

North Tyneside Council
Report to Cabinet
Date: 27 November 2023

**Title: 2023/24 Performance & Financial Management Report
to 30 September 2023**

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

Report from: Corporate Strategy and Finance

Responsible Officer: Jackie Laughton, Assistant Chief Executive **Tel: 643 5724**

Jon Ritchie, Director of Resources **Tel: 643 5701**

Wards affected: All

1.1 Executive Summary

1.1.1 This report provides Cabinet with a full overview of both the service delivery performance and budget position across the Authority as at 30 September 2023. For performance, it sets out the key areas of service delivery for Cabinet to note, including where this impacts in budget terms. In terms of the budget, it sets out the forecast outturn position to 31 March 2024 for both revenue and capital.

1.1.2 The report also sets out for Cabinet to note the current position in relation to schools finance, the Authority's Investment Plan, developers' contributions and treasury management. In addition, it provides details of additional

revenue and capital grants received up until 30 September 2023 for Cabinet to approve.

- 1.1.3 From a performance point of view, service delivery overall across the Authority remains strong. The Authority continues to manage high levels of demand in a number of areas including Education, Health and Care Needs Plans, children in care, children in need, home care provision, residential and nursing care placements all of which have financial implications. Key areas of strength are delivery of the Our North Tyneside Plan 2021-2025 priorities such as the affordable homes programme and carbon net zero. The Ambition for North Tyneside Programme is progressing well with regeneration projects across the four areas of the borough. Capital investment continues to deliver planned improvement works helping maintain council homes at the decent homes standard. Council Tax and Business Rates collection also remains on track.
- 1.1.4 Since the last report, the number of children in care has increased from 376 in July to 385 in September, which is an additional 55 children in care compared to budgeted levels. The number of children in need has decreased from 1,664 in July to 1,617 in September, closing the gap on the 1,600 budgeted for. The result of the additional children in care compared to July combined with the current mix of placements has driven a £1.372m worsening of the Children's Services position, to a total forecasted pressure of £7.846m.
- 1.1.5 From a budget perspective, the overall projection for 2023/24 is that the General Fund will outturn with a pressure of £9.648m, which is an improvement of £1.662m from the previous report, and the Housing Revenue Account will have a forecast underspend of £0.070m.
- 1.1.6 The report sets out the programme of work which is in place to manage and mitigate the 2023/24 budget pressures and form part of the 2024-2028 Medium Term Financial Plan.

1.2 Recommendations

- 1.2.1 It is recommended that Cabinet:
- (a) notes the update provided on the Performance of the Authority including updated data on the key pressures facing the Authority and progress against the Our North Tyneside Plan 2021-2025;
 - (b) notes the forecast budget monitoring position for the General Fund, Housing Revenue Account (HRA), schools finance and Treasury

Management together with the service delivery performance position across the Authority as at 30 September 2023 (sections 1.5.1, 1.5.2, 1.5.3 and 1.5.5 of this report);

- (c) notes the Authority's Investment Plan spend of £34.634m to 30 September 2023 and the proposed financing of the Plan to the end of the year (section 1.5.4 of this report);
- (d) approves variations of £0.971m within the 2023-2028 Investment Plan (section 1.5.4 of this report) and note the current position with Developers' Contributions (section 1.5.6); and
- (e) approves the receipt of £3.685m new revenue grants (as outlined in section 1.5.7 of this report), £0.152m of new capital grants and £0.201m of Section 106 Developer contributions to be applied in 2023/24 (as outlined in section 1.5.8 of this report).

1.3 Forward Plan:

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

1.4 Authority Plan and Policy Framework:

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

1.5 Information:

1.5.1 General Fund

- 1.5.1.1 Service delivery overall across the Authority remains strong, particularly in relation to the key policy priorities of the Our North Tyneside Plan 2021-2025. The Authority is on track against its commitment to become carbon net-zero by 2030. Carbon reduction in Authority service operations has achieved 58% against the baseline year of 2010/11. The ambition to deliver 5,000 Affordable Homes is on track against the profiled target with 2,348 homes delivered at the end of quarter two. The Ambition for North Tyneside Programme is progressing with regeneration projects in all four areas of the borough. Council Tax and Business Rates collection remains strong and comparable with national performance.
- 1.5.1.2 The Authority is experiencing challenges in some areas of delivery, which impact on the overall financial forecast for the year. This most significant

elements are summarised below, with changes since the previous report to Cabinet highlighted.

