

2020/21 Financial Management Report Annex

INDEX

Section	Page
1. General Fund Income Summary	2
2. Delivery of Budget Savings Proposals	5
3. New Revenue Grants	7
4. Service Commentaries	9
5. The Collection Fund	38
6. Schools Finance	42
7. Housing Revenue Account	47
8. Investment Plan	51
9. Treasury Management & Cash Position	57

SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

- 1.1 This report is the second 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 second indication of the potential revenue and capital position of the Authority at 31 March 2021. The report explains where the Authority continues to manage financial pressures.

Like all local authorities, North Tyneside Council is in a significant period of financial uncertainty with the impact of the Covid-19 pandemic increasing the challenge of being able to forecast the financial impact across the Authority. The Authority is in the early stages of understanding the impacts and expect the forecast position to change over time as the Authority see the impacts evolve and change. The Authority continues to see areas of pressure across Adults and Social Care, but there are significant impacts on income particularly across Sport and Leisure Services, and Catering Services.

- 1.2 The Authority's approved net revenue budget of £161.361m is forecast to outturn with a pressure of £11.410m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.7 below sets out the variation summary across the General Fund.
- 1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to identifying the impact of Covid-19 which currently is

forecast to add pressures of £27.549m to the General Fund in 2020/21. The total Local Authority Support Grant received from Government to date is (£12.531m) of which £0.733m was required to offset Covid-19 issues in 2019/20. A third tranche of funding has been announced and the share for North Tyneside Council is (£1.777m). With that included the remaining (£13.575m) is being applied against the forecasted pressures along with two specific grants for costs linked to Test and Trace (£1.140m) and Infection Control (£2.205m) leaving an amount of £10.629m over and above current grant funding. Therefore, the pressures relating to normal business activities across the Authority are currently in the region of £0.781m and compare favourably with this stage of recent financial years.

- 1.4 On 2 July 2020 the Government also announced support will be provided in relation to pressures on sales, fees and charges. Further details are provided within paragraph 3.2. Guidance has recently been released, which the Authority is working through and an update will be provided to Cabinet in the next report in November. The Cabinet Member for Finance and Resources will be kept up to date with the impact of the grant relating to Sales, Fees and Charges. At this stage, no assumption around the level of funding the Authority will be receiving has been included in the position reported.
- 1.5 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.
- 1.6 Through close monitoring of Covid-19 implications the forecast position will change through the year. Whilst some of the impact of additional cost and lost income are captured, work is in progress to ensure transparency with regard to some of the savings that changes to operations will drive out. For example, savings on car mileage and potentially energy costs as a result of many office-based staff working from home. The Authority has seen a reduction in printing across all services and are working to understand with Engie how the Authority will see the financial benefit that accrues from that.

Work is also underway to understand the longer-term financial implication and what that means for the longer-term financial plan. Some of that work is set out in Section 5 where an update on the Collection Fund position is included in this Annex.

1.7 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 31 July 2020

Services	Budget	Forecast July	Variance July	Variance May	Variance Change since May	Of which - Covid-19	Of which - Business as Usual	Business as Usual May Variance	Business as Usual Change since May
	£m	£m	£m	£m	£m				
Health, Education, Care and Safeguarding	70.163	89.585	19.422	17.298	2.124	13.699	5.723	5.307	0.416
Commissioning and Asset Management	7.053	12.235	5.182	5.660	(0.478)	4.781	0.401	0.445	(0.044)
Environment, Housing and Leisure	42.671	49.482	6.811	5.825	0.986	6.748	0.063	0.398	(0.335)
Regeneration and Economic Development	1.352	1.623	0.271	0.344	(0.073)	0.055	0.216	0.299	(0.083)
Corporate Strategy	0.632	0.836	0.204	0.214	(0.010)	0.072	0.132	0.163	(0.031)
Chief Executive's Office	(0.090)	(0.143)	(0.053)	(0.063)	0.010	0.000	(0.053)	(0.063)	0.010
Resources	2.779	3.195	0.416	0.279	0.137	0.186	0.230	0.274	(0.044)
Law and Governance	0.048	0.497	0.449	0.510	(0.061)	0.209	0.240	0.256	(0.016)
Central Items	16.740	(4.552)	(21.292)	(17.099)	(4.193)	(15.121)	(6.171)	(6.171)	0.000
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Authority	161.361	172.771	11.410	12.968	(1.558)	10.629	0.781	0.908	(0.127)

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £0.805m in 2020/21 approved by Council in February 2020 brings the total savings the Authority has had to find in the ten years following the 2010 Comprehensive Spending Review (CSR) to £127.756m.

2.2 **Table 2: Year on Year savings since 2010 CSR**

Year	£m
2011/12	16.169
2012/13	16.739
2013/14	12.240
2014/15	16.552
2015/16	14.158
2016/17	15.737
2017/18	18.338
2018/19	10.143
2019/20	6.875
2020/21	0.805
Total Savings	127.756

2.3 In addition to the £0.805m of new savings proposals approved as part of the 2020/21 budget setting process, £1.346m of savings targets were agreed in prior year budget setting processes for delivery in 2020/21. Savings targets of £1.093m within Health, Education, Care and Safeguarding (HECS) were met in 2019/20 through management actions and still require a permanent solution in 2020/21. The total amount of savings that need to be achieved in 2020/21 is therefore £3.244m.

2.4 The delivery of savings in 2020/21 is expected to be significantly impacted by the Covid-19 pandemic especially within HECS and Commissioning & Asset Management.

2.5 **Table 3: Efficiency Savings by Service at July 2020**

Service	2020/21 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
HECS	2.691	0.037	0.000	2.654
Commissioning & Asset Management	0.249	0.183	0.000	0.066
Environment Housing & Leisure	0.125	0.125	0.000	0.000
Central Items	0.179	0.179	0.000	0.000
TOTAL	3.244	0.524	0.000	2.720

2.6 The governance structure of the Efficiency Savings programme includes a monthly review of progress by the Senior Leadership Team (SLT). In addition, in-year budget and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main variations in

relation to the savings which, at this stage in the year, are shown as yet to be achieved are outlined in the sections below.

Health, Education, Care and Safeguarding (HECS)

- 2.7 HECS has a target yet to be achieved of £2.654m with £0.037m of savings identified relating to Sector Led Improvement income and Sector Led Delivery of services to children with additional needs. This consists of £1.084m of savings reported in 2019/20 as being met in-year through management actions but still requiring a permanent solution and £1.570m of savings identified for delivery in 2020/21. These savings targets relate to a number of areas;
- Increasing income £0.385m
 - Service delivery changes £1.132m
 - Staffing £0.053m
- 2.8 Finance Officers have attended meetings with senior managers and the Head of Service across adult and children's services and individual managers have been assigned responsibility to review existing schemes for deliverability and to identify alternative proposals to mitigate any shortfalls. An update on revised proposals will be outlined in the next report.
- 2.9 This service has been significantly impacted by the Covid-19 pandemic and due to the level of response required during the containment phase and the level of uncertainty across the remainder of the financial year, at this stage a prudent approach to forecasting has been taken. A proportion of the savings involve income generation via third parties or funding through Section 117, CCG or CHC income. Other service delivery-based savings have been impacted due to capacity issues where placements have had to be maintained due to delays in court proceedings or the type of placement not changing due to Covid-19 restrictions. The pressures arising within the budget due to forecasted non-delivery has been shown as part of the Covid-19 financial impact and has been adjusted out of the HECS budget position and is shown within Central Items against the Covid-19 support grants.

