

North Tyneside Council

Report to Cabinet

Date: 29 June 2020

Title: 2019/20 Provisional Finance Outturn Report

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Ray Glindon
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Report from Service Area:

Finance

Responsible Officer:

Janice Gillespie, Head of Resources

Tel: 643 5701

Wards affected:

All

PART 1

1.1 Executive Summary:

1.1.1 This report, and the supporting Annex 1 and its Appendices, set out the provisional outturn for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2019/20.

1.1.2 The purpose of this report is therefore to:

- (a) Advise Cabinet of the provisional 2019/20 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 5, 6 and 7) together with a financial overview of the year and an outlook into 2020/21 with reference to considerations around the potential impact of Covid-19 on medium term financial planning (Annex 1, Section 1);
- (b) Advise Cabinet of decisions made under the Reserves and Balances Policy (Annex 1, Paragraph 1.7, and Appendix A);
- (c) Inform Cabinet of the Authority's Investment Plan spend during 2019/20, and the financing put in place (Annex 1, Section 8);
- (d) Seek Cabinet approval for approval of reprogramming of £6.262m within the Investment Plan (Annex 1, Section 8, Paragraph 8.8 and Appendix C);

- (e) Advise Cabinet of the Authority's Treasury Management performance (Annex 1, Section 9);
- (f) Advise Cabinet of the performance of both Capital and Treasury Management Prudential Indicators (Annex 1 Section 9 and Appendix D); and,
- (g) Approve the receipt of £46.103m of new revenue grants.

1.2 Recommendations:

1.2.1 It is recommended that Cabinet:

- (a) Notes the provisional 2019/20 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 5, 6 and 7) together with a financial overview of the year (Annex 1, Section 1);
- (b) Notes the decisions made under the Reserves and Balances Policy (Annex 1, Paragraphs 1.7, and Appendix A);
- (c) Notes the Authority's Investment Plan spend during 2019/20, and the financing put in place (Annex 1, Section 8);
- (d) Approves reprogramming of £6.262m within the Investment Plan (Annex 1, Section 8, Paragraph 8.8 and Appendix C);
- (e) Notes the Authority's Treasury Management performance (Annex 1, Section 9);
- (f) Notes the performance against the Capital and Treasury prudential indicators (Annex 1 Section 9 and Appendix D); and,
- (g) Approve the receipt of £46.103m of new revenue grants.

1.3 Forward Plan

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 21 February 2020.

1.4 Council plan and policy framework.

The Budget is part of the Authority's Budget and Policy Framework.

1.5 Information - Executive Summary

1.5.1 Annex 1 to this report sets out the provisional outturn for 2019/20 for the General Fund, the Housing Revenue Account, Schools Finances and the Investment Plan. It also provides a summary position on the achievement of the Treasury Management Strategy during the year together with the associated Prudential Indicators.

1.5.2 **General Fund Revenue Budget:** The Budget for 2019/20 was approved by full Council at its meeting of 21 February 2019. The net General Fund Budget was set at £155.730m including efficiency savings of £10.533m. The monitoring report up to 31 January 2020 projected a pressure of £2.932m; the final position is an

underspend of £0.050m. In addition to this, the Authority received a one-off £0.637m dividend receipt from the Airport, as well as a one-off £0.400m dividend receipt following the closure of the Keir NT Joint Venture. In other years where a surplus has been generated this would be held in reserve for future investment in the Borough but in light of the significant and unexpected impact of the Covid-19 pandemic, it is proposed that these balances are transferred into General Fund Balances (£0.195m) and the Strategic Reserve (£0.842m) to support the increased financial impact and risk to the Authority expected during 2020/21 and future years. The remaining balance of (£0.050m) is also proposed to be taken to the Strategic Reserve. With these final transfers included, the General Fund Revenue Budget will show spend on budget for 2019/20.

- 1.5.3 **Reserves, Balances and Provisions:** As part of the 2019/20 financial statements, amounts have been set aside as provision and reserves for known liabilities, risks and uncertainties that remain in future years.
- 1.5.4 **Housing Revenue Account:** The Housing Revenue Account has year-end balances of £7.803m, which is a £2.831m improvement against the in-year Budget.
- 1.5.6 **Schools Finance:** School balances have decreased from £1.599m to £0.165m, these balances include a significant amount of committed funds and the permitted carry forward of grants for the remainder of the academic year.
- 1.5.7 **Investment Plan:** The final capital expenditure position for the year was £59.080m, with a recommendation noted above for Cabinet to approve reprogramming of £6.262m into 2020/21.
- 1.5.8 **Treasury Management:** The Authority has acted in line with the agreed strategy that the security of the Authority's resources is of greater importance than investment returns. The level of investments at 31 March 2020 was £52.100m (£35.100m with HM Treasury and £17.000m with other local authorities). The level of borrowing (excluding PFI) was £466.913m (up from the 2018/19 level of £450.146m) which is well within the Capital Financing Requirement agreed as part of Budget-setting, primarily due to continued level of 'internal borrowing'.
- 1.5.9 **New Revenue Grants:**