- 1.5.1.3 Within Children's Services, the number of children in care has increased from 376 in July to 385 in September, significantly higher than budgeted for. The overall level of children in need has decreased to 1,617 (1,664 in July), coming into line with the figures budgeted for in year. As previously reported, the increase to the gross budget of £9.700m in 2023/24 assumes levels of 1,600 children in need, 330 children in care and a staffing requirement of 74 social workers.
- 1.5.1.4 The Authority currently has an additional 55 children in care, compared to budgeted levels, leading to a significant financial pressure being forecast. The costs of residential placements are individually high reflecting both significant inflationary and complexity pressures. The result of the additional 9 children in care compared to July combined with the current mix of placements has driven a £1.372 m worsening, to a total forecasted pressure of £7.846m. Further detail is provided in Annex 2 at section 1.3.
- 1.5.1.5 Within Commissioning and Asset Management (C&AM) there are higher than expected levels of children with complex needs who have support with transport, linked to the number of pupils with Education, Health and Care Plans (EHCPs) the authority maintains. The number of children requiring home to school transport has risen from 614 in April 2016 to 880 in September 2023. This, along with inflationary pressures on the transport contracts, means that Home to School Transport has a pressure of £2.924m.
- 1.5.1.6 Catering Services also have a combination of inflation on the costs of food purchases, staffing costs relating to sickness, maternity cover, 'deep cleaning' days and reduced income from fewer schools now using this service has led to a forecast pressure of £2.923m. The resultant overall position in Commissioning and Asset Management is a pressure of £5.541m, an improvement of £0.461m from July. Further information on C&AM is included in section 1.5 of the Annex 2.
- 1.5.1.7 Within Adults Services the focus remains to facilitate hospital discharge and reduce the number of clients in short- and long-term residential and nursing care placements by maximising the use of home care. Pressure continues within residential care, although the number of home care hours provided are slowly starting to increase and the volume of people in residential placements have started to fall, the reduction on reliance on short-term residential placements is not yet established. The overall number of clients has remained stable, from 1,157 in July to 1,137 in September, however the

turnover in the number of clients leaving and joining the service continues to be high, with the number of contacts received since April 2023 at 6,678 an increase of 13% from the same time last year.

- 1.5.1.8 Cabinet will recall the additional workforce funding, announced in July 2023, which is a supplement to the Market Sustainability and Improvement Fund (MSIF). North Tyneside's allocation for 2023/24 is £1.568m. The impact of this is factored into the forecast financial position in this report, which has seen an overall improvement for the Directorate of £0.101m.
- 1.5.1.9 As at 30 September 2023, the Authority is showing a forecast net pressure for the current year of £9.648m. This is an improvement of £1.662m since July's position.
- 1.5.1.10 Offsetting the above pressures are organisation wide savings resulting from changes in the minimum revenue provision (£2.115m), treasury management savings (£1.000m) and the application of contingencies for general inflationary pressures (£2.638m). These items partly offset the overall forecast pressure by £5.788m. Further detail is included in section 1.11 of the Annex 2.
- 1.5.1.11 A more detailed commentary of the overall financial position is contained in section 1 of Annex 2. However, the key areas of variation behind the forecast net pressure for the current year as at 30 September 2023 of £9.648m are summarised in the following table.

1.5.1.13 Table: 1 2023/24 General Fund Revenue Forecast Outturn as at 30 September 2023 by Directorate

Services	Budget	Forecast Sept	Variance Sept	Variance July	Change since July
	£m	£m	£m	£m	£m
Adults Services	64.247	65.926	1.679	1.780	(0.101)
Children's Services	34.227	42.073	7.846	6.474	1.372
Public Health	1.507	1.257	(0.250)	0.000	(0.250)
Commissioning & Asset Management	8.905	14.446	5.541	6.002	(0.461)
Environment	42.369	41.684	(0.685)	(0.140)	(0.544)
Regeneration & Economic Development	11.383	11.118	(0.265)	0.000	(0.265)
Corporate Strategy	2.316	2.612	0.296	0.327	(0.031)
Chief Executive Office	(0.100)	(0.118)	(0.018)	(0.013)	(0.005)
Resources	4.838	5.630	0.792	0.971	(0.179)
General Fund Housing	2.323	2.823	0.500	0.651	(0.151)
Central Items	(9.737)	(15.525)	(5.788)	(4.741)	(1.047)
Support Services	20.181	20.181	0.000	0.000	0.000
Total Authority	182.459	192.107	9.648	11.311	(1.662)