Commissioning and Asset Management

- 2.10 Within Commissioning and Asset Management, the only savings targets forecast to be partially met relates to the increase in school meals fees of £0.082m of which £0.033m (reduced from £0.052m in May) is not likely to be achieved due to Covid-19 related school closures which have also impacted a target relating to increases in catering SLA's of £0.100m of which £0.033m is forecasted as yet to be achieved. The value of the savings forecasted as yet to be achieved have also been adjusted out of the service's position and have been shown within Central Items as Covid-19 related costs.

SECTION 3 – NEW REVENUE GRANTS

3.1 New revenue grants have been received or notified during June and July 2020.

Table 4: Grants Received or Notified in June and July 2020

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Health Education Care & Safeguarding	Youth Custody Service	Remands to youth secure accommodation	To fund the transfer of responsibility for youth detention	0.039
Health Education Care & Safeguarding (Public Health)	Department of Health and Social Care	Covid-19 Test and Trace Grant	Support for expenditure incurred in relation to mitigation of local outbreaks	1.140
Health Education Care & Safeguarding (Public Health)	Public Health England	Pre-Exposure Prophylaxis	To allow Local Authorities to deliver routine commissioning of HIV/PrEP services	0.037
Health Education Care & Safeguarding (Public Health)	Northern Cancer Alliance	Delivery of Northern Cancer Alliance Workplan	To improve the uptake of cervical screening and promote cancer prevention	0.060
Health Education Care & Safeguarding	Police and Crime Commissioner for Northumberland	Northumbria Violence Reduction Fund Grant 2020/21	To fund a clinical psychologist post to support a reduction in violence associated with adolescence	0.060
Health Education Care & Safeguarding	North of Tyne Combined Authority	Digital Inclusion Project	Targeted support for resident who become digitally excluded due to the impact of Covid-19	0.137
Health Education Care & Safeguarding	Department for Environment Food and Rural Affairs	LA Emergency Assistance Grant for Food and Essential Supplies	To support people struggling to afford food and other essentials due to Covid-19	0.239

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	1.777
Total				3.489

3.2 On 2 July 2020 the Government also announced support will be provided in relation to pressures on sales, fees and charges. The support will involve a 5% deductible rate, whereby authorities will absorb losses up to 5% of their planned sales, fees and charges income, with the Government compensating authorities for 75p in every pound of their relevant loss thereafter. Guidance regarding how the scheme would work was released on 24 August 2020 and included confirmation that data will be collected three times throughout the remainder of the financial year summarised below:

- The period of 1 April 2020 – 31 July 2020 will be collected in the September 2020 data return with payment intended for October 2020;
- The period 1 August 2020 – 30 November 2020 will be collected in the December 2020 data return with payment intended for January 2021; and
- The period 1 December 2020 – 31 March 2021 will be collected in the April 2021 data return with payment intended for May 2021.

There will also be a compulsory reconciliation process, to be included as part of the grant conditions, that will take place after the three collection periods to ensure the correct level of compensation is awarded to the Authority.

SECTION 4 – SERVICE COMMENTARIES

4.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2020/21, with forecasts being prepared on a prudent basis at this stage in the financial year. Challenge sessions are planned to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Heads of Service and their senior teams also attend these challenge sessions to discuss plans in progress to mitigate any pressures.

4.2 Health, Education, Care & Safeguarding (HECS)

4.2.1 HECS is showing a forecast pressure of £5.723m at July which is an increase of £0.416m compared to the initial forecast variance of £5.307m reported in May. This position is after adjusting for a total of £13.699m of Covid-19 related cost and income pressures which are now shown within Central Items. In May a total of £11.991m of Covid-19 relates cost pressures were forecasted. The main reason behind the increase of £1.708m is the inclusion of the Infection Control Grant expenditure totalling £2.205m which is fully funded by a specific grant shown within Central Items. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children’s Services of £2.616m.

4.2.2 The HECS service continues to be heavily impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work has also been ongoing to support social care providers to maintain their vital services. In addition to cost pressures, income losses directly related to Covid-19 disruption are forecasted amounting to £1.347m. The following Covid-19 related pressures are forecasted within HECS for 2020/21.

4.2.3 Table 5: Impact of Covid-19 on HECS

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Mainly Wellbeing & Assessment	0.000	0.388	0.388	0.388	Lost client contributions
Mainly Wellbeing & Assessment	2.110	0.000	2.110	2.462	Additional demand
Mainly Wellbeing & Assessment	5.533	0.000	5.533	3.513	Supporting the care market (including Infection Control Grant payments)
Mainly Integrated Services	0.691	0.000	0.691	0.754	Supplies and services incl. PPE

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Across the Service	1.300	0.000	1.300	1.300	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adults Total	9.634	0.388	10.022	8.417	
Employment & Skills	0.027	0.035	0.062	0.058	Lost course fee income and equipment costs
School Improvement	0.000	0.873	0.873	0.869	Lost income from the Langdale Centre, High Borrans and school development work
Mainly Corporate Parenting & Placements	1.238	0.000	1.238	1.205	Increased costs for children in care
Integrated Disability and Additional Needs	0.000	0.051	0.051	0.000	Lost SLA income for summer term
Across the Service	1.413	0.000	1.413	1.391	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adoptions	0.040	0.000	0.040	0.051	£0.040m costs relating to adoptions
Children's Total	2.718	0.959	3.677	3.574	
Total	12.352	1.347	13.699	11.991	

4.2.4 The financial impact of the Covid-19 crisis began in the last month of 2019/20 and is expected to continue throughout 2020/21. Under Government guidance which applied from 19 March 2020, the costs of packages for residents who have been discharged from hospital and any increased costs of packages which prevented admissions to hospital have been charged into a new pooled fund where the costs will be met by contributions from the Government paid via the North Tyneside Clinical Commissioning Group (NTCCG). The end date for these new arrangements has not yet been published but has been assumed to be 30 September 2020 for the purpose of forecasting. The Discharge Guidance states that there will be a transition period to allow local authorities to undertake a financial assessment of clients provided with a care package during this period. The forecast assumes that the costs of packages provided through the pooled fund will return to the Authority for the last six months of the financial year and is identified as additional demand (£2.110m) in Table 5 above.

4.2.5 The forecasted costs of supporting the care market is estimated to be £5.533m and relates to supporting care homes and other providers to meet the additional operational costs of Covid-19, for example in relation to PPE and backfilling absent

staff. This includes the Infection Control Grant amount of £2.205m. All providers with operational services during the Pandemic have been paid an additional fee premium of 5% to cover Covid-19 operational costs. In addition, any provider which has been severely affected by Covid-19 can apply for reimbursement of any Covid-19 costs not funded through other sources, which have been suffered over and above the additional fee premium paid. The Authority is also working with care home providers within the Borough to address issues relating to the future sustainability of the market especially where individual providers have high levels of vacancies. There are similar operational cost pressures for in-house services totalling £0.691m of which £0.615m relates to PPE costs with additional costs also forecasted in relation to transport for clients, additional costs of Local Authority funded funerals and additional phone and IT costs to support increased levels of agile working.

- 4.2.6 Lost income across the service has also been identified as an impact of Covid-19 disruption. This relates to client contributions (£0.388m) where reduced levels of income are forecasted at the current rate for the remainder of the financial year. This position is likely to improve as some currently suspended services are re-started albeit at reduced capacity. A loss of income within School Improvement of £0.873m is forecasted relating to a full year loss of income at High Borrans education centre and other fee income loss for the period April to August. Course fee income within Employment and Skills of £0.035m for the full financial year is also forecasted.
- 4.2.7 A total of £1.238m of additional costs relating to children in care have been identified as a result of care provision being extended as court delays prevent children leaving care and additional operational costs within in-house settings and in externally provided care packages. A fee premium of 5% has been forecasted against all externally provided care for the full financial year.
- 4.2.8 Once the impact of Covid-19 has been adjusted for, the remaining pressures broadly reflect a continuation of the position in 2019/20. Further details are shown in paragraphs 4.2.10 to 4.2.37.

