

North Tyneside Council

Report to Cabinet

24 June 2024

Title: 2023/24 Performance & Financial Management Report to 31 March 2024

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

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Wards affected: All

1.1 Executive Summary

1.1.1 This report summarises both the performance and financial outturn position across the Authority as at 31 March 2024. It also deals with a number of procedural matters as the Authority moves into the new financial year.

1.1.2 For performance, it sets out the key areas of service delivery for Cabinet to note, including where this impacts on the Authority's budget. In terms of the budget, it sets out the outturn position at 31 March 2024 for both revenue and capital. Cabinet should note that following the changes in the structure of the Senior Leadership Team, the budget monitoring report has been restated compared to earlier in the year.

- 1.1.3 The Authority's draft Statement of Accounts (the Accounts) for 2023/24 was due to be presented to the Audit Committee for approval on 29 May 2024. However, as reported to the Audit Committee, there have been a number of national accounting matters that have delayed the audit of the 2022/23 Statement of Accounts and consequently, will delay the auditing of the 2023/24 Statement of Accounts. Therefore, the outturn figures contained in this report are provisional until the completion of the 2022/23 and 2023/24 accounts.
- 1.1.4 The Accounts are a statutory document that set out the Authority's financial position and performance for the year in a series of formal statements prepared according to a specific statutory and regulatory framework, which makes it a very technical document. As in previous years, this report sets out the Authority's financial performance in an outturn report which reflects the Authority's structure and the reports presented to Cabinet throughout the year.
- 1.1.5 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 Plans (EHCPs), 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.
- 1.1.6 The Authority continues to see areas of pressure across Adult and Children's Social Care, but there are also significant impacts on income particularly across Home to School Transport and Catering Services.
- 1.1.7 Since the last report, the number of children in the Authority's care has decreased by 15. There were 352 Children in the Authority's care at the end of March, including 15 unaccompanied asylum-seeking children. This is a reduction from 367 in January 2024. However, this remains higher than the 330 children budgeted for. Although the number of children in the Authority's care has decreased as stated above, there has been a further increase in the number of external residential placements which, together with the additional costs already incurred to date, have contributed to the overall overspend

position. The result of the number of children in the Authority's care combined with the current mix of placements has driven a total outturn overspend of £12.804m. There were 1,736 'children in need' at the end of March 2024. The number of Children in Need fluctuates each month but remains consistently higher than the 1,600 children budgeted for.

- 1.1.8 From a budget perspective, the overall unadjusted outturn for 2023/24 General Fund is an overspend of £7.229m. Despite the operational pressures on Adults and Children's Social Care, Home to School Transport and Catering resulting in a combined overspend of £22.076m, other service areas have managed to mitigate the overall impact on the Authority's position to give an improvement of £1.130m since the January 2024 report.
- 1.1.9 As previously communicated, any overspend would need to be funded through the use of reserves. Senior Officers, in conjunction with Cabinet, have undertaken a thorough review of the reserves held and the report sets out the proposed release of £6.842m from earmarked reserves to support the position. The remaining balance of £0.387m is proposed to be taken from the Strategic Reserve. After these transfers, the General Fund will be in balance for 2023/24.
- 1.1.10 School balances have continued to decrease from a deficit of £0.382m at the start of the financial year to a deficit of £2.930m as at 31 March 2024. This is after the allocation of £1.868m Department for Education (DfE) funding given as "Financial Support for local authorities supporting maintained schools in financial difficulty (2023 to 2024)" has been applied to school balances.
- 1.1.11 Within this, 19 schools were in a deficit position at 31 March 2024. Whilst most of these are marginal deficits, 4 schools had a deficit totalling £12.955m. This continues to be monitored closely and schools in a deficit position during the year had support via continued peer-to-peer advice through the Department for Education's School Resource Management Advisers (SRMA) or deficit clinics with officers. Further details are contained in Section 2 of the Annex.
- 1.1.12 The Housing Revenue Account (HRA) has year-end balances of £3.064m. The HRA shows an underspend of £0.133m against the in-year 2023/24 Budget, together with a £0.095m improvement in the budgeted brought forward balances, which cumulatively brings the HRA to £0.228m better than the budgeted position for 2023/24. Further details are given in Section 3 of the Annex.

