

North Tyneside Council

Report to Cabinet

3 August 2020

Title: 2020/21 Financial Management Report to 31 May 2020

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

Responsible Officer: Janice Gillespie, Head of Resources **Tel: 643 5701**

Wards affected: All

PART 1

1.1 Executive Summary:

This report is the first monitoring report to Cabinet on the 2020/21 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the first indication of the potential revenue and capital position of the Authority at 31 March 2021.

Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic will have on the Authority. The Authority has received two payments of grant funding from Government (total of £12.531m) of which £0.733m was allocated to Covid-19 pressure arising in March 2020. The impact of pressures arising from Covid-19 in 2020/21 are forecasted to be significant and the May position contains Covid-19 pressures over and above the level of grant funding received to date. Due to the level of uncertainty of how service delivery will continue to be impacted by Covid, this report is an initial view and it is expected this will change over the coming months as the response and recovery continue. Like all authorities North Tyneside is seeing a clear financial impact as a result of the pandemic and current indications are that the Covid funding received to date does not cover all anticipated costs/loss of income. Discussions are on-going at both local and national level around the financing of the residual pressures expected as a result of Covid-19.

Areas of business as usual continues to face financial pressures across areas of Social Care and demand led services that have been reported over a number of years. In considering the financial outlook for 2020/21, Services have considered the financial pressures they will face in 2020/21 and how they will mitigate these.

This report necessarily reflects these known pressures the Services will be required to manage during the financial year. As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority. It is anticipated that the overall in-year pressures of this nature will be managed by the Services.

Considering the anticipated financial impact of Covid-19, the report provides an early view of the Council Tax, Business Rates and sundry debt collection rates with an early indication of the Collection Fund position for 2020/21, and also provides an update to considerations of the Authority's cash flow position.

The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2020/21 Schools budgets, planning for 2021/22, Schools funding and the forecast outturn for the Housing Revenue Account as at 31 May 2020.

Finally, the report provides an update on the 2020/21 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Collection Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 31 May 2020 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £10.609m new revenue grants (as outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £1.286m to 31 May 2020 and the financing of the Plan to the end of the year (Annex Section 8); and
- (d) approves variations of £4.271m and reprogramming of £9.659m for 2020/21 within the 2020 – 2025 Investment Plan (Annex Section 8).

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 19 June 2020.

1.4 Authority plan and policy framework:

The budget is a key strand of the Authority's Budget and Policy Framework.

1.5 Information:

1.5.1 Financial Position

This report is the first monitoring report presented to Members on the Authority's 2020/21 financial position. It provides an early indication of the expected revenue and capital financial position of the Authority as at 31 March 2021. This report is an initial view and it is expected this will change over the coming months as the response

and recovery to Covid-19 continues.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2020/21 approved budget savings plans;
- An indication of the impact of Covid-19 on Collection Rates;
- An indication of the impact of Covid-19 on the Collection Fund;
- The implications of Covid-19 of the Authority's cash position; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

1.5.2 General Fund Revenue Account

The budget for 2020/21 was approved by full Council at its meeting on the 20 February 2020. The net General Fund revenue budget was set at £161.361m. This included £3.244m of savings to be achieved (£0.805m relating to 2020/21).

The forecast overall pressure is estimated at £12.968m against the approved net budget. This is made up of a forecasted pressure of £0.908m on normal activities and £12.060m relating to the impact of Covid-19. The £0.908m pressure in the services is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £4.284m and Adult Services of £1.023m, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £3.663m of pressures in Corporate Parenting and Placements, £2.195m in Wellbeing and Assessment and £0.848m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2019/20 and arise from:

- Continued growth in demand in Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk;
- The shared pressure with the North Tyneside Clinical Commissioning Group around agreeing adequate levels of contributions for clients with health needs and to support social care; and
- Negotiations with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs are at an early stage for 2020/21.

It is anticipated that the outturn forecast for normal activities will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

With regards to the impact of Covid-19, the main drivers behind the £12.060m shortfall are also within Health, Education, Care and Safeguarding where £11.991m is for increased costs to the Authority of supporting the market (£3.513m), impact on savings targets (£2.691m), additional demand (£2.454m), increased costs for children in care (£1.211m) and lost income within School Improvement (£0.868m).

Significant Covid-19 related pressures exist in Environment, Housing and Leisure, (£5.427m) due to loss of income in Sport & Leisure and Highways & Transport and in Commissioning & Asset Management through income lost within Catering (£3.824m).