4.2.9 **Table 6: Forecast Variation for HECS at July 2020**

	Budget £m	Forecast July £m	Variance July £m	Of which- Covid- 19 related £m	Of which- Business as Usual £m	Business as Usual Variance May £m	Business as Usual Change Since May £m
Corporate Parenting & Placements	16.680	22.597	5.917	1.988	3.929	3.663	0.266
RHELAC Service	0.004	0.004	0.000	0.000	0.000	0.000	0.000

	Budget £m	Forecast July £m	Variance July £m	Of which- Covid- 19 related £m	Of which- Business as Usual £m	Business as Usual Variance May £m	Business as Usual Change Since May £m
Child Protection, Independent Assurance and Review	0.673	0.688	0.015	0.000	0.015	0.015	0.000
Early Help & Vulnerable Families	1.039	1.086	0.047	0.126	(0.079)	(0.079)	0.000
Employment & Skills	0.549	0.564	0.015	0.062	(0.047)	(0.068)	0.021
Integrated Disability & Additional Needs Service	2.272	3.920	1.648	0.588	1.060	0.848	0.212
School Improvement	0.056	0.850	0.794	0.873	(0.079)	(0.095)	0.016
Regional Adoption Agency	(0.010)	0.030	0.040	0.040	0.000	0.000	0.000
Children's Services Sub-total	21.263	29.739	8.476	3.677	4.799	4.284	0.515
Wellbeing, Governance & Transformation	2.156	2.214	0.058	0.000	0.058	0.064	(0.006)
Disability & Mental Health	31.851	33.294	1.443	1.788	(0.345)	(0.731)	0.386
Wellbeing & Assessment	11.505	21.388	9.883	8.017	1.866	2.195	(0.329)
Integrated Services	2.997	2.565	(0.432)	0.216	(0.648)	(0.519)	(0.129)
Business Assurance	0.293	0.287	(0.006)	0.001	(0.007)	0.014	(0.021)
Adult Services Sub-total	48.802	59.748	10.946	10.022	0.924	1.023	(0.099)
Public Health	0.098	0.098	0.000	0.000	0.000	0.000	0.000
Total HECS	70.163	89.585	19.422	13.699	5.723	5.307	0.416

Main budget pressures across HECS

4.2.10 In addition to its response to the Covid-19 pandemic, HECS continues to manage a complex budget and is required to deal with a combination of varied funding arrangements, pressures and national policy changes. There are continuing

upward pressures on care providers' fees partially resulting from the National Living Wage but which have become more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of homes within the Borough. Dialogue continues with care home providers around appropriate fee rates. Negotiations also continue around ensuring appropriate levels of funding contributions from the NHS for clients with health needs as the NTCCG themselves face continuing budget constraints.

- 4.2.11 The main factor behind the overall outturn position is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. Although the number of children in care rose to 321 in January 2020, the numbers dropped to 299 by the end of 2019/20 but have now started to rise to 308 at July (see 4.2.28 below). Pressures within the Integrated Disability and Additional Needs service are rising due to increasing numbers of children with complex needs. In addition to third party care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs. Within adult services, cost pressures remain in relation to third party care provision especially in relation to older people.

Adult Services

- 4.2.12 In Adult Services, there is a forecasted pressure of £0.924m which represents a £0.099m improvement on the May budget position.
- 4.2.13 There are on-going pressures in third party payments for care provision which is £3.579m above budget levels. There are also smaller pressures relating to premises costs, £0.165m and supplies and services, £0.096m. These are partially offset by increased client contributions and contributions from the NHS (£2.624m). There is an underspend against transport budgets of (£0.156m) and within staffing budgets of (£0.136m). The demand pressures were foreseen by Cabinet and backed by £1.800m of centrally held contingencies.
- 4.2.14 Pressures within external payments for care provision total £3.579m above budget. Table 7 below shows external payments for care pressures analysed into service types.

Table 7: Analysis of Adult Services Care Provision Pressure by Service Type

Type of Service	July £m	May £m
Residential and Nursing Care	2.750	2.950
Homecare and Extra Care	1.493	1.451
Other Community-Based Care	(0.664)	(0.935)
Total	3.579	3.466

Residential and Nursing Care

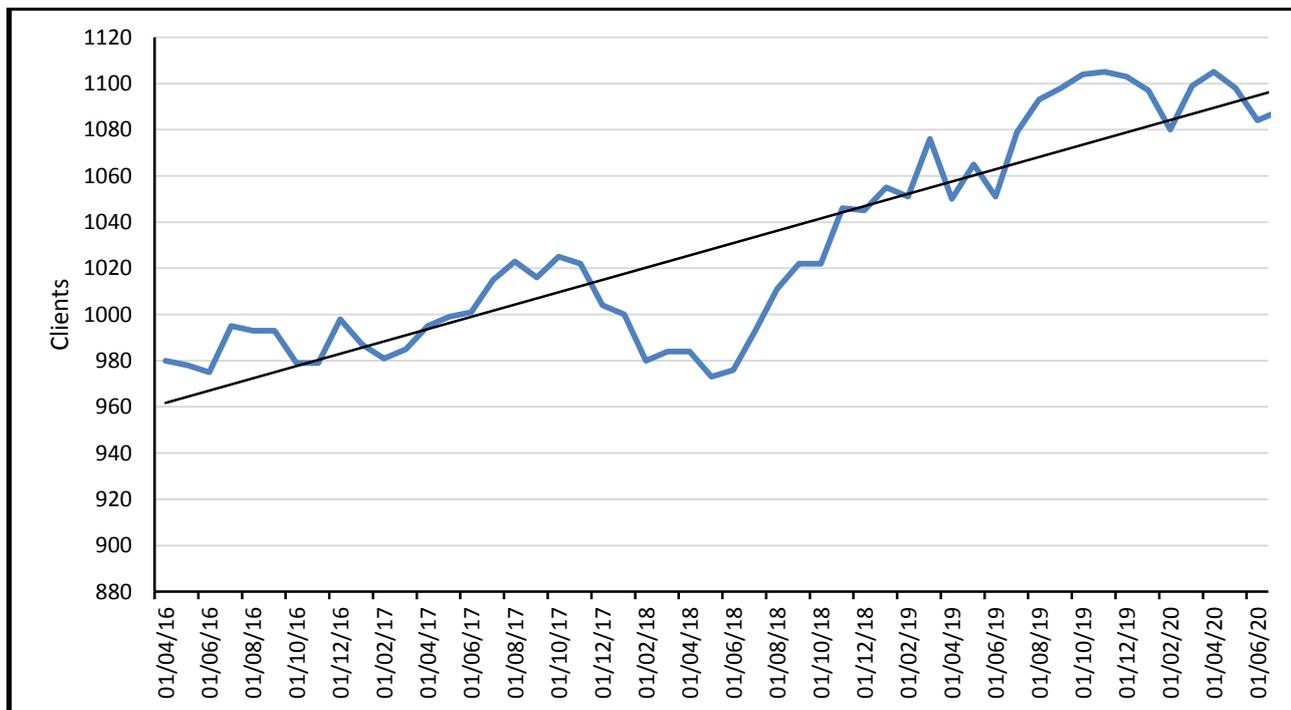
- 4.2.15 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term placements were strengthened and numbers of placements fell in the first part of

2019/20. However, challenges remained, for example the option to move clients from short-term placements to community provision diminishes after longer lengths of stay in short-term placement as clients lose skills and family concerns increase around risks at home. The numbers of placements overall for residential and nursing care, continued in an overall upward trend since July 2019 to a total number of clients placed in care homes of 1,093 at the end of March 2020.