1.1.13 The initial approved Investment Plan for 2023/24 was £95.762m. Net variations and reprogramming of £4.162m were approved by Cabinet during 2023/24 to give a revised Investment Plan of £91.600m. Capital expenditure for the year was £85.953m (93.84% of the revised plan). This outturn includes further reprogramming of £11.166m and variations relating to gateway approvals and grant determinations of £5.519m for the 2023–2028 investment plan as shown in Section 4 of Annex 2.

1.2 Recommendations

1.2.1 It is recommended that Cabinet:

- a) Notes the provisional 2023/24 performance and finance outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Annex 2, Sections 1, 2 and 3) together with a financial overview of the year;
- b) Notes the decisions made under the Reserves and Balances Policy (Paragraph 1.5.8, and Appendix A);
- c) Notes the Authority's Investment Plan spend during 2023/24, and the associated capital financing (Annex 2, Section 4);
- d) Approves the receipt of £0.992m new revenue grants;
- e) Approves the receipt of £2.945m new capital grants;
- f) Approves reprogramming of £11.193m within the 2023/24 Investment Plan (Annex 2, Section 4, Paragraph 4.22 and Appendix C);
- g) Approves variations of £5.546m to the Investment Plan (Annex 2, Section 4, Paragraph 4.22);
- h) Notes the Authority's Treasury Management performance (Annex 2, Section 5);
- i) Notes the Authority's performance against the Capital and Treasury prudential indicators (Annex 2, Section 5 and Appendix D); and
- j) Approves the write-offs of business rates identified (Table 30, Annex 2, section 7).
- k) Approves the North Tyneside Productivity Plan to submit to the Department for Levelling Up, Housing & Communities and publish on the council's website.

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 1 December 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 Strategic Management of the Authority's Budget

1.5.1 Whilst statutorily the Authority's Budget and Statement of Accounts must be prepared annually, the pressures and opportunities that the Authority faces often extend across several accounting years. Decisions taken in one year may be felt in subsequent periods. One of the benefits of the Authority's regular performance and budget monitoring process is that issues can be identified early in the year and action taken to address them. The outcomes of these actions can then inform both Budget-setting and preparation of the Financial Statements. Performance reporting, Budget-setting, Budget management and the Financial Statements can therefore be seen as related parts of a continuous process of financial management by the Authority. This part of the report sets out some of the key strategic issues managed by the Authority during 2023/24.

1.5.2 General Fund

1.5.2.1 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 61% against the baseline year of 2010/11. The ambition to deliver 5,000 Affordable Homes is progressing well with 2,247 homes delivered at the end of 2023/24. In year, the programme experienced challenges from national issues including increased inflation, high interest rates and labour shortages within the construction industry, which slowed down activity by developers on the larger sites, which reprofiled the completion of some of the planned affordable homes into 2024/25. 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.

- 1.5.2.2 The Authority is experiencing challenges in some areas of delivery, which impact on the overall financial forecast for the year. The most significant elements are summarised below, with changes since the previous report to Cabinet highlighted.
- 1.5.2.3 Within Children's Services, the number of children in the Authority's care remains higher than budgeted for at 352 in March 2024 (367 in January), but the placement mix continues to be too reliant on more expensive external care provision. Although the number of children in the Authority's care has decreased by 15 since January 2024, the number of external residential placements continue to increase at significant cost which has contributed to the overspend position. The overall level of Children in Need fluctuates each month and remains higher than the 1,600-figure used to estimate required social work capacity. At the end of March 2024 there were 1,736 'children in need'. As previously reported, the increase to the gross budget of £9.700m in 2023/24 assumed a level of 330 children in care, 1,600 children in need, and a staffing requirement of 74 social workers.
- 1.5.2.4 While the Authority only has an additional 22 children in its care compared to budgeted levels, the numbers in more expensive external placements are significantly higher than budgeted. The costs of external residential placements are individually high reflecting both significant inflationary and complexity pressures. The result of the total children in care and the current mix of placements has driven a total overspend of £12.804m. Further detail is provided in Annex 2 at section 1.3.
- 1.5.2.5 There are also 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 the Authority maintains. The number of children requiring home to school transport has reduced slightly to 877 in March 2024 from 892 in January 2024, but this remains high. This, along with inflationary pressures on the transport contracts, means that Home to School Transport has an overspend of £3.521m.
- 1.5.2.6 Cabinet will recall that the school meals element of Catering Services ceased on 31 March 2024. The outturn overspend is £3.336m made up of the previously reported inflationary and operational pressures and costs associated with ending the service. Further information on Resources is included in section 1.8 of the Annex 2.
- 1.5.2.7 Within Adults Services the focus remains the "Home first" approach, facilitating hospital discharge and reducing the number of clients in short- and long-

