review Team continues to support with capacity, support and challenge in the system and is making a positive impact on ensuring the appropriate level of care is being provided.

1.2.5 Adult Services manages a complex budget and is required to deal with a combination of funding arrangements, pressures, and national policy changes. The supplement to the Market Sustainability and Improvement Fund – Workforce Fund allocated to North Tyneside was £1.568m and is reflected in the overall position. Officers remain focused on plans for the winter pressure period.

1.2.6 During September there has been a further increase in the hours of homecare provided within the borough. As at the end of September there were 84 clients on the brokerage waiting list, compared to 143 during the same period last year, although this is an increase from July when it was at 60. The lack of home care provision continues to result in increased short term residential care placements, in September 2023 there were 25 new short-term placements, which was a slight decline from July. 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 Adult Social Care Discharge funding of £1.343m for 2023/24, includes a scheme to increase in-house homecare capacity which will increase control of home care provision with a focus on reablement. The posts are directly employed by the authority and will form part of the social care career pathway. However, this is also impacted by the issues with recruitment and requires further work with People Team to address this.

1.2.8 The hospital stepdown beds, additional Extra Care placements and reablement flats that allow more clients to receive community-based care will again be relied upon across the winter to help maintain hospital flow and prevent delayed discharges. These services allow for admissions at very short notice.

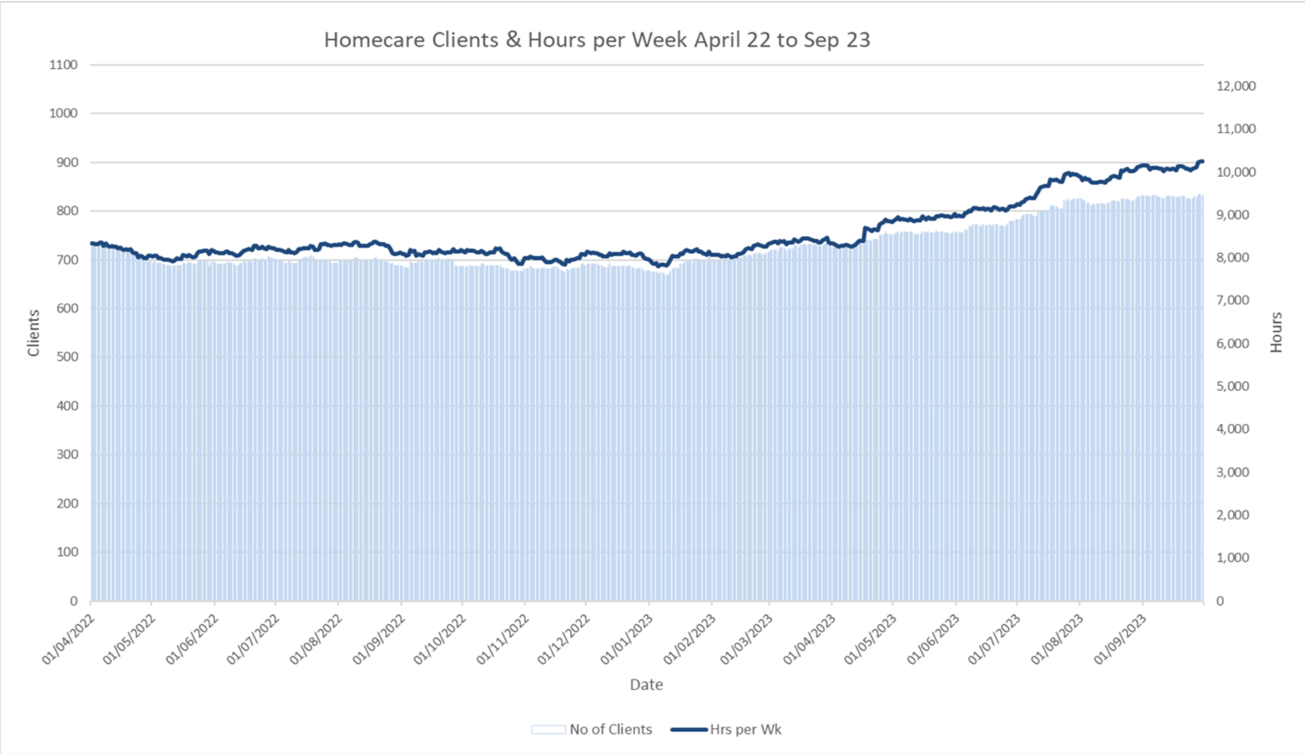
1.2.9 The transition of complex clients from both Children's Services and long-term hospital settings have previously been highlighted as a pressure for Adult Services and they continue to be monitored. There has been one transition case from Children's Services since the July reported position resulting in an additional part year cost of £0.096m with a full year cost estimated at £0.159m.

1.2.10 The Authority works closely with the ICB to ensure funding contributions for clients with 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.

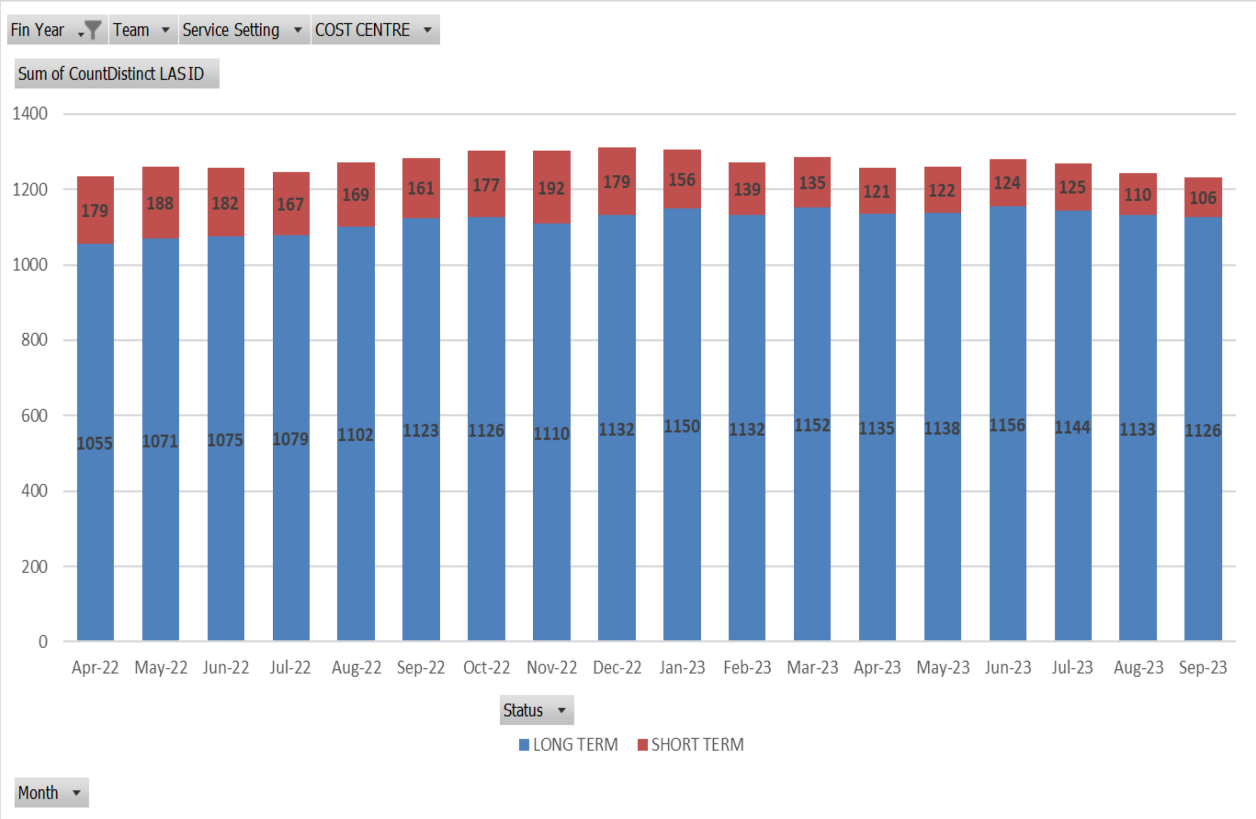
1.2.11 Work is ongoing in the Adult Social Care Finance Team to improve the income and debt collection processes, forecast client contributions have increased since July in line with the increase in home care provision.