4.2.16 The impact of the Covid-19 pandemic initially had a significant impact on the numbers in residential and nursing care with an initial reduction due to a higher than normal level of deaths and a slower rate of new admissions to care however, numbers have started to recover in July and are now at 1,088. This reduced level overall has led to a drop in pressures with residential and nursing care of £0.200m compared to May.

4.2.17 The movement in numbers placed in residential and nursing care is shown in Chart 1 below.

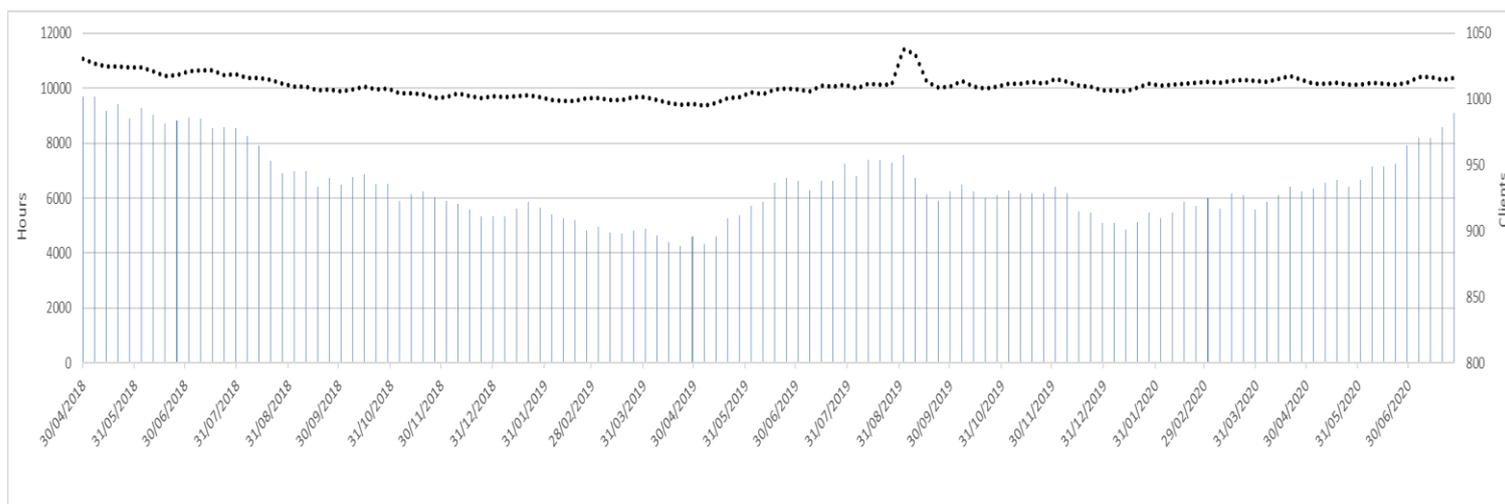
Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



Homecare and Extra Care

4.2.18 Cabinet will recall from the 2019/20 Outturn Report that the number of clients rose by 3% during 2019/20 and the number of hours delivered increased by 8.3%. The trend during the initial months of 2020/21 has been fairly volatile with an increase in the number of clients and hours delivered as shown in Chart 2 below. There has been an increase of 183 hours of delivery per week by the end of July compared to May leading to an increased pressure.

4.2.19 Chart 2: Trends in Homecare/Extra Care Services



4.2.20 HECS is working hard to continue to embed the asset-based approach by re-engineering the customer pathway through the service to ensure that assessments are proportionate and that clients receive the appropriate level of support to meet their needs to the extent that they are eligible under the Care Act as cost-effectively as possible. Work is continuing to develop further technology solutions to meet needs related to areas such as medication prompts and shopping in a more cost-effective way. The approach around the proportionate assessments carried out during the Covid-19 pandemic under Care Act easement guidance is expected to support further change within the service and management are working hard to ensure positive changes are retained in future practice.

Other Community Based Services

4.2.21 These services consist of Independent Supported Living, day care, direct payments and Individual Service Funds. The movement predominantly relates to a reduced forecast (£0.350m) for a payment in advance adjustment relating to direct payment balances held to fund services for clients. Balances held have fallen as surplus amounts have been repaid and this impact has increased client associated income described in section 4.2.22 below.

Client Related Income

4.2.22 There is a forecasted pressure in NTCCG contributions for shared care of £0.929m due to a reduction in contributions for clients who have a significant health need but who do not meet the threshold for continuing healthcare often referred to as 'shared care'. Shared care is not subject to the same statutory guidance as Continuing Healthcare and funding arrangements are agreed on an individual client basis between the Authority and the NTCCG. This form of funding has been reducing since 2015/16 and there is a further reduction in 2020/21 of £0.310m mainly due to the full year impact of changes notified in 2019/20. Management within HECS are working hard to ensure that clients with significant health needs are appropriately supported by contributions from NHS funding. This reduction is offset by a surplus against budget in other areas of NHS funding to

give an overall surplus of £0.293m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £2.331m, partially offsetting the overspends within payments for externally provided care.

Premises

- 4.2.23 There is a pressure of £0.165m in premises costs relating mainly to rent for respite premises for clients with a learning disability and accommodation costs for teams based within the community.

Children's Services

- 4.2.24 In Children's Services the £4.799m forecast position (up from £4.824m in May) relates mainly to demand pressures of £3.929m in Corporate Parenting and Placements and £1.060m in Integrated Disability and Additional Needs. These pressures are partially offset by underspends in Early Help and Vulnerable Families, Employment and Skills and School Improvement. The pressures were foreseen by Cabinet and backed by £2.616m of centrally held contingencies. This position excludes Covid-19 related pressures of £3.677m which have been transferred to Central Items.

Corporate Parenting and Placements

- 4.2.25 The pressures within Corporate Parenting and Placements can be broken down as follows:

Table 8: Analysis of Pressures in Corporate Parenting and Placements

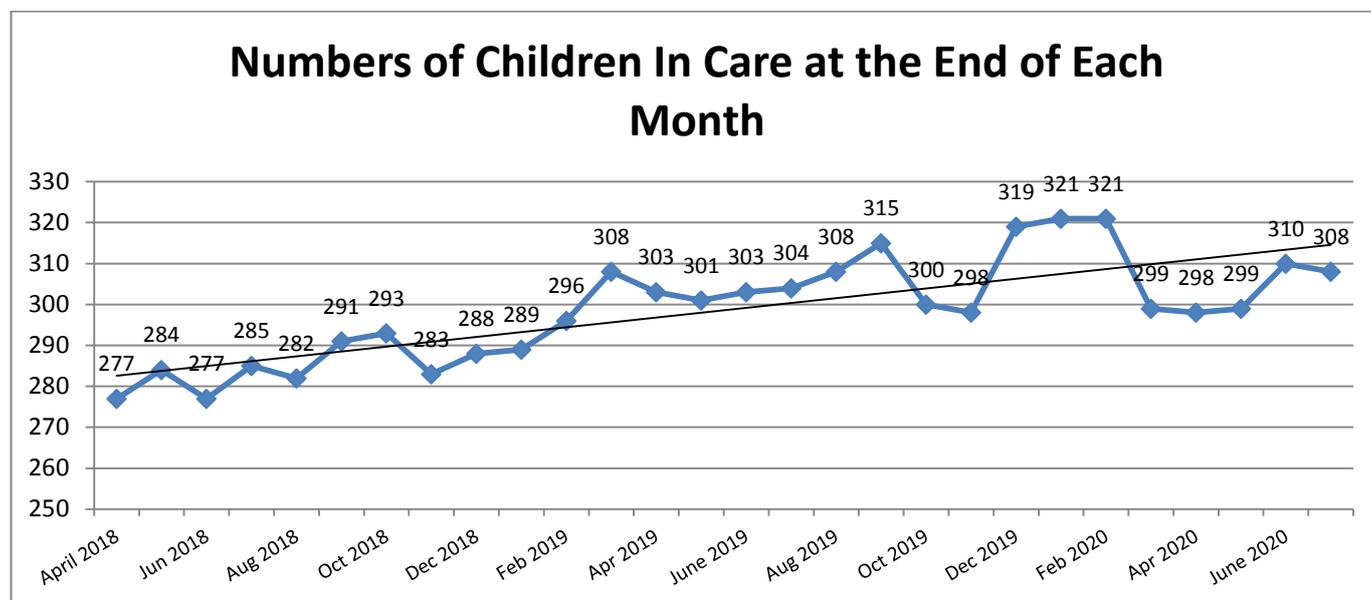
Type of Service	Budget 2020/21 £m	Variance July £m	Variance May £m	Change Since May £m
Care provision – children in care	9.384	2.002	1.960	0.042
Care provision – other children	3.200	0.908	0.719	0.189
Management & Legal Fees	(0.053)	0.437	0.437	0.000
Social Work	4.105	0.577	0.542	0.035
Safeguarding Operations	0.044	0.005	0.005	0.000
Total	16.680	3.929	3.663	0.266