term residential and nursing care placements by maximising the use of home care. The number of home care hours provided has shown significant improvement in year, reducing the number of people in short-term residential placements and the number of clients waiting for homecare services is at its lowest level in three years with 15 clients waiting for homecare services. The directorate ended the year with a reported overspend of £2.415m, which represented a worsening of £0.704m from the January 2024 forecast. £0.700m of the worsening relates to commissioned services, with increased care provider fees and hours of homecare provision provided, driving the increased overspend.

- 1.5.2.8 The overall number of clients in residential and nursing care has decreased slightly from 1,209 in January to 1,180 in March. However, the turnover in the number of clients leaving and joining the service continues to be high. The rate of requests for services also remains high at 416 requests per 100,000 population in March 2024, although slightly lower than the same period last year (456.67 per 100,000 population in March 2023).
- 1.5.2.9 Offsetting the above pressures are organisation-wide savings resulting from Capital and Treasury Management £4.869m, application of Corporate Contingencies £2.401m, release of S31 and business rates volatility funding £1.185m, one-off grants and contributions received £0.857m and pensions out of revenue savings £0.090m. These savings are partially offset by an HRA recharge shortfall £0.185m, a control account write off £0.148m and change to corporate provisions of £0.120m. Further detail is included in section 1.10 of the Annex 2.
- 1.5.2.10 The budget for 2023/24 was approved by full Council at its meeting on 16 February 2023. The net General Fund Budget was set at £182.459m. The Performance and Financial Management report up to 31 January 2024, considered by Cabinet on 18 March 2024, projected a pressure of £8.359m. Following further work by Cabinet Members and officers, the final outturn position is an overspend of £7.229m, an improvement of £1.130m. Table 1 below shows the budget monitoring variances by Directorate.
- 1.5.2.11 As part of the statutory reporting regulations there is a requirement to ensure that there is a clear audit trail between the figures reported to Cabinet and those published in the Statement of Accounts. The outturn therefore includes a series of year-end accounting adjustments which, whilst having no impact on the final overall position against the Budget, provide a link from the outturn reported to Cabinet to the published accounts. These adjustments include:
- Adjusting both budget and actual positions for support services. This

- has no impact on variances;
- Adjusting the service positions for actual (rather than budgeted) capital expenditure items; and,
 - Adjusting the service positions for the impact of Private Finance Initiatives (PFI) which has reduced the reported costs of the services by £8.630m and has had the opposite impact on the corporate budget lines.

As in previous years, these accounting adjustments were not included in the previously reported forecasts presented to Cabinet.

- 1.5.2.12 Table 1 below shows the variance between the outturn to be published in the Statement of Accounts and the Budget and shows the adjustments required to allow comparison of the provisional outturn for Cabinet to the last reported position.
- 1.5.2.13 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 outturn net pressure for the current year as at 31 March 2024 of £7.229m are summarised in the following table 1. Table 2 shows the proposed allocation of earmarked reserves to bring the general fund position into balance for 2023/24.
- 1.5.2.14 The majority of these reserves were held for purpose of addressing potential financial pressures. In particular, three reserves totalling £5.464m relate to funding held to address volatility in business rates income. It is now considered prudent to release these reserves to address the in-year pressure experienced. The EU Exit Preparation Reserve relates to funding provided to all local authorities to address additional costs arising, particularly in relation to Public Protection. For North Tyneside, these costs are built into the base budget, so it is considered appropriate to release this reserve at the year-end.
- 1.5.2.15 The Insurance Reserve has been reviewed, comparing the current level against both potential insurance claims and the level of reserves held by neighbouring authorities. A reduction of £1m is considered appropriate at this stage.
- 1.5.2.16 Following the application of the reserves set out in Table 2, £0.387m from the Strategic Reserve is required. Cabinet will remember that the Authority's budget and medium-term financial plan (MTFP) sets out a replenishment of the Strategic Reserve over the next 4 years, so this level of usage for 2023/24 is considered appropriate.