1.2.12 Work continues 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.

1.2.13 **Chart 1: Number of Clients and Total Hours purchased for Homecare**



1.2.14 **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 £7.846m against its £34.227m net controllable expenditure budget. The net budget has increased by £0.081m from July as staffing budgets were adjusted to reflect a movement of 2 posts from Adult Social Care. There were no new savings targets allocated in 2023/24.

1.3.2 **Table 2: Forecast Variation for Children's Services as at 30 September 2023**

	2023/24 Budget £m	Sept Forecast £m	Sept Variance £m	July Variance £m	Change July-Sept £m
Corporate Parenting & Placements	26.938	32.706	5.768	4.506	1.262
Quality of Practice	0.754	0.923	0.170	0.139	0.030
Multi-agency Safeguarding Arrangements	0.120	0.137	0.017	0.027	(0.010)
Health, Information & Advice, Virtual School & Emotional Wellbeing (HIVE)	0.013	(0.146)	(0.159)	0.000	(0.159)
Early Help & Vulnerable Families	1.805	1.605	(0.200)	(0.200)	0.000
Employment & Skills	0.725	0.703	(0.022)	(0.006)	(0.016)
Children's Disability Service	1.790	4.061	2.271	1.825	0.446
Education North Tyneside	1.604	1.847	0.243	0.364	(0.121)
Youth Justice Service	0.621	0.380	(0.241)	(0.181)	(0.060)
Regional Adoption Agency	(0.143)	(0.143)	0.000	0.000	0.000
Total Children's Services	**34.227**	**42.073**	**7.846**	**6.474**	**1.372**

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 care 385 and children in need 1,617.

1.3.4 The £7.846m 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 shows the Children's Services position split between operational and commissioning pressures. The decrease pressure in staffing & operations includes additional income of £0.109m secured from the Integrated Care Board for children in care and care leavers support.

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

	2023/24 Budget £m	Sept Forecast £m	Sept Variance £m	July Variance £m	Change since July £m
Commissioned Services	9.055	14.296	5.241	3.300	1.941
In-house Services	11.516	13.290	1.774	1.968	(0.194)
Staffing & Operations	13.799	14.630	0.831	1.206	(0.375)
Regional Adoption Agency	(0.143)	(0.143)	0.000	0.000	0.000
Total Children's Services	**34.227**	**42.073**	**7.846**	**6.474**	**1.372**

1.3.7 The service continues to have a high number of vacant social work posts and work is on-going with People Team to address the issues with workforce recruitment and retention. This is vital to enable the service to meet the core target of 330 children in care.

1.3.8 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.

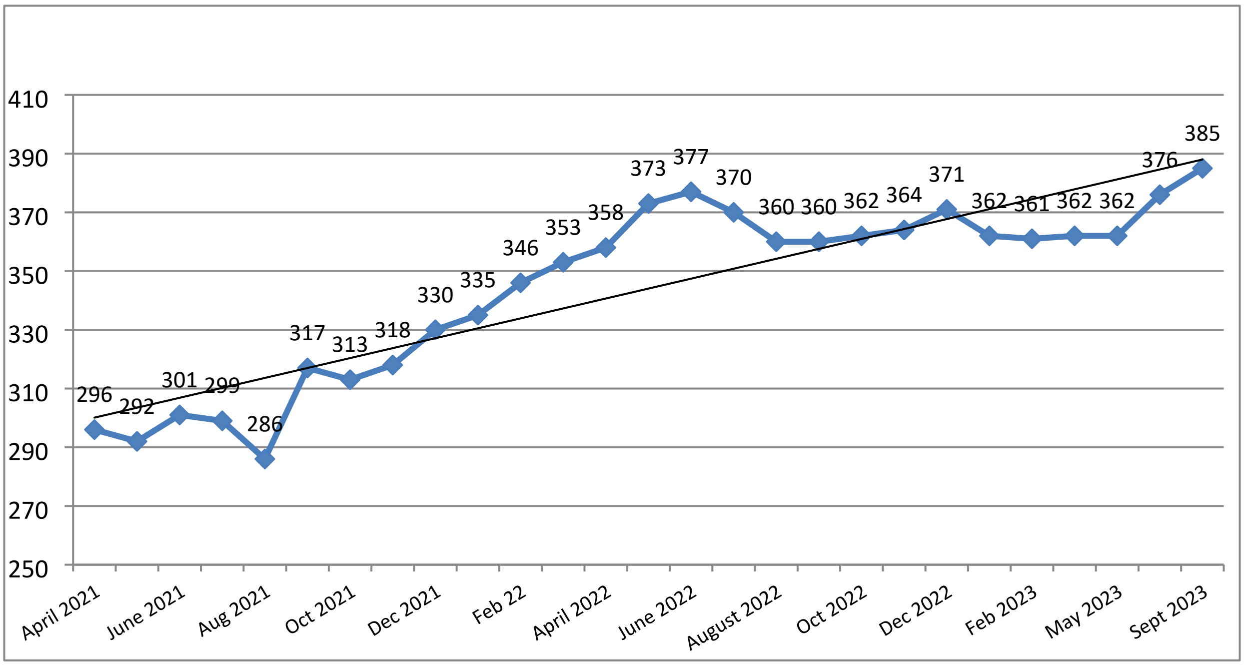
1.3.9 Commissioned services are showing a pressure of £5.282m, an increase of £1.982m since July which reflects the overall increase in Children in Care. In September there were 385 children in care compared to 376 in July. This increase has resulted in an increase in external residential care placements and there are still pressures in external fostering and supported accommodation placements above the "core" number reflected in the budget.