- 4.2.26 The forecast has been developed based on the children in care as at the end of July 2020. The number in care at the end of July was 308, a net increase of 9 since the May report. The May forecast for the total number of care nights was 106,720 nights however due to the net increase in numbers of children in care, at July this has now risen to 108,264 nights explaining the increase in forecast cost pressures. The number of children in care can be volatile and costs for individual children can be very high. The forecast will be increased if numbers of care nights delivered starts to rise above current levels. There is a concern that there may be future spikes in numbers of children in care as the potential economic effects of the Covid-19 crisis impact on families.

Care Provision – Children in Care

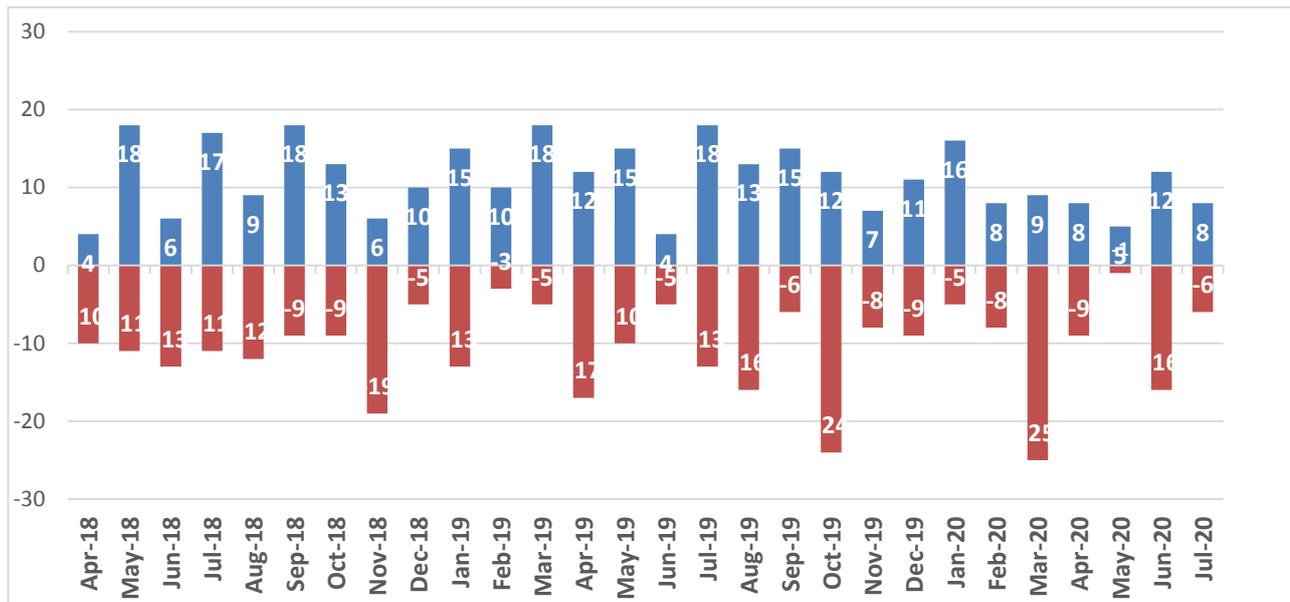
4.2.27 Over recent years, there has been an increase nationally in demand for children’s residential placements but with no corresponding increase in government-funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases being felt nationally.

4.2.28 **Chart 3: Children in Care at the End of Each Month**



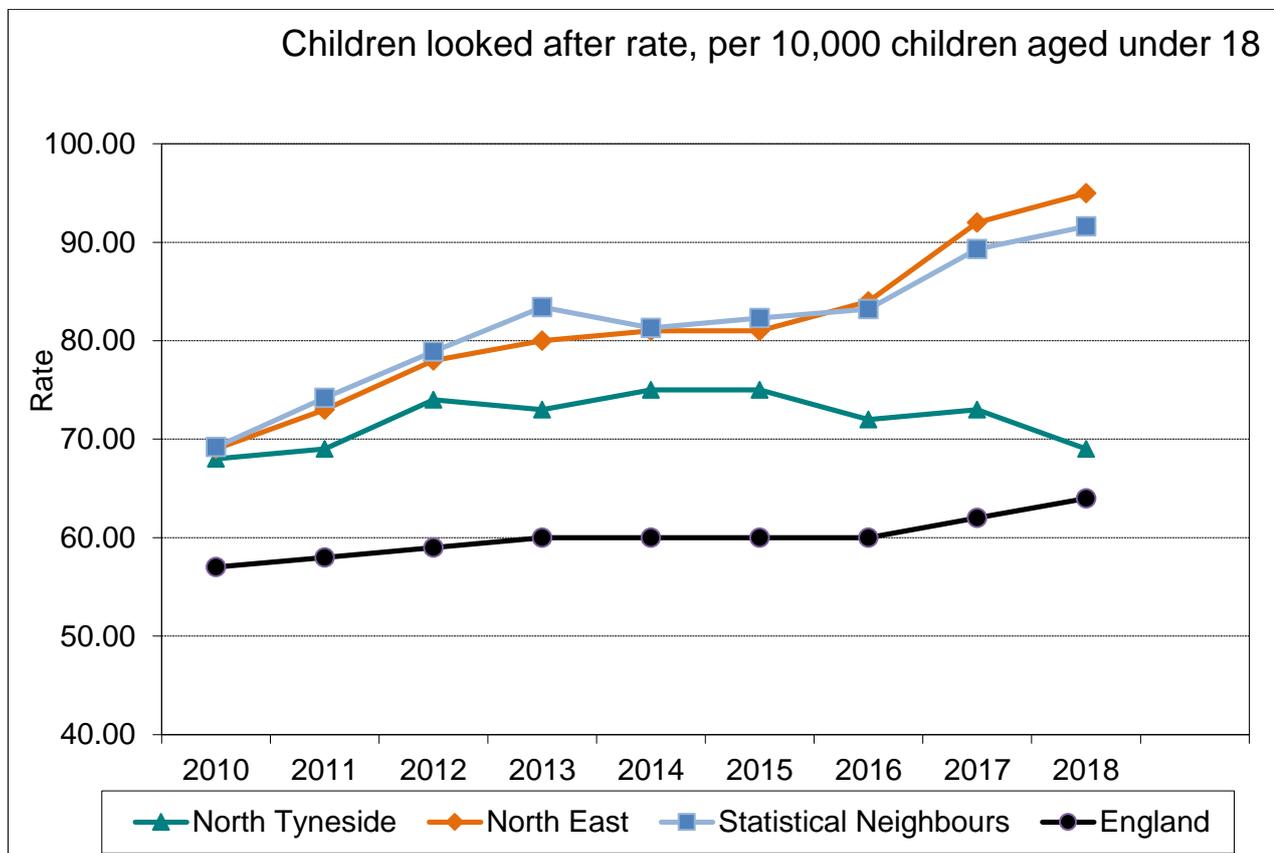
4.2.29 Delays within the court system have eased slightly with 16 children leaving the care system in June however, there is concern about the potential continuing impact of Covid-19 on court processes. The Authority currently has 10 cases delayed either because the court cannot complete the hearings remotely or because Covid-19 has affected the availability of specialist assessments. The impact of this is that children are remaining in care for longer where otherwise an improved situation for them could have achieved in a shorter time frame. The financial impact is the ongoing cost of placements. The pattern of children leaving care proved to be much more volatile in 2019/20 as compared to 2018/19 but with a general pattern of less children leaving care, as shown in Chart 4 below.