1.5.1.14 Cabinet will wish to note that a programme of work is in place to both manage and mitigate the 2023/24 budget pressures as well as form the 2024-2028 Medium Term Financial Plan. A full overview of the 15 workstreams within this programme was included in the May report. The Senior Leadership Team (SLT) has worked with Senior Officers across the organisation to consider a range of in-year mitigations that could be explored to support the 2023/24 position. A summary of the options will be presented to lead Members in due course and included in future Performance and Finance reports to Cabinet.

1.5.2 Schools

1.5.2.1 Schools continue to work on their first budget monitor submission of 2023/24 whilst the 14 schools who submitted a deficit budget plan have been attending deficit review sessions throughout October. To further support the schools in deficit, the Education and Skills Funding Agency's (ESFA) offer to provide School Resource Management Advisors (SRMA) to visit schools is being progressed.

- 1.5.2.2 In October, Schools Forum Finance Sub-Group met and reviewed submissions for School's in Financial Difficulty Funding. The sub-group recommendations to allocate £0.419m of funding to schools were presented to Schools Forum on 9 November 2023.
- 1.5.2.3 The Authority has since been allocated £1.868m by the Department for Education from its funding to support schools in financial difficulty. 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. Further information on Schools is included in section 2.0 of Annex 2.
- 1.5.2.4 Cabinet will recall there has also been significant pressures within the Dedicated Schools Grant (DSG) in relation to the High Needs block which ended 2022/23 with an overspend of £9.591m. As reported previously, to address these pressures, the Authority joined the Department for Education's (DfE) Safety Valve Intervention Programme, the second submission to the DfE was 15 September where the Authority reported it is on track to reach a positive in-year balance on this budget by the end 2027/2028. Positive feedback has been received from the DfE on this submission.
- 1.5.2.4 The Authority's DSG management plan forecasts that there would be 2,134 Education Health and Care Plans (EHCP) maintained in January 2024 and currently the authority is on track to do this. There are 2,126 EHCPs at the end of September 2023. The rate of EHCPs maintained by the Authority has slowed, despite the continued high demand for assessments in North Tyneside compared to national and regional rates.

1.5.3 Housing Revenue Account

- 1.5.3.1 Again, performance is strong in this area. Housing rental income collection has dropped to 93.2% at the end of quarter 2, this is due partly to an increase in levels of arrears, and officers are monitoring and focussing closely on the increasing arrears for current tenants. This performance is still encouraging, especially when considered against a background of the impact of the rent increase and increasing numbers of tenants moving onto Universal Credit, which both increase the amount of income that needs to be collected. Empty homes levels are very low at around half a percentage point, which represents around 56 homes out of over 14,000 in total. This is a significant help in maximising the amount of rent that can be collected and invested in improving service delivery to tenants.
- 1.5.3.2 The projected outturn position for the Housing Revenue Account (HRA) is an underspend of £0.070m. The main areas of pressure within this budget area

relate to housing management costs and more specifically to the costs of utilities attached to sheltered accommodation schemes. The Housing Repairs service continues to deal with inflationary increases on materials and subcontractor prices, however, at the current time the overall Repairs spend is forecast to come in on budget. There is also an anticipated pressure due to the 2023/24 pay award expected to be greater than assumed in the HRA Business Plan.

1.5.4 Investment Plan

1.5.4.1 The approved 2023–2028 Investment Plan totals £345.529m (£112.727m in 2023/24) and is detailed in table 21 of Annex 2, within section 4.

1.5.4.2 As part of September 2023 Investment Plan monitoring has resulted in proposals for variations (changes to the financing of the Plan) of £1.606m in 2023/24, details of which are set out in Section 4 of Annex 2, paragraphs 4.2 and 4.3. At the end of September 2023, spend of £34.634m had been incurred in year, representing 30.73% of the approved plan for 2023/24. This is higher than the 25.84% incurred by this stage in 2022/23.