1.5.3 New Revenue Grants

The following revenue grants have been received during April and May 2020:

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Health Education Care & Safeguarding	National Foundation of Youth Music	Arts Council and Youth Music Grant	Delivery of a Youth Music Programme	0.020
Environment Housing & Leisure	Arts Council England	Digital Lending Grant	For the purchase of new e-books and e-audio products	0.001
Health Education Care & Safeguarding	UK Border Agency	Unaccompanied Asylum Seeking Children	For individuals under 18 who have applied for asylum in their own right	0.031
Health Education Care & Safeguarding	Department for Education	Looked After Children Mental Health Assessment Pilot	Piloting a new mental health assessment framework for looked after children entering care	0.017
Central Items	Department for Education	Adoption Support Fund	To provide therapeutic support to Adopted & Special Guardianship (SGO) children during the Covid- 19 situation	0.204
Central Items	Department of Health and Social Care	Infection Control Grant	To provide support to care homes and other providers to fund the cost of controlling Covid- 19 infection	1.103

Service	Grant Provider	Grant	Purpose	2020/21 value £m
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	5.709
Central Items	Ministry of Housing, Communities and Local Government	Covid-19 Hardship Fund	To offer support to claimants of Local Council Tax Support that may be facing hardship due to Covid-19	2.024
Central Items	North of Tyne Combined Authority	Covid-19 Capacity Fund	Support including a grant scheme and specialist advice to businesses, a grant scheme and employment funding for community organisations, back to work employment support for residents and a marketing campaign for the town centres	1.500
Total				10.609

1.5.4 School Funding

Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2020/21 is £6.689m. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2019/20 was the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside and the overall projected balances for 2020/21 continues this trend.

As well as school balances reducing overall, some individual schools continue to face significant financial challenges. There are twelve schools with deficit budget plan in 2020/21, with seven of these schools continuing to be in deficit following 2019/20 and five schools that are new to deficit in 2020/21.

Cabinet will recall that the High Needs Block ended 2019/20 with a pressure of £4.542m. The initial forecasting of the budget position for 2020/21 indicates an anticipated in-year pressure of £1.943m reflecting a further rise in demand for special

school places. The Authority is planning for places at the end of 2020/21 to total approximately 786. This compares to a total of 762 places at this point of 2019/20.

1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2021 of £6.339m; assuming all identified Covid-19 related costs and income shortfalls are covered Centrally. These balances are £1.335m higher than budget which was set at £5.004m. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous year's financial performance (£0.211m) but there is also an in-year estimated underspend of (£1.124m), against an in-year budget of £2.589m, due to underspends arising on repairs budgets from Covid-19 impacts (£0.965m) combined with forecast vacancy savings of (£0.159m).

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of 31 May 2020, 3,926 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

1.5.6 Investment Plan

The approved 2020-2025 Investment Plan totals £263.937m (£82.924m 2020/21) and is detailed in table 39 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2020/21, reprogramming and other variations identified through the Investment Programme Governance process.

An officer led review of the Investment Plan has resulted in proposals for reprogramming of (£9.659m) and variations of £4.271m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £74.096m for 2020/21 and to the end of May 2020 spend of £1.286m had been incurred which represents 1.74% of the revised plan.

1.5.6 Performance against Council Plan

The 2020-2024 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Council Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

Our People will:

- Be listened to so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.
- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Recognise the climate emergency by further reducing the Borough's overall carbon footprint. This will include reducing the Council's carbon footprint, along with encouraging and enabling everyone to reduce their carbon footprint.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated in Wallsend and Whitley Bay, through effective public, private and community partnerships, while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.
- Be a thriving place of choice for visitors through the promotion of our award-winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Benefit, along with our people and places, from our ambitious vision which we created with partners in in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. The area under most financial pressure is Health Education Care and Safeguarding.

In common with most local authorities, and in line with the national picture, North Tyneside has seen costs within adult social care continue to rise. Along with the number of adults supported increasing over the last few financial years, the individual needs of those residents have increased due to people living longer with multiple complex conditions. Supporting those needs requires more intensive packages of care which are more expensive to provide. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

In Children's Services, good progress continues to be made on engaging with children in the early years of life to ensure that they are ready for school. Safeguarding vulnerable children and maximising their educational attainment remain key priorities.

Over recent years, there has been an increase nationally in demand for children's

residential placements but with no corresponding increase in central government funded provision. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Data for LAC levels suggest that, whilst fluctuating, there is a general trend of a steady increase in numbers (as per Section 4.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

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

Options 2

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

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

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 : Financial Management Report to 31 May 2020
Appendix 1: 2020 – 2025 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance matters – Tel. (0191) 643 8109
David Dunford – (Acting) Senior Business Partner – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters- Tel. (0191) 643 5727
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

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 2020/21
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>
- (b) Investment Plan 2020-25
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MIId=238&Ver=4> (Agenda reports pack - Appendix D(i))

- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CIId=136&MIId=238&Ver=4> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s2657/Our%20North%20Tynside%20Performance%20Report%20Cover%20March%202020.pdf>

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. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 15 September 2020.

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

2.3.1 Internal Consultation

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

2.3.2 External Consultation / Engagement

The 2020/21 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

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