Chart 4: Detailed Movement in the Numbers of Children in Care



4.2.30 The most recent available national comparators from 2018/19, as demonstrated by Chart 5 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

4.2.31 Chart 5: Comparative Performance in Rates of Children in Care per 10,000 Children under 18



4.2.32 Placement mix in 2019/20 continued to change, moving towards the complex end of the spectrum which led to an increase in overall costs last financial year and this pattern is being sustained in 2020/21. Placement numbers rose slightly in June and July with bed night forecast overall rising by 1,544 to 108,264 but this continues to be a reduced forecast compared to 2019/20 levels of 112,622. Residential placements continue to be costly with a current average annual cost of £0.274m but which can be very volatile and is dependent on the individual needs of the cohort of children and young people in externally provided residential placements at any point in time. External supported accommodation can also be expensive. During 2019/20 there was a cohort of eight young people with very complex needs being supported for the majority of the year at an average cost of approximately £0.005m per week and these placements are continuing into 2020/21.

4.2.33 Table 9: Forecast cost, forecast variance, average placement cost and placement mix

Placement Type	July Var.	Average Annual Placement cost (£m)	2020/21 Forecast Bed Nights	2019/20 Outturn Bed Nights	Placement Mix	No. of children July 20	No. of children May 20
External Residential Care	0.784	0.274	7,311	8,649	8%	24	23
External Fostering	0.086	0.040	9,926	11,184	10%	26	24
In-House Fostering Service	0.460	0.023	74,764	76,731	68%	205	204
External Supported Accommodation	0.829	0.181	4,095	4,349	4%	19	16
Other*	0.014	various	12,168	11,709	10%	34	32
Total	2.002		108,264	112,622	100%	308	299

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

Care Provision – Children not in care

4.2.34 The pressure of £0.908m (May variance, £0.719m) relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). Cabinet will recall that the Authority's policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £2.616m established in Central Items in 2018/19 was, in part, intended to mitigate against these costs.

Management and Legal Fees

4.2.35 This area has a forecast pressure of £0.437m (unchanged from May). Pressure in this area includes management costs of £0.104m, professional fees relating to children in care £0.060m, legal costs £0.100m and other child related costs such as professional fees, DNA tests, drug and alcohol testing, asylum seeker support, counselling sessions and costs for other therapeutic interventions.

Social Work

- 4.2.36 Within the overall pressure of £3.929m for Corporate Parenting and Placements, there are staffing pressures of £0.577m, a rise of £0.053m from £0.524m in May. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net pressure is due to the need to establish an additional team, to support with case load management (£0.234m) and as a result of market supplement payments (£0.293m). There is also a pressure of £0.050m relating to apprentice posts. There are currently no agency staff in place and caseloads are in line with good practice.

Integrated Disability and Additional Needs (IDANS)

- 4.2.37 IDANS is forecasting a pressure of £1.060m which is an increase of £0.212m from the May position of £0.848m. Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs). Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to 1,803 in July 2020. The movement in month primarily relates to the cost of short break placements where a pressure of £0.416m is now forecasted. There are also pressures relating to operational staffing costs within in-house residential services of £0.236m and associated unachieved health income target of £0.100m. There are also forecast staffing pressures of £0.229m in Educational Psychology partly relating to cover arrangements associated with maternity leave and partly relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs. There is a pressure of £0.049m in the Statutory Assessment and Review team who assess and arrange education for children with additional needs. The IDANS service is continuing to carefully review planned provision.

4.3 Commissioning and Asset Management

- 4.3.1 Commissioning and Asset Management (C&AM) has a forecasted outturn pressure of £0.401m (May, pressure of £0.445m) as set out in Table 11. This is after adjusting for forecast pressures of £4.781m relating to the impact of Covid-19 on the service set out in Table 10.
- 4.3.2 C&AM has also been heavily impacted by the Covid-19 pandemic, particularly in relation to supporting schools and in relation to lost income. The following Covid-19 related costs have been forecasted within C&AM for 2020/21 and have been transferred to Central Items and set against the Covid-19 Local Authority Support Grant.

4.3.3 **Table 10: Covid-19 Financial Impact within Commissioning and Asset Management**

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Catering	0.861	3.399	4.260	3.824	Lost school meals income and hospitality income and costs of providing additional free school meals services, costs of perishable stock disposal
Catering	(0.861)	0.000	(0.861)	0.000	Savings in provisions due to non-delivery of services
Cleaning	0.333	0.000	0.333	0.333	Additional hours of cleaning and associated equipment and materials directly related to Covid-19
Other income	0.000	0.123	0.123	0.113	Lost income for parking charges at Quadrant, Procurement rebates and school absence penalty notices
Home to school Transport	0.225	0.000	0.225	0.225	Additional costs of transport under infection control
Volunteer Scheme	0.106	0.000	0.106	0.100	Supporting vulnerable residents by additional foodbank support for the full financial year
Property	0.300	0.100	0.400	0.400	Loss of ability to recharge staff time to capital
Property Services	0.000	0.195	0.195	0.135	Potential rental income reductions
Total	0.964	3.817	4.781	5.215	

4.3.4 In relation to paid school meals, there is a forecasted income loss of £1.842m. This assumes a 100% loss of income for the period April to July 2020 dropping to a 65% loss from September to December and a 25% loss for the remainder of the

year. Remaining Catering income losses (£0.294m) relate to staff restaurants and civic catering which are forecasted on the same basis as school meals losses and non-fee-paying income loss (£1.263m) which is forecast for the period April to July 2020. A pressure of £0.716m is forecasted for the costs of packed lunches over and above grant funding for free school meals as this form of provision is forecasted to be more costly than normal operations. There is also a pressure of £0.145m relating to a loss of perishable food stock. These pressures are reduced by a saving in provisions of £0.861m.

- 4.3.5 Additional cost pressures of £0.333m for cleaning has been identified for the full financial year. This relates to anticipated additional cleaning hours that will be required as a result of Covid-19 with a forecasted increase in staffing costs by a third (£0.263m) for the period to March 2021 plus costs of new cleaning machinery and equipment and additional cleaning materials (£0.070m). This forecast will continue to be reviewed as the year progresses.
- 4.3.6 Anticipated losses of car parking income at Quadrant are forecasted as £0.065m and relate to the full financial year. Salary sacrifice arrangements for staff parking are currently suspended. A loss of income of £0.028m is forecasted in relation to school non-attendance penalty notices for the full year and an amount of £0.030m in rebates relating to procurement arrangements is also affected.
- 4.3.7 Additional costs of £0.225m in relation to Home to School Transport have been forecasted as the service is expecting increased pressure from September with a need to provide more single journeys to allow for social distancing in line with anticipated guidelines. Pupils within the same 'bubble' however, can travel together and further modelling is required to validate the expected costs.
- 4.3.8 Additional forecasted pressures in relation to Property relate to a forecast for staff recharges of £0.100m which are unachievable due to Covid-19 related delays to capital schemes and potential rental income losses of £0.195m. An amount of £0.300m has been identified as the forecasted cost of making all council buildings Covid-19 compliant prior to reopening.