1.3.10 **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	No. of Children Sept 23
External Residential Care	7.0%	23	27	26	32
External Fostering	6.7%	22	22	27	25
In-House Fostering	61.7%	204	209	222	223
External Supported Accommodation	9.7%	32	46	41	38
In-House Residential Care	6.4%	21	21	21	21
Other	8.5%	28	37	39	46
Total	**100%**	**330**	**362**	**376**	**385**

1.3.11 The forecast is based on the children in care at the end of September 2023. Chart 3 shows the number of children in care was 385, this is higher than the "core" number of 330 and an increase from July when there were 376 children in care.

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



1.3.13 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 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.

1.3.14 The number of Children in Care can be volatile, with an increase of 9 children since July and costs for individual children can be very high. There is always a potential risk that the forecast could increase if numbers of complex children start to rise above current levels.

Corporate Parenting and Placements

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

Type of Service	2023/24 Budget £m	Sept Forecast £m	Sept Variance £m	July Variance £m	Change since July £m
Care provision – children in care	16.270	20.457	4.187	2.943	1.245
Care provision – other children	4.434	4.915	0.482	0.529	(0.047)
Management & Legal Fees	0.035	0.681	0.646	0.622	0.024
Social Work	6.150	6.615	0.465	0.407	0.059
Safeguarding Operations	0.049	0.037	(0.013)	0.005	0.000
Total	**26.938**	**32.706**	**5.768**	**4.506**	**1.262**

Care Provision – Children in Care

1.3.16 A further breakdown of the care provision costs for the 385 children in care is provided in Table 6. Since July there has been an increase in numbers of children within in-house fostering and an increase in the numbers in external residential care. 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.

1.3.17 External fostering is currently supporting 25 children in care, this has decreased by 2 but remains 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.

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

Placement Type	2023/24 Budget £m	Sept Forecast £m	Sept Variance £m	Average Annual Placement Cost	Number of Children		
					Core	July 2023	Sept 2023
External Residential Care	5.492	6.735	1.243	£0.373	23	26	32
External Fostering	0.993	1.210	0.217	£0.052	22	27	25
In-House Fostering Service	5.627	5.594	(0.033)	£0.025	204	222	223
External Supported Accommodation	1.686	3.873	2.187	£0.103	32	41	38
In-House Residential Care	2.472	3.045	0.573	£0.145	21	21	21
Other*	-	-	-	-	28	39	46
Total	**16.270**	**20.457**	**4.187**	**-**	**330**	**376**	**385**

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

1.3.19 The average annual placement cost is based on the full year effect of the packages in place at the end of September, however the forecast is based on actual activity and expected duration of placements. We have seen an increase of 6 child in external residential placements and the overall % of inhouse fostering placements is above the "core" mix we are aiming for, however whist the number of children in care is 55 above the "core" number the pressure will continue.

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

1.3.20 This area has a forecast pressure of £0.482m 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.

Management and Legal Fees

1.3.21 This area has a forecast pressure of £0.646m 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

1.3.22 The pressure has increased by £0.059m 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 Public Health

1.4.1 Public Health is forecasting a (£0.250m) underspend, and improvement of (£0.250m) since the July Cabinet report.

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

	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £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	0.364	0.324	(0.040)	0.000	(0.040)
Public Protection	0.902	0.692	(0.210)	0.000	(0.210)
GRAND TOTAL	**1.507**	**1.257**	**(0.250)**	**0.000**	**(0.250)**

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

1.4.3 There is an underspend in Public Protection of (£0.210m), an improvement of (£0.210m) since the July Cabinet report. Although there are 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 vacancies and other funding streams and underspends within Public Protection to bring the service to a (£0.210m) underspend.

1.4.4 There is an underspend of (£0.040m) within Community Safety and Resilience, an improvement of (£0.040m) since the July Cabinet report due to vacancies within the service.

1.5 Commissioning and Asset Management

1.5.1 Commissioning and Asset Management (C&AM) is showing a pressure of £5.541m as set out in Table 8, an improvement of (£0.461m) since the July Cabinet report.

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

	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
School Funding & Statutory Staff Costs	5.468	5.542	0.074	0.043	0.031
Commissioning Service	0.486	0.360	(0.126)	(0.023)	(0.103)
Facilities & Fair Access	1.040	6.917	5.877	5.935	(0.058)
Strategic Property & Investment	1.666	1.464	(0.202)	0.080	(0.282)
Property	(0.022)	(0.022)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.168	0.135	(0.033)	(0.033)	0.000
Procurement	0.099	0.050	(0.049)	0.000	(0.049)
GRAND TOTAL	**8.905**	**14.446**	**5.541**	**6.002**	**(0.461)**

1.5.3 The main budget issues relate to Facilities and Fair Access which is showing a forecast pressure of £5.877m (July pressure of £5.935m). The Home to School Transport position is forecasting a pressure of £2.924m which relates to the sustained increase in children with complex needs attending special schools of £1.441m and inflationary pressures of £1.483m. 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 904 in July 2023 as shown in the performance data and 69.09% 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 £2.923m due to inflationary pressures of £1.497m, wages of £0.048m 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 £0.398m. There are 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 £0.695m and lost income from other catering post COVID 19 pandemic of £0.121m.

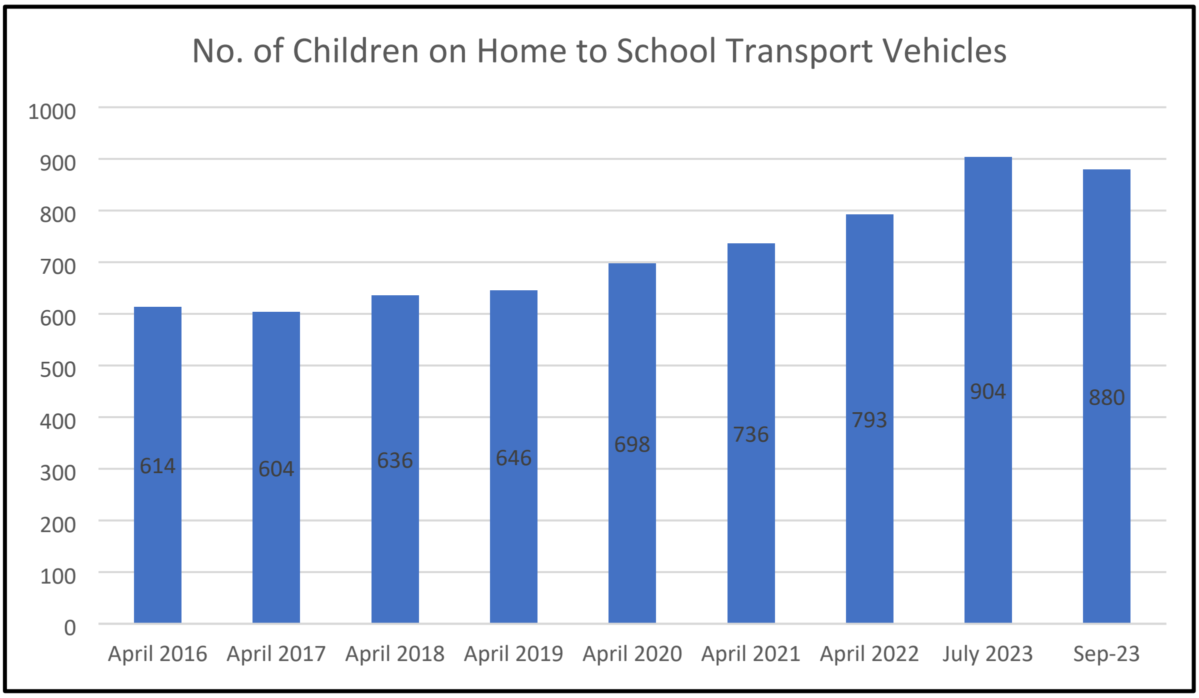
1.5.5 Cleaning has a pressure of £0.098m due to inflation of £0.061m and wages pressures due to additional hours worked to cover sickness, maternity leave and the cumulative effect of no annual pay rise being allocated in the budget for additional hours worked £0.037m which are wholly offset by Highpoint development profit (£0.370m) and other operational savings (£0.031m). There is also a pressure on Attendance and Placement/Access & Admissions of £0.030m due the removal of DSG funding £0.030m.