1.5.2.17 Table 1: 2023/24 General Fund Revenue Forecast Outturn as at 31 March 2024 by Directorate (restated*)

Directorates	Budget	Outturn	Outturn Variance	Accounting Adjustments	Adjusted Variance	Variance Jan	Variance Change since Jan
	£m	£m	£m	£m	£m	£m	£m
Adults Services	65.810	68.225	2.415	0.000	2.415	1.711	0.704
Children's Services	43.936	57.400	13.464	(0.660)	12.804	12.779	0.025
Public Health	1.602	1.296	(0.306)	0.000	(0.306)	(0.300)	(0.006)
Environment	44.245	38.925	(5.320)	4.377	(0.943)	(0.768)	(0.175)
Regeneration & Economic Development	11.686	11.060	(0.626)	0.137	(0.489)	(0.352)	(0.137)
Corporate Strategy	2.505	2.650	0.145	0.000	0.145	0.272	(0.127)
Chief Executive Office	(0.108)	(0.150)	(0.042)	0.000	(0.042)	(0.045)	0.003
Resources	7.798	7.989	0.191	2.523	2.714	2.055	0.659
General Fund Housing	2.495	2.379	(0.116)	0.000	(0.116)	(0.045)	(0.071)
Central Items	(17.615)	(20.191)	(2.576)	(6.377)	(8.953)	(6.948)	(2.005)
Support Services	20.105	20.105	0.000	0.000	£0.000	0.000	0.000
Total Authority	182.459	189.688	7.229	0.000	7.229	8.359	(1.130)

* Commissioning and Asset Management is no longer a separate directorate its elements have been allocated across the other directorates.

1.5.2.18 Table: 2 Proposed Application of Reserves

	Total Movement
	£m
Table 1 brought forward overspend	7.229
Section 31 Covid 19 Business Rates Relief Additional Grant	(2.510)
Business Rates: NoTCA Growth	(1.841)
Business Rates Volatility Fund	(1.113)
Local Authority EU Exit Preparation Reserve	(0.337)
Minimum Revenue Provision Reserve	(0.041)
Insurance Reserve	(1.000)
Strategic Reserve	(0.387)
Revised General Fund Position	0.000

1.5.3 Schools

- 1.5.3.1 Schools have concluded their 2023/24 accounts closure in line with the Local Scheme for Financing Schools and the Authority's year-end timetable. Collective school balances in Authority maintained schools decreased further from a deficit of £0.382m at the start of the year to a closing deficit of £2.930m. This position is better, by £5.393m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £8.323m. However, the closing balance includes the £1.868m allocation of additional support for schools in financial difficulty, announced by the DfE on 26 October 2023. There were 6 schools which academised during 2023/24.
- 1.5.3.2 Cabinet will recall from the previous finance updates that some individual schools expected to face significant financial challenges. During 2023/24, the Authority and Schools Forum paid particular attention to those schools and supported many schools via the deficit challenge process. In addition, the Education and Skills Funding Agency (ESFA) offered further support to schools in the form of School Resource Management Advisors (SRMAs).
- 1.5.3.3 Maintained schools are expected to submit their 2024/25 3-year budget plans to the Authority no later than 31 May. Building on the work that has been undertaken in 2023/24 with deficit schools, the Authority will continue to work

with those schools facing financial difficulty to ensure that they have robust recovery plans in place for improvement. This will continue to be monitored closely and regular updates will be given to both Cabinet and Schools Forum during 2024/25. Further information on Schools is included in section 2 of Annex 2.