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Commissioning and Asset Management	Education and Skills Funding Agency	Year 7 Catch Up Premium Allocations for Maintained Schools and PRU's	For the educational benefit of pupils who did not achieve level 4 Key Stage 2 in reading and/or mathematics.	0.150

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Commissioning and Asset Management	Education and Skills Funding Agency	Free School Meals Supplementary Grant	Due to the roll-out of Universal Credit, the ESFA have introduced an income-based threshold for free school meal eligibility. As a result of this change to the benefit system and free school meal eligibility, the number of pupils eligible for free school meals will increase. This grant will provide schools with extra funding to help them meet the higher costs of providing extra meals before the lagged funding system catches up.	0.351
Commissioning and Asset Management	European Regional Development Fund	Killingworth Sustainable Retrofit Project	Killingworth Sustainable Retrofit Project	0.027
Public Health	Department of Health	Public Health England Innovation Fund - Bottled Up	Identifying and Supporting Children and Families to reduce Alcohol Harm.	0.263
Central Items	Ministry of Housing, Communities and Local Government	Covid-19 Local Authority Support Grant	To support the local authority in funding the financial impact of Covid-19	6.822
Central Items	Ministry of Housing, Communities and Local Government	Business Support Grant	To support small businesses effected by the Covid-19 pandemic	38.490
Total				46.103

- 1.5.10 **Strategic Issues:** Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic. The Authority received a £6.822m share of the Government's Local Support Grant in March 2020 to support local authorities with the additional costs and income lost due to Covid-19. As 'Lockdown' measures were only announced on 23 March 2020, the impact in 2019/20 was £0.733m and the remaining balance of £6.089m was moved to a ringfenced reserve, ready to be utilised in 2020/21 when the greater impact is expected.
- 1.5.11 A further tranche of the Local Support Grant of £5.709m was received in May 2020 bringing the total received by the Authority to £12.531m. After the carry forward from 2019/20, the Authority currently has £11.798m of Local Support Grant funding in reserve. As the majority of the financial impact will be felt in 2020/21, work is ongoing between Finance and the wider service areas to quantify the impact of costs and income forgone against the 2020/21 Budget. Monthly returns are being submitted to the Ministry for Housing, Communities and Local Government containing the latest estimates of the financial impact of Covid-19 on the Authority. The May 2020 return projected the financial impact to be £24.930m (both General Fund and HRA), far in excess of the current funding that has been made available to the Authority from the Government. The impact of Covid-19 on the medium-term financial plan is currently being considered and a refreshed plan will be presented in a future report to Cabinet.
- 1.5.12 In addition to the Local Support Grant, the Authority also received a £38.494m grant from the Government aimed at supporting small businesses during the pandemic. Using records held in the Northgate system, initial estimates were that 3,014 small businesses would be eligible to apply for this grant at a cost of £34.270m. At the end of May 2020, the Authority had made payments to 2,567 (85.17%) of the eligible businesses, totalling £29.495m, with payments still being made on a daily basis.

1.6 Decision options:

Option 1

Cabinet can agree the recommendations as set out in Section 1.2 of this report.

Option 2

Cabinet can disagree with all or some of the individual recommendations set out in section 1.2 of the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

It is recommended that Cabinet agree the proposals set out in section 1.2 of this report as it forms part of the 2019/20 Statement of Accounts. Reprogramming of the Investment Plan will ensure successful delivery of projects included within the Investment Plan.

1.8 Appendices:

Annex 1	2019/20 Provisional Finance Outturn Report
Appendix A	Reserves & Balances
Appendix B	Investment Plan Financing Summary

Appendix C	Investment Plan Summary of Variations
Appendix D	Prudential & Treasury Indicators
Appendix E	Financial Interventions by the Government for Covid-19

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel 643 5701

Claire Emmerson – School and Corporate Finance matters – Tel 643 8109

David Dunford – General Fund and Corporate Finance matters – Tel 643 7027

Darrell Campbell – Housing Revenue Account matters – Tel 643 7052

Cathy Davison – Investment Plan and Corporate Finance matters – Tel 643 5727

Amar Hassan – Treasury Management matters – Tel 643 5747

1.10 Background information:

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 2019/20.
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201920.pdf>
- (b) Approved Investment Plan 2019-2023.
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/7%20Appendix%20D%28i%29%202019-23%20Investment%20Plan%20Summary.pdf>
- (c) Reserves and Balances Policy – Appendix G
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/12%20Appendix%20G%20Reserves%20and%20Balances%20Policy%20201920.pdf>
- (d) Investment Programme Board – End of year report 2019/20 (available at offices of author)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report and Annex 1.

2.2 Legal

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

Internal consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Senior Leadership Team and senior Finance officers. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 14 July 2020.

Community engagement

The 2019/20 Budget was agreed after widespread consultation in line with the Authority's approved Budget Engagement Strategy. Appendix F of the 2019/20 Financial Planning and Budget Process report to full Council on 7 February 2019 provides details of the consultation.

2.4 Human rights

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

2.5 Equalities and diversity

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

2.6 Risk management

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

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

- Chief Executive
- Head of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy and Customer Service