1.5.6 The remaining main pressures are on school funding and statutory staff costs of £0.074m due to a pressure on teachers early/ill health retirements of £0.116m due to removal of DSG funding £0.100m which is partially offset by redundancy payments savings (£0.030m) and school related premises costs savings (£0.012m). These pressures are offset by Strategic Property & Investment underspend of (£0.202m). No car parking income will be received for Quadrant resulting in a pressure of £0.101m.

1.5.7 There are savings in the Commissioning Service due to additional grants and contributions and vacancy savings of (£0.126m). The property forecast currently assumes that Capita will make a forecast payment at year end of £0.649m to balance actual net expenditure to budget.

1.5.8 54.88% of the total service pressures are due to inflation for which there has been no corresponding budget increase.

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



1.6 <u>Environment</u>

1.6.1 Environment is forecasting an underspend of £0.685m, as set out in Table 9 below, an improvement of £0.544m since the July Cabinet Report.

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

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Bereavement	(0.549)	(0.610)	(0.061)	0.005	(0.066)
Fleet Management	0.730	0.727	(0.003)	(0.033)	0.030
Head of Service Environment & Leisure	0.147	0.112	(0.035)	(0.022)	(0.013)
Library & Community Centres	6.152	6.184	0.032	0.108	(0.076)
Sport & Leisure	5.106	5.186	0.080	0.198	(0.118)
Street Environment	9.285	9.409	0.124	0.027	0.097
Waste & Refuse Management	4.345	4.311	(0.034)	(0.034)	0.000
Waste & Recycling Disposal Contracts	12.016	11.228	(0.788)	(0.390)	(0.398)
Street Lighting PFI	5.137	5.137	0.000	0.000	0.000
GRAND TOTAL	**42.369**	**41.684**	**(0.685)**	**(0.141)**	**(0.544)**

1.6.3 Bereavement is forecasting an underspend of £0.061m, partly due to increased fees and charges from December 2023.

1.6.4 Street Environment is forecasting a £0.124m pressure, which is a £0.097m increase on the July position and reflects previously mentioned 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 as well as the impact of higher diesel costs for the vehicle fleet across the service are 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 An underspend of (£0.003m) is now forecast in Fleet Management, a worsening of £0.030m since the July 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 £0.080m cost pressure which is an improvement of £0.118m since the July Cabinet Report. The variance change reflects a less optimistic picture on income generation than previously reported mainly linked to Contours Gym members and users where an income shortfall of £0.100m is now forecast.

1.6.7 Libraries & Community Centres is forecasting a £0.032m pressure which is an improvement of £0.076m compared to the July Cabinet Report. The forecast includes £0.160m of mitigations arising from the £0.320m reallocation of Waste & Recycling Disposal underspends. The variance change reflects lower Employee costs forecast with vacant posts unfilled and the use of casual and seasonal employees reducing. The reported Libraries & Community Centre variance includes income shortfall pressures across all the Libraries & Customer First Centres following the removal in recovering Library Fines as well as historic unachievable income targets. The income pressures are proposed to be managed and absorbed by mitigating actions across the service (e.g. reduced discretionary spend and delaying the recruitment of vacant posts where it can) over the course of the financial year. Included within the Libraries & Community Centre forecast is a forecast assumption of £0.802m to be drawn down from Reserves.

1.6.8 A combined underspend of £0.822m is forecast in Waste Management and Waste & Recycling Disposal Contacts which is an improvement of £0.398m compared to the July Cabinet Report.

1.6.9 Of that forecast, Waste & Recycling Disposal Contracts is reporting a £0.788m 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 At the end of quarter one, 43% of waste recycled, reused and composted was collected, which is consistent compared to the same period during the previous two years.

1.6.11 Waste & Refuse Management is forecasting a £0.034m underspend, which can be attributed to a combined forecast overachievement on income of £0.137m 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 £1.777m which, combined with the inflationary cost pressure against the Unitary Charge, requires an anticipated £2.255m Contribution from Reserves.

1.6.13 At the end of quarter one, carbon reduction in council service operations have decreased by 58% against the baseline year in 2010/11.

1.7 Regeneration and Economic Development

1.7.1 Regeneration and Economic Development (R&ED) is forecasting an underspend of £0.265m as shown in Table 10 below, which is an improvement of £0.265m since the July Cabinet report.

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

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Culture	1.628	1.781	0.153	0.153	0.000
Business & Enterprise	0.814	0.685	(0.129)	(0.085)	(0.044)
Regeneration	0.428	0.616	0.188	0.228	(0.040)
Resources & Performance	0.363	0.453	0.090	0.077	0.013
Technical Package - Planning	0.303	0.296	(0.007)	(0.007)	0.000
Technical Package - Transport & Highways	7.847	7.287	(0.560)	(0.366)	(0.194)
GRAND TOTAL	**11.383**	**11.118**	**(0.265)**	**0.000**	**(0.265)**

1.7.3 Culture is forecasting a pressure of £0.153m which is no change to the July 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 (£0.567m) 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. There is an improvement since the July report partly due to staffing vacancies not being filled.

1.7.6 Resources & Performance is showing an increased pressure of £0.090m due to staffing pressures in the management team following a restructure.

1.7.7 Business & Enterprise is forecasting an underspend of £0.129m, which is an improvement of £0.044m since the July report. This is due to spend reductions within the Service.

1.8 Corporate Strategy

1.8.1 Corporate Strategy is forecasting a £0.296m pressure, an improvement of £0.031m since the July Cabinet report.

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

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Children's Participation & Advocacy	0.475	0.529	0.054	0.062	(0.008)
Community & Voluntary Sector Liaison	0.367	0.367	0.000	0.000	0.000
Corporate Strategy Management	0.736	0.944	0.208	0.217	(0.009)
Elected Mayor & Executive Support	0.043	0.047	0.004	(0.001)	0.005
Marketing	0.445	0.383	(0.062)	(0.069)	0.007
Policy Performance and Research	0.250	0.342	0.092	0.118	(0.026)
GRAND TOTAL	**2.316**	**2.612**	**0.296**	**0.327**	**(0.031)**

1.8.3 Children's Participation & Advocacy is overspent by £0.054m, an improvement of £0.008m since the July 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 £0.316m 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. £0.080m of 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. A restructure in the participation and social inclusion teams has resulted in a saving of £0.05m.