1.5.4.3 At the end of September significant investment had been made in the following areas:

- **Housing Revenue Account (HRA) Capital Programme;** Almost £12m (c.40% of the budget) has been invested in delivering planned improvement works to maintain homes to the decent homes standard including kitchen and bathroom replacements, roof replacements, redecoration works, fencing replacements, heating replacement works.
- **Highways and Infrastructure Improvements;** Almost £9m of improvement works (c.28% of the budget) have been delivered including integrated transport improvements including the North Shields Transport Hub which was opened on the 2nd September 2023. Work continues to progress on the resurfacing programme, flood alleviation measures and on major highways improvement schemes such as the Seafront Sustainable Cycle Route, Stephenson Street junction upgrade and the next phase of the Routes to Metro Project.
- **Affordable homes delivery;** Almost £3m of works (c.26% of the budget) associated with the delivery of affordable homes, through the Authority's Trading Company as well as the HRA New Build programme. The Authority's Trading Company currently owns 101 homes and seven further homes in progressing to purchase. The HRA New Build Programme is currently progressing five projects including the conversion of garage sites in Battle Hill with 9 affordable homes, the conversion of six recreation

rooms at Forest Hall and Wallsend to six bungalows, the development of a site within Killingworth to 22 new homes, development of a derelict building in North Shields to a 2 bedroomed home and development of a former care home in Whitley Bay into two 3 bedroom homes.

- **Education improvement works;** £4.2m of planned works delivering improvements in condition and capacity within the Borough's schools., During the summer months, 3 schools underwent roofing replacements, Amberley Primary had a boiler replacement, 3 schools had luminaire replacements, whilst Backworth Park Primary had 2 shell classroom refurbishments.
- **Strategic Asset Maintenance;** Almost £1m (c.35% of the budget) has been invested delivering planned preventative maintenance activity within the Authority's operational asset portfolio. Planned works include water supply replacement at St Mary's Lighthouse and works are currently out for competitive tender at Stephenson Railway Museum. Proposals to bid for external grant funding for Public Sector Decarbonisation and the Swimming Pool Support Fund II projects are being considered by the Authority.

1.5.5 Treasury Management

- 1.5.5.1 The level of external borrowing (excluding PFI) has remained at £422.443m in the period to 30 September 2023. The level of internal funding remains high at £68.532m at 31 March 2023 (£102m at 31 March 2022). This is in line with the Authority's Treasury Management Strategy as this avoids external interest charges wherever possible.
- 1.5.5.2 As at 30 September 2023, the Authority had total treasury investments of £35.250m. Year to date Income generated through interest earned on investments from combined General Fund and HRA balances for 2023/24 is £0.843m. The Authority invests in line with Chartered Institute of Public Finance Accountancy (CIPFA) guidance, maintaining a low-risk approach to investments.

1.5.6 Developer Contributions

- 1.5.6.1 Section 106 monies relate to contributions received by the Authority through planning gain. £20.897m of contributions have been received to date, with £9.829m spent or committed through the Investment Programme Board process. £6.294m as of 30 September 2023 remains uncommitted, with officers developing plans to utilise this in line with the conditions of the s106 agreement and the Authority's strategic objectives. Further information is

provided in section 6 of the Annex 2 and shows an improving position in terms of utilisation.

1.5.6.2 Community Infrastructure Levy (CIL) £0.675m funding has been received by the Authority to date. CIL continues to develop within the Authority and further updates will be incorporated within this report when projects are developed, and funds utilised.

1.5.7 New Revenue Grants Received

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

Table 3 – Grants Received August and September 2023/24

Directorate	Grant Provider	Grant	Purpose	2023/24 value £m
Childrens	Education and Skills Funding Agency	Key Stage 2 Moderation and Key Stage 1 Phonics Funding	Statutory duties for KS2 Teacher Assessment and monitoring of the phonics screening check.	0.009
Adult Services	Department of Health & Social Care	Market Sustainability & Improvement Fund	Enable Local Authorities to make tangible improvements to ASC, in particular to increase social care capacity through increasing social care workforce capacity & retention, reducing social care waiting times and increasing fee rates paid to social care providers.	1.568
Adult Services	Department of Health & Social Care	CQC New Assessment of Local Authorities Grant	One off funding to support Local Authorities with expenditure incurred or to be incurred in engaging with CQC review and assessment for the first time.	0.027
Resources	Department for Levelling Up Housing and Communities	Electoral Integrity Programme New Burdens Funding	The grant supports local authorities with expenditure relating to the Elections Act 2022.	0.002