- 1.5.3.4 Cabinet will recall the significant pressures within the Dedicated Schools Grant (DSG) in relation to the High Needs block, 2023/24 budget was set to achieve a year end deficit position of £10.474m, which included £1.950m Safety Valve funding. The year-end submission to the DfE, for 2023/24 was submitted on 29 May 2024 where the Authority reported it is on track to reach a positive in-year balance on this budget by the end 2027/2028, although the year end deficit position for 2023/24 is £10.494m, a small in-year pressure £0.020m.
- 1.5.3.5 The Authority's DSG management plan forecast that by January 2024 there would be 2,134 EHCPs maintained by the Authority. At the end of January 2024, there were 2,168 EHCPs, 34 higher than the forecast, which represents a 2.5% increase compared to January 2023, which is consistent to the previous year. There has been a significant improvement in the rate of growth of EHCPs maintained by the Authority prior to our entry into the Safety Valve Programme. Growth has improved significantly from 32% in 2020, 15% in 2021 and 11% in 2022, but it remains challenging, there were 2,255 EHCPs maintained at the end of March following a significant increase in the number of mediations and appeals to tribunal during the last two years.

1.5.4 Housing Revenue Account

- 1.5.4.1 Again, performance is strong in this area. Housing rental income collection has dropped to 93.2% at the end of quarter 4, lower than 95% during the same period last year. This is due partly to an increase in levels of arrears, and officers are monitoring and focussing closely on reducing arrears levels 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 still relatively low at 114 homes empty and available for letting 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.
- 1.5.4.2 The provisional outturn position for the Housing Revenue Account (HRA) is an underspend of £0.133m. The main areas of pressure relate to utility costs

across the sheltered estate and communal blocks, the impact of the 2023/24 pay award being higher than budgeted for, and the Repairs budget which eventually ended up with a £0.343m overspend despite managing a range of pressures ranging from materials to sub-contractor costs, as well as the impact of the pay award mentioned above.

1.5.5 Investment Plan

- 1.5.5.1 The approved 2023–2028 Investment Plan totals £348.758m (£91.600m in 2023/24) and is detailed in table 21 of Annex 2, within section 4.
- 1.5.5.2 The Outturn Investment Plan monitoring has resulted in reprogramming of £11.166m (changes to the anticipated delivery into future financial years), and proposals of variations of £5.519m (changes to the financing of the Plan) over the investment plan. Details of this are set out in Section 4 of Annex 2, paragraphs 4.2 and 4.3. At the end of March 2024, spend of £85.953m had been incurred in year, representing 93.84% of the approved plan for 2023/24. This is broadly in line with spend trajectory incurred on average at this point in time in prior years.
- 1.5.5.3 At the end of March significant investment had been made in the following areas:
- **Housing Revenue Account (HRA) Capital Programme;** Over £27.564m (101.7% of the allocated budget) has been invested throughout the year in delivering planned improvement works to maintain homes to the decent homes standard. During the year over £5.816m has been spent including kitchen, bathroom and electrical upgrades, investment in roof replacements was £2.674m, and £4.825m on Solar PV installs, Green Homes and insulation improvements. Heating replacement works throughout the year was £2.653m.
 - **Highways and Infrastructure Improvements;** over £15.123m of improvement works (97.3% of the budget) have been delivered throughout the Borough including integrated transport improvements. During the year £6.638m has been spent as part of the delivery of the Authority's Local Transport Plan programme and additional Authority funded resurfacing works. £2.046m has been spend on the investment of LED street lights to reduce the Authority's electricity consumption, with 13,424 installations completed during the year.
 - **Affordable homes delivery;** over £5.917m of works (77.5% of the budget) associated with the delivery of affordable homes, through the Authority's

Trading Company as well as the HRA New Build programme. During the year £1.828m was spent by the Authority's Trading Company progressing 10 acquisitions, which took the total number of properties to 118. The HRA New Build Programme has completed 19 new homes in 2023-24, including the refurbishment of former recreation rooms in Forest Hall and Wallsend into bungalows. Work has begun to demolish the former Rosehill Social Club and a programme agreed to demolish Parkside House in Wallsend with the sites being used to provide 18 new Council homes.