4.3.9 Table 11: Commissioning and Asset Management Forecast Variation

	Budget £m	Forecast July £m	Variance July £m	Of which – Covid- 19 £m	Of which – Business as usual £m	Variance May £m	Business as Usual Change since May £m
School Funding & statutory staff costs	4.690	4.655	(0.035)	0.000	(0.035)	(0.029)	(0.006)
Commissioning Service	0.359	0.334	(0.025)	0.000	(0.025)	(0.010)	(0.015)
Facilities & Fair Access	0.353	4.888	4.535	4.050	0.485	0.503	(0.018)
Community & Voluntary Sector Liaison	0.439	0.521	0.082	0.106	(0.024)	(0.018)	(0.006)
Strategic Property & Investment	1.727	2.127	0.400	0.400	0.000	0.000	0.000
High needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property	(0.645)	(0.450)	0.195	0.195	0.000	0.000	0.000
Commissioning & Asset Management & support	0.154	0.154	0.000	0.000	0.000	(0.001)	0.001
Procurement	(0.024)	0.006	0.030	0.030	0.000	0.000	0.000
Total Commissioning & Asset Management	7.053	12.235	5.182	4.781	0.401	0.445	(0.044)

4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.485m (May, pressure of £0.503m) which are largely unchanged from the 2019/20 outturn. The pressures are across Catering and Cleaning (£0.174m) and Home to School Transport (£0.275m) with a smaller pressure on Quadrant car parking income (note the impact of lost Quadrant car parking income resulting from Covid-19 building restrictions has been transferred to Central Items).

4.3.11 The issues in Catering and Cleaning relate to non-staffing cost increases and staffing pressures which have not been met by increases in income while the Home to School Transport pressures relate to the increase in children with complex needs attending special schools which is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant (see

paragraphs 6.5 to 6.7 for more details). National supplier relief guidelines have been followed and transport contractors have been paid at usual rates during the lockdown period however, only the costs of anticipated additional routes to comply with social distancing have been included as Covid-19 costs. These main budget issues with Facilities and Fair Access are difficult to forecast and there is considerable uncertainty resulting from Covid-19 related changes in the operation of schools. Business as usual forecasts are currently largely based on 2019/20 outturns as there is a limited amount of financial data available relating to 2020/21. As such these forecasts prudently include pressures which existed in 2019/20 but which may not fully materialise in 2020/21 due to the restrictions on operations caused by the Pandemic.

4.3.12 C&AM is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services to mitigate these pressures in 2020/21 although this will be further complicated by the ongoing challenge of Covid-19 related changes to the way schools will operate in 2020/21. Within Home to School Transport, work continues on route rationalisation using the new QRoute system however this will also be impacted by Covid-19 as sharing of transport may be limited by infection control measures.

4.4 **Environment, Housing & Leisure (EHL)**

4.4.1 EHL is forecasting a pressure of £0.063m against the £42.671m budget, as set out in Table 13 below. This is an improved position since May's forecast outturn (£0.398m). The position includes a planned £0.671m draw-down of reserves for the street-lighting PFI contract.

4.4.2 EHL continues to be heavily impacted by the Covid-19 pandemic most notably by the closure of its sports and leisure facilities and libraries. The following Covid-19 related financial impacts have been identified within EHL as outlined in Table 12 for 2020/21 and have been transferred to Central Items to be set against the Covid-19 related grants received by the Authority. The increase in Covid-19 related pressures of £1.321m is mainly due to revised estimates of income loss relating to sports centres as the impact of operational restrictions becomes clearer.

4.4.3 Table 12: Forecast Impact of Covid-19 on EHL for 2020/21 at July

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Sports & Leisure	0.040	4.409	4.449	2.982	Lost income due to closure, reduced take up of facilities and additional operational costs, less savings on repairs
Environmental Services	0.208	0.150	0.358	0.366	Additional costs and lost income from café closures, signage, additional PPE costs and additional staffing Increased bereavement costs.
Waste Management	0.002	0.000	0.002	0.154	Increased supply costs
Cultural Services	0.172	0.193	0.365	0.496	Impact on Mouth of Tyne Festival (upfront non-recoverable fees) Impact on T&W Museums Lost income in libraries Loss of rental income in buildings
Planning and Development	0.000	0.130	0.130	0.113	Reduction in building control fees Reduction in planning applications
Environmental and Regulatory Services	0.006	0.048	0.054	0.040	Taxi licencing activities cost of additional regulatory equipment
Highways and Transport	0.000	1.351	1.351	1.236	Impact on car parking fees Lost income on engineering fees, streetworks, road permits, etc
Homelessness Additional Costs	0.034	0.000	0.034	0.034	Additional bed and breakfast costs to prevent homelessness
Street-lighting PFI	0.005	0.000	0.005	0.006	Costs to counter increased anti-social behaviour
Total	0.467	6.281	6.748	5.427	

4.4.4 The impact of the Covid-19 pandemic on EHL is mainly in relation to lost income. £6.281m of the £6.748m estimated impact is due to income-generating services being closed or expected to operate at a lower level than previously. For the period April to July, lost income is based on known closures and uses prior year income generation patterns to provide an estimated value. Thereafter a high-level impact assessment of ongoing income has been made based on expected operating levels.

4.4.5 In most cases forecasted costs relate to additional work or supplies required to operate during the Pandemic, however the Mouth of the Tyne festival has cost pressures due to upfront costs of providing the festival which cannot be transferred

to the planned event next year. These forecasts will be reviewed as more information becomes available.

4.4.6 **Table 13: Forecast Variation in Environment Housing & Leisure**

	Budget £m	Forecast July £m	Variance July £m	Of Which Covid- 19 £m	Of Which BAU £m	BAU May £m	BAU Change Since May £m
Sport & Leisure	2.802	7.373	4.570	4.449	0.121	0.219	(0.098)
Cultural Services	6.801	7.342	0.541	0.365	0.176	0.166	0.010
Security & Community Safety	0.314	0.342	0.028	0.000	0.028	0.014	0.014
Fleet Management	1.087	1.084	(0.003)	0.000	(0.003)	0.056	(0.059)
Waste and Recycling Disposal	7.579	7.482	(0.097)	0.000	(0.097)	(0.074)	(0.023)
Waste Management	3.880	3.882	0.002	0.002	0.000	(0.002)	0.002
Local Environmental Services	7.210	7.446	0.236	0.358	(0.122)	0.064	(0.186)
Head of Service and Resilience	0.234	0.232	(0.002)	0.000	(0.002)	(0.016)	0.014
Street Lighting PFI	4.323	4.328	0.005	0.005	(0.000)	0.000	(0.000)
Consumer Protection & Building Control	0.997	1.040	0.043	0.054	(0.011)	(0.011)	(0.000)
Transport and Highways	6.395	7.738	1.343	1.351	(0.008)	(0.008)	(0.000)
Planning	0.252	0.382	0.130	0.130	0.000	0.000	0.000
General Fund Housing	0.797	0.812	0.015	0.034	(0.019)	(0.010)	(0.009)
Total	42.671	49.482	6.811	6.748	0.063	0.398	(0.335)

4.4.7 The movement since the last report is due to reduced operational costs, including financing costs for fleet and bereavement, plus vacancy savings due to posts being kept open.