Regeneration & Economic Development	North of Tyne Combined Authority (NOTCA)	Mouth of Tyne Collective 23	Support for the Mouth of the Tyne festival for 2023	0.060
Regeneration & Economic Development	NOTCA	Smiley Art Trail	Funding for the delivery of the Community Partnership Project. The first quarter of 2024 will see the world premiere of the Smiley Art Trail.	0.060
Adult Services	NOTCA	Level 3 Free Courses for Jobs	Support level 3 free courses for jobs (extension to an existing scheme).	0.021
Adult Services	NOTCA	Adult Education	Funding to support adult education (extension to an existing scheme).	1.938
Total				3.685

1.5.7.2 A further grant from the DfE for Local Authority Delivery Support Funding to meet programme and delivery costs associated with rolling out the expanded Early Years entitlements has been announced during October for £0.055m that Cabinet is also asked to approve.

1.5.8 New Capital Grants Received

1.5.8.1 Table 4 below sets out the details of new capital grants received up to end September 2023 for Cabinet's approval.

Table 4 – Capital Grants Received August and September 2023/24

Directorate	Grant Provider	Grant / Project	Purpose	2023/24 value £m
Commissioning & Asset Management	Department for Levelling Up, Housing & Communities	Changing Places Fund	£0.100m of Capital funding has been awarded from the DLUHC to fund the installation of life enhancing changing places facilities within the Borough.	0.100
Commissioning & Asset Management	Department of Education	Schools Capital Allocation	Following the confirmation of the grant allocation from Education Skills & Funding Agency, this grant aligns the Investment plan for	0.052

			2023/24 with the grant funding allocation.	
Total				0.152

1.6 Decision Options:

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

1.6.2 Option 1

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

1.6.3 Options 2

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

1.7 Reasons for Recommended Option:

1.7.1 Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex 1: Performance and Financial Management Report to 30 September 2023

Annex 2: Financial Management Report to 30 September 2023

Appendix 1: Investment Plan Summary

Appendix 2: S106 Summary & Detail

Appendix 3: 2023–24 Prudential Indicators

Appendix 4: Treasury Management Mid-Year Review

1.9 Contact Officers:

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

David Mason – Corporate Finance matters – Tel. (0191) 643 5747

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

Jane Cross – Corporate Finance and General Fund matters – Tel. (0191) 643 3166

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

Jackie Laughton – Policy and Performance matters – Tel. (0191) 643 5724

Pam Colby – Policy and Performance matters – Tel. (0191) 643 7252

1.10 Background Information:

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

(a) Revenue budget 2023/24

https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%202023_24.pdf

(b) Investment Plan 2023–2028

<https://democracy.northtyneside.gov.uk/documents/s11473/Annex%201%20Appendix%20D%20i%202023%20-%202028%20Investment%20Plan.pdf>

(Agenda reports pack 16 February 2023 – Appendix D(i))

(c) Reserves and Balances Policy

<https://democracy.northtyneside.gov.uk/documents/s11480/Annex%201%20Appendix%20G%20-%202023-24%20Reserves%20and%20Balances%20Policy.pdf>

(Agenda reports pack 16 February 2023 – Appendix G)

(d) Overview, Scrutiny and Policy Development Performance Report

<https://democracy.northtyneside.gov.uk/documents/s11482/Annex%201%20Appendix%20I%20-%202023-24%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20Development%20Committee%20Jan%202022.pdf>

(Agenda reports pack 16 February 2023 – Appendix I)

(e) North Tyneside Safety Valve Agreement

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1142857/North_Tyneside_Safety_Valve_Agreement_2022-2023.pdf

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

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

2.2 Legal

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

2.3 Consultation/Community Engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation / Engagement

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

2.4 Human Rights

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

2.5 Equalities and Diversity

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

2.6 Risk Management

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

2.7 Crime and Disorder

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

2.8 Environment and Sustainability

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

PART 3 - SIGN OFF

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