- **Education improvement works;** £11.216m (96.6% of budget) of planned works have been delivered to improve condition and increase capacity within the borough's schools. This includes £2.470m spend in relation to works for Beacon Hill extension of building, £0.625m towards the purchase of modular teaching accommodation for schools which have encountered structural issues as well as a number of smaller works across the schools in the Borough.
- **Strategic Asset Maintenance;** £6.671m (101.5% of the budget) has been invested delivering planned preventative maintenance and enhancement activity across the Authority's operational asset portfolio. During the year £0.388m has been invested in replacing the water supply at St Mary's Lighthouse and the roof at High Borrans. £1.496m has been replacing the authorities existing vehicles coming to the end of their efficient life. £0.193m has been spent on replacement plant and equipment at Waves leisure centre and £0.133m has been invested in Algernon industrial estate to improve commercial income opportunities. In addition, £0.144m has been spent on refurbishing Whitley Bay Crematorium and £0.274m has been spent on refurbishing Killingworth Depot.
- **Leisure Facilities;** £4.660m (92.2% of the budget) has been invested to date delivering improvement works to the Authority's leisure facilities. This primarily relates to the St Peter's Sports Pavilion and Artificial Grass Pitches project; with £1.312m of works completing since the previous report to Cabinet.
- **Regeneration projects;** £8.959m (75% of the budget) has been invested to date on the Authority's regeneration projects across the borough. Since the previous report to Cabinet, £1.720m has been invested, primarily relating to the piling works for the Embankment Walkway, as

well as over £0.340m relating to investment in North Shields Cultural quarter, North Tyneside Business Centre and The Globe Gallery.

1.5.6 Treasury Management

1.5.6.1 At 31 March 2024, the level of external borrowing (excluding PFI) is £412.443m, with the level of internal funding provisionally assessed to be £86,503m (£68.532m at 31 March 2023). This is in line with the Authority's Treasury Management Strategy as this avoids external interest charges wherever possible.

1.5.6.2 At 31 March 2024, the Authority had total treasury investments of £4.000m. Year to date Income generated through interest earned on investments from combined General Fund and HRA balances for 2023/24 is £1.887m. The Authority invests in line with Chartered Institute of Public Finance Accountancy (CIPFA) guidance, maintaining a low-risk approach to investments.

1.5.7 Developer Contributions

1.5.7.1 Section 106 monies relate to contributions received by the Authority through the planning process as a result of new development activity. £21.469m of contributions had been received to date at Outturn reporting, with £15.437m spent or committed through the Investment Programme Board process. £6.032m at outturn remained 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.

1.5.7.2 Community Infrastructure Levy (CIL) £0.851m 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.

1.5.8 Reserves and Outlook

1.5.8.1 It has been highlighted previously by the Chief Finance Officer that, whilst the Authority has a sustainable financial outlook, it has a relatively low level of reserves. The level of uncertainty for funding Local Government Finance beyond 2023/24 alongside the uncertain short-term implications of national and global issues is of concern when considering the financial sustainability of the Authority, particularly when taken in the context of funding reductions the Authority has managed since 2007/08.

- 1.5.8.2 Another area of significant risk the Authority has been managing is around inflation and the impact that is having on key expenditure around utilities and waste disposal, as well as the impact it will have on the supply chain and costs of materials for capital projects, HRA projects and general goods and services within revenue. Whilst CPI has fallen back to 3.2% (for the 12 months to March 2024), the impact of higher inflation rates during 2023/24 will still be felt in 2024/25 and beyond.
- 1.5.8.3 The ringfenced Dedicated Schools Grant (DSG) is received from the Government and administered by the Authority and is the main source of income for the schools' budget. The DSG first fell into deficit during 2017/18 and it is an important element of the financial management of the Authority that the DSG is not in a deficit position. As a result, there has been action to address the deficit working collaboratively with Schools Forum, especially to address the increasing numbers of children with special needs entering the education system.
- 1.5.8.4 As part of the DfE Safety Valve Intervention Programme, the Authority's DSG Management Plan, commenced on 1 April 2023. Without further action, the 'High Needs' block cumulative deficit was forecast to be in the region of £19.500m by 2027/28. The Authority's management plan included income from the DfE of £19.500m over a 5-year period with £9.750m received up to 31 March 2024. In subsequent financial years, subject to compliance with the conditions set in the agreement, the DfE will release the remainder of the £19.500m.
- 1.5.8.5 Many of the current key risks that will impact on future HRA Business Planning, are unchanged from last year, most of which are linked to the current economic climate. Encouragingly towards the latter part of the year inflation started to fall, however, the cost of materials and labour for repairs remains to be a pressure for the budget.
- 1.5.8.6 Inflation and interest rate risk remain a key component of the capital investment plan and treasury management. The May 2024 Bank of England Monetary Policy Committee (MPC) report predicts inflation to return to close to the target throughout the second quarter of this year, before increasing slightly in Q3 and Q4, to around 2.5%. The May MPC report forecasts Bank of England base rate to remain at its peak of 5.25% until Q2 of 2024, before falling to 3.0% by 2026. The high inflation and interest environment continues to impact on the capital investment plan from the perspective of increasing costs in goods supply and labour costs. As well as maintaining pressure on interest rates which have a bearing on the cost of borrowing for the Authority going forward.