1.8.4 An overspend of £0.208m 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 in the forecast variance is a £0.050m mitigation linked to the Secondment of the Director to the North East Mayoral Combined Authority. Also included within the overall forecast is a £0.082m cost pressure linked to 2 Customer Service Programme posts which aren't funded.

1.8.5 There is a £0.114m 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. Following the Graphics Team transfer back in house from Equans, included in the forecast variance is a 0.100m mitigation linked to Income Recharges.

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 £0.092m 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. The improvement of £0.026m since the July Cabinet report is due to vacancies not being filled and the replacement of a full time post with a part time post.

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 £0.774m, which is an improvement of £0.184m since the July Cabinet Report.

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

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Chief Executive	(0.100)	(0.118)	(0.018)	(0.013)	(0.005)
Finance	(0.164)	(0.100)	0.064	(0.242)	0.306
IT	2.824	2.377	(0.447)	0.000	(0.447)
People Team	0.057	0.040	(0.017)	(0.040)	0.023
Internal Audit and Risk Management	0.052	0.037	(0.015)	0.003	(0.018)
Revenues and Benefits	0.494	0.448	(0.046)	0.000	(0.046)
Director of Resources	0.167	0.198	0.031	0.031	0.000
Governance	0.175	0.174	(0.001)	0.032	(0.033)
Law and Registration	1.233	2.456	1.223	1.187	0.036
Business Package Holding Codes	0.000	0.000	0.000	0.000	0.000
GRAND TOTAL	**4.738**	**5.512**	**0.774**	**0.958**	**(0.184)**

1.9.3 Law & Registration is forecasting a pressure of £1.223m, an increase of £0.036m since the July 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 £0.622m on locums, which is partially offset (£0.197m) by the vacancies within the team which is a decrease of £0.043m since the last Cabinet report due to the appointment of full-time positions releasing the requirement for locums in these posts. 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 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. Since the July Cabinet report there has also been an increase of £0.064m in the rent and service charges the service pays for the Stagline (Registrars) Building for the current and previous year. These increases are partially offset by increased income of £0.015m within Land Charges and Legal Services.

1.9.4 Within Finance there is a reported pressure of £0.064m which is an increase of £0.306m since the July Cabinet report. This is due to the transfer of New Burdens funding to Revenues and Benefits of £0.185m, increased External Audit costs of £0.100m which are partially offset by an increased Government Grant of £0.040m. Increased costs of £0.214m within Income Management are continuing, these pressures are being offset by current vacancies and increased income for recharges of staffing.

1.9.5 Within IT there is an underspend of (£0.447m), an improvement of (£0.447m) since the July Cabinet report. This is partly due to vacancies and the realignment of the contracts within the service.

1.9.6 Revenues and Benefits is forecasting an underspend of (£0.046m). 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 £0.458m 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 (£0.201m), by an in-year reduction in the Bad Debt Provision requirement. This is due to the overall value of Overpayment Debt reducing as a result of both the ongoing collection of the current debt and the reduction in new debt being raised, which has reduced the provision that is required against the outstanding debt (90% of overall debt).
- The Benefits subsidy grant is showing a net underspend of £0.005m. 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 £0.201m 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.

These pressures are being offset by New Burdens Funding (£0.185m), which was previously forecast against the Finance service.

1.9.7 The proportion of council tax collected is consistent with last year at 53% at the end of September. At the end of 2022/23, collection was slightly lower than national performance. Business rates collection performance is showing significant improvement. 55.9% of business rates has been collected at the end of September. 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 £0.500m pressure, which is an improvement of (£0.151m) since the July Cabinet Report.

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

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Building Control	0.108	0.057	(0.051)	0.000	(0.051)
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	1.200	1.751	0.551	0.651	(0.100)
GRAND TOTAL	**2.323**	**2.823**	**0.500**	**0.651**	**(0.151)**

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 a significant increase 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. 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 Building Control has seen an improvement of (£0.051m) since the July Cabinet report due to increased fee earning.

1.10.6 With regards to key performance measures in the Service the Affordable homes programme is on track against profiled target, with 2,348 homes delivered to the end of quarter 2.

1.10.7 Homeless presentations to the Authority remain high at the end of September 2023 (1,454 against 1,237 at the same period last year), however the proportion of priority homeless acceptances are consistent with previous years at 5%.

1.11 Central Items

1.11.1 Central Items is forecasting a (£5.788m) underspend which is an improvement of (£1.047m) since the July Cabinet report.

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

Service Areas	Budget £m	Forecast Sept £m	Variance Sept £m	Variance July £m	Change since July £m
Corporate & Democratic Core	3.241	1.918	(1.323)	(1.323)	0.000
Other Central Items	(12.978)	(17.443)	(4.665)	(3.418)	(1.047)
GRAND TOTAL	**(9.737)**	**(15.525)**	**(5.788)**	**(4.741)**	**(1.047)**

1.11.3 Within Corporate and Democratic Core there is a £1.174m contribution of growth (from contingencies) to support inflationary pressures across the Authority.

1.11.4 Included in Other Central Items is a £2.115m 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 £0.925m Section 31 Grant and a £0.539m contribution from the Business Rates Volatility Fund, all which contribute to the £4.665m variance and mitigate overspends.

SECTION 2 - SCHOOLS FINANCE

2.1 Update on School Budgets 2023/24

2.1.1 Cabinet will recall that the overall level of school balances at the end of March 2023 was (£0.382m) compared to £3.398m as at March 2022. This represented a decrease in balances of £3.780m.

2.1.2 Schools are in the process of completing the first set of monitoring for 2023/24 and excellent progress is being made.

2.2 National Funding Formula Consultation for 2024/25

2.2.1 The method for allocating funding to schools is still set by a Local Funding Formula (LFF), though DfE are considering making their National Funding Formula (NFF) mandatory in the future. For 2023/24, North Tyneside consulted with Schools Forum to adopt the NFF factors in their LFF.

2.2.2 On Friday 6th October the Department for Education (DfE) published revised provisional funding allocations for 2024 to 2025 for the Schools National Funding Formula (NFF). In relation to those changes the following announcement was made:-

"The department published the schools NFF for 2024 to 2025 in July. However, the department uncovered an error made by DfE officials during the initial calculations of the NFF. Specifically, there was an error processing forecast pupil numbers, which means that the overall cost of the core schools budget would be 0.62% greater than allocated. The department therefore issued new NFF allocations to correct that error while continuing to deliver, in full, the £59.6 billion core schools budget that has been promised.
The department apologises for this error. The Secretary of State has asked the Permanent Secretary to conduct a formal review of the quality assurance process surrounding the calculation of the NFF, with independent scrutiny. Improvements have already been identified to ensure similar mistakes are not repeated in the future."