- 1.5.8.7 Appendix A sets out in detail the movement on Reserves and Balances. As set out in table 2 above, the Authority has had to take the difficult decision to utilise some of its earmarked reserves to support the 2023/24 outturn position, further depleting the balances held.
- 1.5.8.8 The Strategic Reserve £5.958m represents 0.90% of the General Fund 2023/24 gross Budget and 3.27% of the 2023/24 net Budget. When taken with the General Fund balances (£7.000m), these represent 1.97% of the 2023/24 gross Budget and 7.10% of the 2023/24 net General Fund Budget. Whilst there is no prescribed level of reserves advice by finance bodies, the Director of Resources sets out a statement each year when the Budget is set, taking into consideration known and potential pressures faced by the Authority.
- 1.5.8.9 The other general fund earmarked reserves total £26.987m, which is a decrease of £18.403m from the 2022/23 position of £45.390m. Of the £18.403m decrease, £11.174m represents planned usage of earmarked reserves and £7.229m was required to balance the 2023/24 position as outlined above.
- 1.5.8.10 In recognition of the required use of the Strategic Reserve to balance the 2023/24 financial year, the 2024-2028 MTFP includes the planned replenishment of the Strategic Reserve by £9m over the next 4 years.
- 1.5.8.11 The net movement in HRA reserves and balances is a decrease of £1.662m. The HRA reserves have decreased by £1.412m to £30.962m in 2023/24 and the HRA balances have decreased by £0.250m to a total of £3.064m. Within the HRA reserve total, £21.647m relates to PFI reserves.
- 1.5.8.12 Individual School Balances show a decrease of £4.416m, as set out in section 2 of the Annex to this report, to leave a closing deficit of £4.798m. After application of £1.868m DfE funding for maintained schools in financial difficulty, the revised closing balance will be £2.930m. As at 31 March 2024, the DSG account is showing a net deficit balance of £8.340m, no change since 2022/23. The Authority will address the deficit position via the DSG Management Plan as described in 1.5.8.4.
- 1.5.8.18 Continuing risks for 2024/25 include the impact of inflation across a number of areas of expenditure for the Authority and the 2024/25 pay award is expected to be higher than the 3.5% provided for in the MTFP.
- 1.5.8.19 The 2024-2028 MTFP included a significant level of growth across 13 projects to support the areas of most pressure to the Authority. Whilst this growth is expected to ease the pressure from the levels seen in 2023/24, significant external uncertainty exists, especially in the Social Care market and Home to School Transport, which will require close monitoring to be performed during

2024/25 as these projects continue to evolve into the next four-year MTFP for 2025-2029.

1.5.9 New Revenue Grants Received

1.5.9.1 Table 2 below sets out the details of new revenue grants received up to the year end March 2024 for Cabinet's approval.

1.5.9.2 **Table 2: Grants Received February and March 2023/24**

Directorate	Grant Provider	Grant	Purpose	2023/24 value £m
Regeneration & Economic Development	North of Tyne Combined Authority	The Business Factory	Support to business in North Tyneside to start up and grow	0.699
Public Health	Northumbria PCC	Supporting Victims of ASB Fund	To commission victim services and award grants from the Police and Crime Commissioners funding.	0.005
Public Health	Northumbria PCC	Seasonal Violence Funding	Reduce risks associated with serious violence in North Tyneside	0.010
Public Health	Northumbria PCC	Safer Streets Fund - Transport and Motorcycle ASB	ASB on public transport networks and ASB linked to motorcycles	0.015
Resources	Department for Levelling Up Housing and Communities	Modern Planning Software	PropTech Innovation Fund 2023	0.080
Environment	Department for Environment, Food & Rural Affairs (DEFRA)	Trees for Climate / North East Community Forest	To establish a woodland area and undertake tree planting	0.038
Corporate Strategy	North of Tyne Combined Authority	UK Shared Prosperity Fund Community and Places (Community Partnerships) Capacity Grant	To promote the economic growth and regeneration of the North of Tyne region	0.048