2.2.3 The above DFE error reduced the indicative funding previously shared with North Tyneside Schools by £1.300m.

2.2.4 For 2024/25, the Authority asked Schools Forum to consider modelling a potential option to transfer funding from Schools Block to High Needs. Guidance states that a local authority can transfer up to 0.5% with agreement from the local Schools Forum. The request was to transfer £0.751m as detailed in the DSG Management Plan, which equated to 0.48%. If Schools Forum do not agree to the transfer, a disapplication request will be considered by the DFE in-line with the DSG Management Plan.

2.3 School Deficits

2.3.1 Cabinet will recall from the previous finance updates that some individual schools expected to face significant financial challenges throughout 2023/24. During the year, the Authority and Cabinet will continue to pay particular attention to those schools.

2.3.2 There are 14 schools identified with planned deficits in 2023/24 and deficit clinics continue from those held in July and are ongoing throughout October / November.

2.3.3 **Table 15: Schools in an Expected Deficit Position 2023/24**

	Outturn 2022/23 £m	Budget Plan 2023/24 £m	Recovery Plan Updates
Benton Dene	(0.018)	0.022	Back into balance by 2024/25
Forest Hall	0.013	0.052	Confirming revised position
Greenfields	0.078	0.041	Back into balance by 2024/25
Whitehouse Primary	0.044	0.008	Requested SRMA visit
Silverdale	0.044	0.079	Requested SRMA visit
Monkseaton High	5.546	6.128	Structural review required
Coquet Park	0.051	0.157	Confirm status
Holystone	0.133	0.129	Back into balance 2025/26
Balliol Primary	0.097	0.125	Confirming revised position
Wallsend St Peter's	0.092	0.113	Requested SRMA visit

Ivy Road Primary	0.149	0.164	Deficit recovery plan in place
Longbenton High	1.697	1.510	Deficit recovery plan in place
Norham High	3.984	4.352	Requested SRMA visit
Beacon Hill	1.232	1.946	Separate review of SEN provision
Total	**13.142**	**14.826**	

2.3.4 The Education and Skills Funding Agency (ESFA) have offered further support to schools in the form of School Resource Management Advisors (SRMAs). Four of the deficit schools above who weren't part of the first year of SRMA reviews are awaiting visits. The SRMAs will work through the schools' finances and management structure to then provide a report to these schools and the Authority after the autumn term.

2.4 Schools in Financial Difficulty

2.4.1 The opening balance for de-delegated funds for Schools in Financial Difficulty funding in 2023/24 was £0.578m. This balance will be available to fund applications which have been submitted by schools and considered by Schools Forum Finance Sub-Group. Recommendations submitted by the Sub-Group for approval to Schools Forum total £0.419m.

2.4.2 The Authority has also been allocated £1.868m by the Department for Education (DfE) from its funding to support schools in financial difficulty in 2023/24. An additional £20m has been provided nationally for maintained schools and officers are currently identifying the most appropriate application of this allocation for schools in the borough.

2.4.3 The DfE are providing £20 million to local authorities who have the most significant maintained school deficits. This funding has been allocated proportionately among local authorities who have aggregated school-level deficits which represent more than 1% of their total maintained schools' income

2.5 High Needs Block

2.5.1 The forecast for the High Needs Block as at September 2023 is now an anticipated in-year pressure of £2.832m reflecting continued demand for special school places within the Authority leading to a cumulative deficit position of £10.474m which is in-line with the DSG Management Plan. A breakdown of the in-year pressure is shown in Table 18.

2.5.2 **Table 16: Breakdown of High Needs Pressure at September 2023**

Provision	Budget £m	Sept 23 Forecast £m	Forecast Variance £m
Special Schools and PRU	22.388	22.697	0.309
ARPS /Mainstream Top-ups	6.065	5.880	(0.185)
NMSS/ISP	4.305	4.328	0.023
Commissioned Services / Other EOTAS	3.160	3.177	0.017
Provision for unknown requests	0.000	0.092	0.092
TOTAL	**35.918**	**36.174**	**0.257**
DSG High Needs Funding	(33.606)	(33.342)	0.264
In-Year Planned Deficit	**2.311**	**2.832**	**0.521**
2022/23 Bal B/F	10.112	9.592	(0.521)
Safety Valve Funding 23/24	(1.950)	(1.950)	0.000
Deficit C/F to 24/25	**10.474**	**10.474**	0.000

2.6 Safety Valve Intervention Programme

2.6.1 As previously reported, the Authority submitted the second report against the DSG Management Plan on 15th September 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 17.

2.6.2 At the end of September, there are 2,126 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 but remains higher than national rates. There are also 4,021 pupils with SEN Support, which is increasing.

2.6.3 **Table 17: 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.

SECTION 3 - HOUSING REVENUE ACCOUNT

3.1 Forecast Outturn

3.1.1 The forecast set out in Table 20 below is based on the results to the end of September 2023. Currently the Housing Revenue Account (HRA) is forecasting an in-year underspend of £0.070m. Throughout the year, costs are being 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 are being 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 18: Forecast Variance Housing Revenue Account**

	Budget £m	Current Forecast £m	Variance £m
Management – Central	2.133	2.146	0.013
Management – Operations	5.528	5.710	0.182
Management – Strategy & Support	4.033	4.242	0.209
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)	(67.242)	(0.264)
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**	**0.313**	**(0.070)**

3.2 Rental Income

3.2.1 Rental Income overall across all areas is currently forecast to be better than budget (£0.264m), 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 £0.404m 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 deal with inflationary and supply pressures, 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 repairs contingency provision has already been committed to known spend. As the forecast currently stands, it is anticipated that the in-year pressures will be covered within overall existing budgets, but as always this will depend on a range of factors including 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