Corporate Strategy	North of Tyne Combined Authority	UK Shared Prosperity Fund Community and Places (Community Partnerships) Capacity Grant	To promote the economic growth and regeneration of the North of Tyne region. Up to £50k funding available	0.020
Public Health	Northumbria PCC	Seasonal Violence Funding	Reduce risks associated with serious violence in North Tyneside	0.023
Regeneration & Economic Development	Department for Transport via NECA	Local Electric Vehicle Fund Capacity Fund 23-25	Make North Tyneside Net Zero	0.054
Total				0.992

1.5.10 New Capital Grants Received

1.5.10.1 Table 3 below sets out the details of new capital grants received up to year end March 2024 for Cabinet's approval.

1.5.10.2 Table 3: Capital Grants awarded February and March 2023/24

Directorate	Grant Provider	Grant / Project	Purpose	2023/24 value £m
Environment	DEFRA	Food Waste Collection Infrastructure	Funding to support the purchase of caddies, vehicles, and liners toward the provision of food waste collection.	1.644
Regeneration & Economic Development	Environment Agency	Surface Water Improvements	Funding to be used towards Sea Banks repair schemes and drainage projects to reduce the risks of flooding	0.434
Corporate Strategy	North Tyne Combined Authority	UKSPF Community Partnership	Funding to support and enhance community partnership working through investment in facility enhancements and refurbishments.	0.400

Regeneration & Economic Development	North Tyne Combined Authority	Wallsend Town and High Street Programme	Additional grant towards further improvements in Wallsend and surrounding areas. Including funding towards the Segedunum Business Centre Demolition.	0.350
Resources	Sports England	Swimming Pool Support Fund (SPSF) Phase II	Funding to support to provision of Swimming pools and energy efficiency of public facilities	0.111
Environment	DEFRA	Fly-tipping Intervention	Towards signage and works to minimise fly-tipping in hot spot areas. This grant is supported by £0.020m of Revenue grant.	0.006
Total				2.945

1.5.11 Productivity in Local Government

For the first year, local authorities have been asked to produce a productivity plan as part of the Local Government Finance Settlement to submit to the Department for Levelling Up, Housing & Communities (DLUHC) before the summer recess. The North Tyneside Productivity Plan in Appendix F sets out the Authority's four-year Medium Term Financial Plan in order to deliver the strategic policy priorities in the Our North Tyneside Plan 2021-25, plans for capital investment, governance arrangements, approach to demonstrating value for money and how progress and productivity is monitored and reported regularly. As well as referencing the challenges that the Authority faces for example the national economic position of high interest rates and inflation, single year financial settlements restricting long term financial planning, introduction of national policy changes creating a financial burden at a local level, increased demand for services following the COVID-19 pandemic and sector wide workforce shortages.

1.6 Decision Options:

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

1.6.2 Option 1

Cabinet agrees the recommendations at paragraph 1.2 of this report.

1.6.3 Options 2

Cabinet does not agree the 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 It is recommended that Cabinet agree the proposals set out in section 1.2 of this report as it forms part of the 2023/24 Final Accounts process.

Reprogramming of the Investment Plan will ensure successful delivery of projects included within the Investment Plan.

1.8 **Appendices:**

Annex 1: Performance and Financial Management Report to 31 March 2024

Annex 2: Financial Management Report to 31 March 2024

Appendix A Reserves & Balances

Appendix B Investment Plan Financing Summary

Appendix C Investment Plan Summary of Variations

Appendix D Prudential & Treasury Indicators

Appendix E Investment Programme Board – End of year report 2023/24

Appendix F North Tyneside Productivity Plan

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%202023.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
- Cabinet X
- Monitoring Officer X
- Assistant Chief Executive X