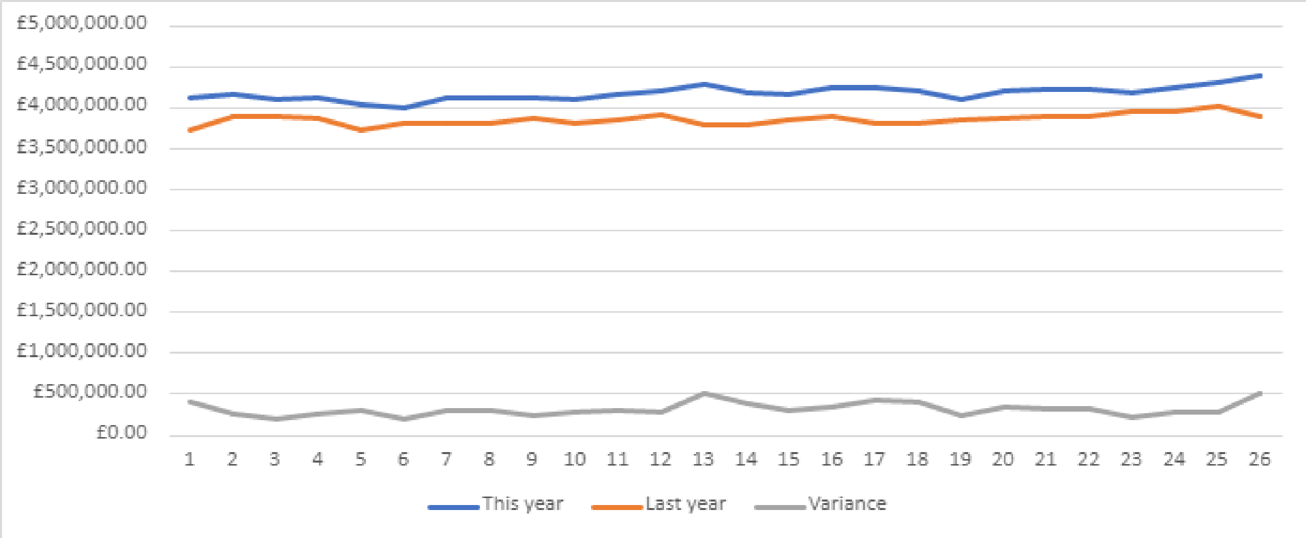
3.6.2 **Table 19: Rent Arrears**

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
30/09/2023(to-date)	4,391,475	2,285,348	6,676,823	376,419

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 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 £6.670m 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 September 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 six months of 2023/24 as compared to 2022/23, with an increase of £0.376m 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 1-26 (April-September) 2023/24 compared to 2022/23**



3.6.6 Universal Credit (UC) was fully implemented for all new tenants 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 UC with current arrears totalling £3.210m. By the end of September 2023 this had increased to 4,415 UC cases with arrears of £3.672m, which is an increase of 466 tenants and £0.462m of arrears from the beginning of the financial year. As always, the impact of 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 20 - Proportion of Rent Debit met by Housing Benefit**

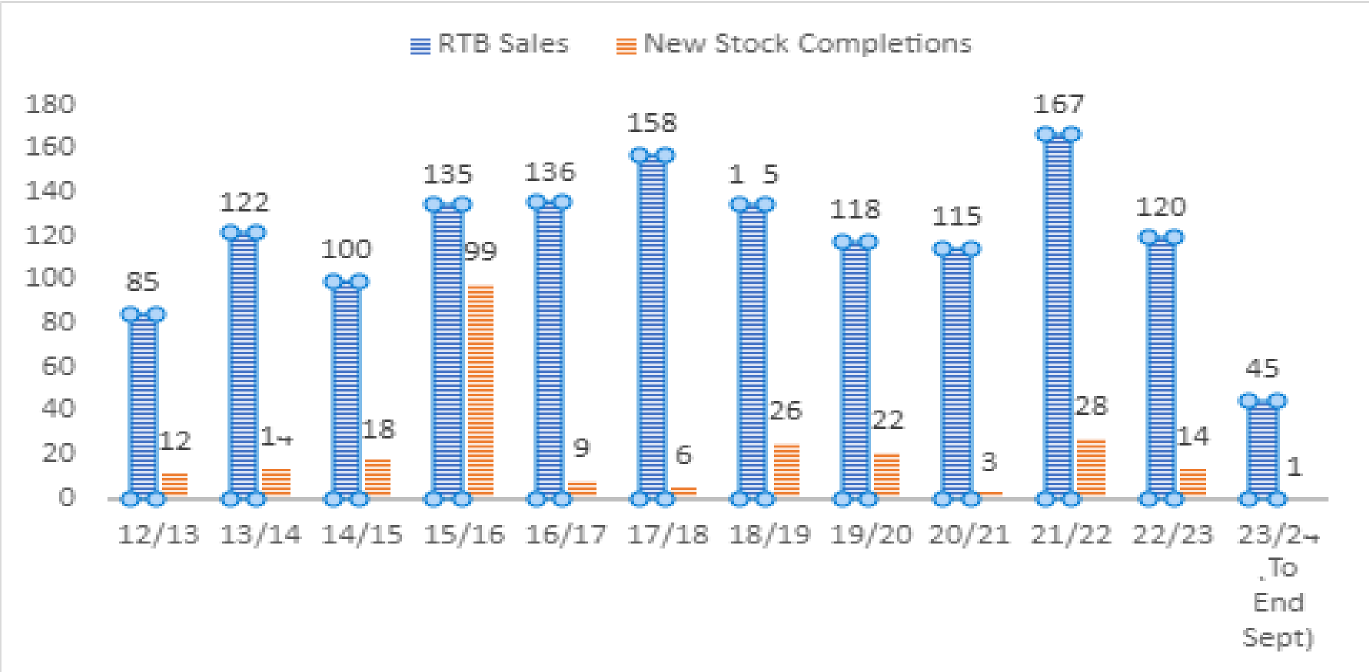
Year	Housing Benefit received via Direct Payment	Total Rent Debit	% of Rent Debit covered by HB Direct Payments
	£	£	%
2016/17	33,218,096	58,729,152	56.6
2017/18	31,970,851	57,889,823	55.2
2018/19	28,932,255	56,795,935	50.9
2019/20	24,490,067	56,931,399	43.0
2020/21	22,151,257	56,955,677	38.9
2021/22	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 £5.207m 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 six months of 2023/24 saw 45 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 output is 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 As detailed within the main report the Authority is currently facing significant budget pressures across the General Fund to balance the budget. An investment plan, in particular which requires borrowing or an increase in borrowing may have an impact on the revenue budget to finance borrowing.

4.1.4 A rising rate interest environment has an impact on the investment plan. At the Bank of England's Monetary Policy Committee (MPC) meeting ending on 20 September 2023, the MPC voted by a majority of 5–4 to maintain Bank Rate at 5.25% further details within section 5 (Treasury Management Position) of this report.

4.2 Variations to the 2023-2028 Investment Plan

4.2.1 £1.606m of variations to the 2023-2028 Investment Plan have been identified as part of the ongoing monitoring of the Investment Plan, there is no reprofiling identified as part of the September monitoring. These are summarised in tables 22 and 23 below. Further details of the key changes impacting on the current financial year are provided within this section of the report. 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 21: 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	(0.880)	16.838	0.083	0.000	0.000	16.041
Approved Investment Plan	**112.727**	**75.005**	**50.138**	**53.775**	**53.884**	**345.529**
September 23 Monitoring						
Variations	(1.606)	1.265	0.000	0.000	0.000	(0.341)
Reprogramming	0.000	0.000	0.000	0.000	0.000	0.000
Total Variations	**(1.606)**	**1.265**	**0.000**	**0.000**	**0.000**	**(0.341)**
Revised Investment Plan	**111.121**	**76.270**	**50.138**	**53.775**	**53.884**	**345.188**

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

2023/24 Variation	Scheme / Project
(£1.959m)	**DV066 Investment in North Tyneside Trading Co** • Given there are no active development schemes for the trading company it is proposed to remove the allocation from the Investment Plan to fund other priorities. • Future Trading Company investment proposals and projects will be subject to a new business plan and Gateway request.

£0.167m	**BS026 Asset Planned Maintenance** • Works required to upgrade the water supply to St Mary's Island to be undertaken within 2023/24, utilising resources from the contingency (GEN03). • The proposed investment will also include £0.630m of works to St Mary's Lighthouse in 2024/25.
£0.119m	**CO0079 Play sites** • Section 106 investment to carry out improvements to play equipment, safer surfaces and ancillaries to the existing play facilities within Richardson Dees Park. • The proposed investment will also include £0.100m in 2024/25.
£0.100m	**BS033 Changing Places Facilities** • Additonal grant funding to install modular units at The Rising Sun Countryside Centre and Richardson Dees Park. Changing places funding is to install life-enhancing changing places facilities in public places.
£0.052m	**ED132 School Capital Allocation** • Following the confirmation of the grant allocation from Education Skills & Funding Agency, this approval aligns the Investment plan for 2023/24 with the grant funding allocation.
£0.052m	**CO102 The Parks Artificial Pitch Improvements** • Works to improve the sports pitches at The Parks Leisure Centre, including the addition of ball netting to the external sport pitches. Funded wholly from Section 106 developer contributions.
£0.030m	**DV084 North-West Waggonways/Parks** • The North-West Area (NW) Plan seeks to improve connectivity, enhance existing green space, and invest in local community assets. The NW Area Plan forms part of the Ambition for North Tyneside regeneration strategy Proposals for the North West include: • Improvements to Killingworth Lake Park include building on and enhancing current facilities within Killingworth Lake Park, with a new MUSA, improved parking areas, a café hub, tree management, biodiversity enhancements, entrance/gateway features, and footpath/ cycle route improvements that address residual drainage issues and connectivity. • Improvements to the (NW) Wagonways to undertake ecology enhancements. Initial proposals include new wetland woodland and grassland habitats, within the designated green space of

	Weetslade Country park, along the section of the Waggonway route between Seaton burn and Weetslade Country Park carpark. • Plans for the remodelling of Keegan Park and Killingworth lake park, these are being developed in accordance with the needs of Community Protection. • Environmental and ecological enhancements as set out within the green space strategy. The proposals to improve these, will be identified during the development of the Village Plans • The proposed investment will include £0.535m to be delivered in 2024/25

4.3 Capital Financing

4.3.1 The impact of the changes detailed above on capital financing is shown in table 22 below.

4.3.2 **Table 22: 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	**112.727**	**75.005**	**50.138**	**53.775**	**53.884**	**345.529**
Council Contribution	(1.959)	0.000	0.000	0.000	0.000	(1.959)
Grants and Contributions	0.353	0.635	0.000	0.000	0.000	0.988
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	**(1.606)**	**0.635**	**0.000**	**0.000**	**0.000**	**(0.971)**
Revised Investment Plan	**111.121**	**75.640**	**50.138**	**53.775**	**53.884**	**344.558**

4.4 Capital Receipts – General Fund

4.4.1 There is no change to the General Fund capital receipts position from the previous report in September 2023. The balance brought forward at 1 April

2023 was £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 detailed in table 23 below.

4.4.2 **Table 23: 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 £2.404m have been received in 2023/24. In total, subject to future pooling, this leaves a surplus balance of £11.424m to be carried forward to fund planned investment in future years.

4.5.2 **Table 24: 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)	(11.424)	(9.254)	(7.101)	(6.041)
Receipts Received 2022/23	(2.404)	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)	**(11.424)**	**(9.254)**	**(7.101)**	**(6.041)**	**(4.839)**

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 30 September 2023

4.6.1 Actual expenditure for 2023/24 in the General Ledger was £34.643m; 31.18% of the total revised Investment Plan at 30 September 2023.

4.6.2 **Table 25: Total Investment Plan Budget & Expenditure to 30 September 2023**

	2023/24 Approved Investment Plan £m	Actual Spend to 30 September 2023£m	Spend as % of revised Investment Plan %
General Fund	78.188	21.665	27.71%
Housing	34.539	12.978	37.57%
TOTAL	**112.727**	**34.643**	**30.73%**

<u>SECTION 5 – TREASURY MANAGEMENT & CASH POSITION</u>

5.1 Current Cash Position

5.1.1 The Authority's current available cash balance as at the end of September 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 26: Investment Position as at 30 September 2023**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	20.250	1 October 2023
Barclays	Call	1.238	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 2 November 2023, The Bank of England's MPC voted 6-3 that the Bank Rate should remain unchanged at 5.25%. The latest MPC projections suggest Bank rate remains at 5.25% until 2024 Q3, before tracking downwards to 4.25% by the end of 2026.

5.1.4 Twelve-month CPI inflation fell from 6.8% in July to 6.7% in both August and September. 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 Table 29 below demonstrates the increase in rates both in the temporary space and longer-term PWLB rates.

5.1.6 The Authority is constantly monitors 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 (Capital Financing Requirement), Investment Plan priorities and commitments as well as the profile of existing loan arrangements.

5.1.7 Investment rates remain stabilised in line with the unchanged base rate, delivering return on investments and negating cost of carry.

5.1.8 **Table 27: Summary of Borrowing Levels**

Temporary Space		*PWLB***	
Tenor	Level	Tenor	Level *
1 week	5.17%	2 years	5.79%
1 month	5.17%	5 years	5.44%
3 month	5.23%	10 years	5.51%
6 month	5.29%	20 years	5.90%
9 month	5.60	30 years	5.91%
12 month	5.75%	50 years	5.70%

**Please note these levels are from 17/10/2023*

***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. During September 2023, the authority secured £5.000m for 364 days, to cover an upcoming PWLB maturity which is due to be repaid in October 2023. To manage the cost of borrowing the loan was taken from the temporary market for a short period due to the volatility of rates, with the strategy to lock in lower interest rates in the medium term once interest rates stabilise as forecast.

5.2 Borrowing Position

5.2.1 Table 28 shows the Authority's current debt position, with total borrowing maturing in 2023/24 of £4.000m.

5.2.2 **Table 28: Current Debt Position**

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	387.443	20.000	5.000	412.443
Debt Maturing 2023/24	(4.000)	0.000	0.000	(4.000)

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 The last tranche of long-term borrowing was undertaken 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 29 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 29: Link Interest Rate Forecasts**

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

**Please note these forecasts are as at 25.09.23*

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 1 and Appendix 2.

6.1.8 **Table 30: Section 106 Spend Update**

	28 February 2023	31 July 2023	30 Sept 2023
Received to date	£20.300m	£20.342m	£20.897m
Spend to date	(£8.836m)	(£9.604m)	(£9.829m)
Committed *(through IPB governance)*	(£2.898m)	(£3.244m)	(£4.774m)
Uncommitted Balance	**£8.566m**	**£7.494m**	**£6.294m**

6.1.9 As at 30 September 2023, £20.897m had been received by the Authority, of which £9.829m has been expended in line with agreements. £11.067m remains as at 30 September 2023, of which £4.774m is committed. This leaves an uncommitted balance of £6.294m

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.