4.4.8 The following paragraphs 4.4.9 to 4.4.23 outline the pressures in each service area;

Sport and Leisure

4.4.9 Sport and Leisure is predicting a reduced pressure of £0.121m, however this position is after a transfer to Central Items of £4.409m lost income and £0.103m

additional expenditure due to Covid-19, offset by £0.063m savings on repairs due to the centres being closed during lockdown.

- 4.4.10 The remaining pressures are due to operational costs forecasted in the leisure centres whilst open, which are showing an improved position since the last report.
- 4.4.11 The Covid-19 impact on lost income for leisure centres has been revised since the last cabinet report, with the expected loss being extended for the full year now the Authority has a clearer view of how the service will function. This has increased the expected loss by £2.535m and will continue to be reviewed as new services come online. Other costs have reduced or been offset by expected savings from being closed.

Cultural Services

- 4.4.12 Cultural Services within North Tyneside are showing a forecast pressure of £0.176m, which is net of Covid-19 related forecast transfers of £0.365m.
- 4.4.13 Historical pressures around energy and rates have been partially mitigated in 2020/21, however some historical pressures prudently remain in relation to library income targets and historical pressures on operational costs against budgets. These pressures will continue to be assessed by Cultural Services as the year progresses, taking in the context of the Pandemic as well as operational reality.

Security and Community Safety

- 4.4.14 This service area has reviewed and realigned both structure and finances to increase its overall viability. The remaining variance is due to forecast reduced income.

Fleet Management

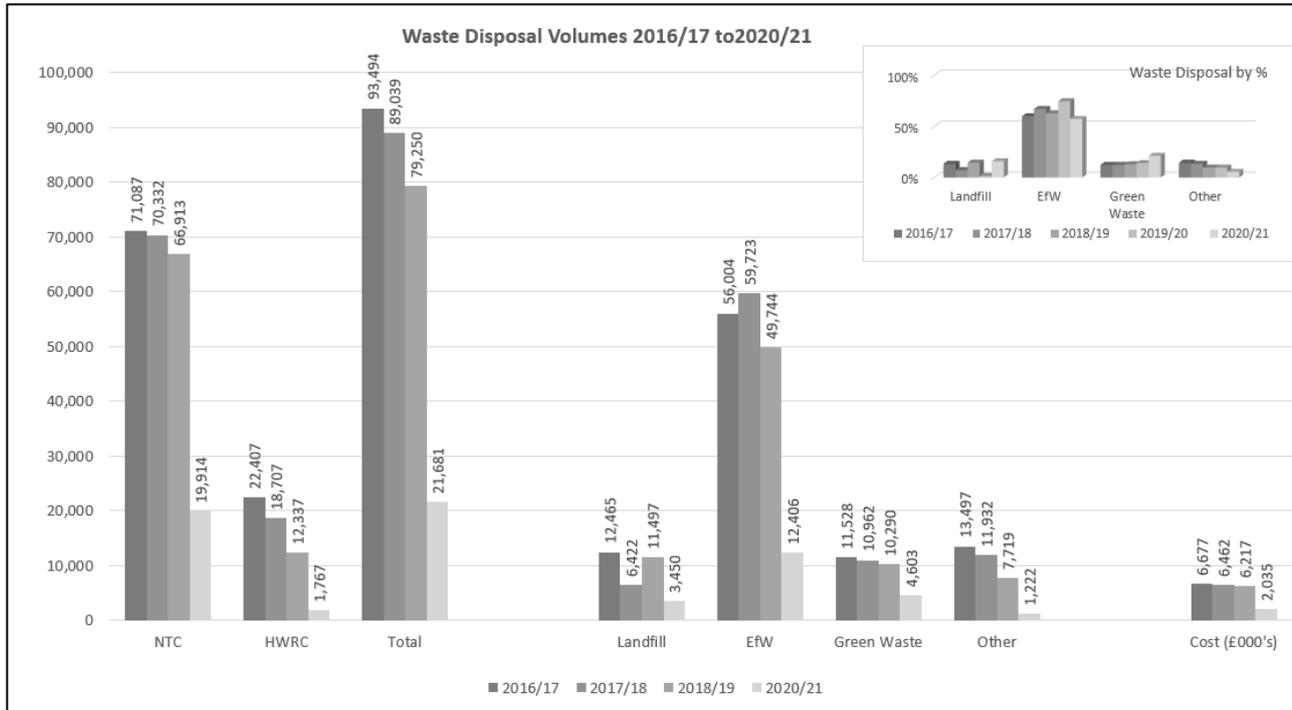
- 4.4.15 Fleet Management is now forecasting a small net saving of £0.003m, a swing from the previously reported £0.056m pressure. The movement mainly reflects a reduction in financing costs. The service is assuming reduced maintenance costs and levels will continue to be reviewed.

Waste Management including Recycling and Disposal

- 4.4.16 Waste Management is showing an expected £0.097m underspend due to vacancy savings in the waste strategy team. Recruitment plans are in place as part of the Authority's Covid-19 recovery plans to re-energise the waste strategy work required supporting the 10-year plan for waste approved by Cabinet in November 2019.
- 4.4.17 For 2020/21 Waste Management have reviewed the waste disposal budgets to meet the expected volumes and prices, then realigned budgets where possible to ensure the expected service costs for fleet, bin replacement, green waste and waste strategy are met. Chart 6 below shows the mix of waste disposal between collected and household recycling centre, across types of disposal and finally costs of disposal. Although the profile of waste collected and treatment methods

has changed due to the impacts of Covid-19, EHL are expecting the costs to remain on budget.

4.4.18 Chart 6: Waste Disposal Volumes and Costs Comparison 2016/17 to 2020/21



Local Environmental Services

4.4.19 Local Environmental Services is predicting a saving of £0.122m, a large swing from the last report's forecast pressure of £0.064m. The swing is mainly relating to increased savings from vacant posts not being filled as the service was not operating to full capacity during lockdown, plus a reduction in capital financing costs charged to revenue for the cremator replacement of £0.050m. These variances will need to be constantly reviewed along with other operational income as the year progresses. Local Environmental Services are transferring out the £0.358m estimated impact of Covid-19 on the service, which mainly relates to lost income in park cafes, additional costs of staffing, signage and PPE and our Authority's contribution towards the region's temporary body storage units in addition to installing a webcast and video/music tribute at Whitley Bay Crematorium.

Street Lighting PFI

4.4.20 The street-lighting PFI contract balances to budget following a planned £0.671m draw-down from reserves, as in previous years. Historical energy cost pressures have been mitigated where possible, reducing the value of the reserve draw-down.

Consumer Protection & Building Control

4.4.21 This area is predicting Covid-19 related costs of £0.054m. Transferring these costs centrally with leaves an expected small staffing saving of £0.011m.

Transport & Highways

4.4.22 This area is forecasting Covid-19 related lost income from car parks of £0.832m, which is based on complete closure to mid-May then reduced ongoing pressure of 90% lost income in June for off-street parking leading to full recovery from August onwards. On-street parking is forecasting 70% lost income in June reducing to 20% from August until December, followed by full recovery from February 2021. There are also reduced engineering fees, streetworks fees and road permit income of £0.404m due to reduced works being carried out during 2020/21. Transferring out these costs to the Covid-19 central cost centres leaves a small forecast operating saving of £0.008m.

General Fund Housing

4.4.23 The planning service is expecting to carry additional Covid-19 related costs due to increased costs of homelessness, though transferring these costs centrally will leave a small saving of £0.019m.

4.5 **Regeneration and Economic Development**

4.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.216m at July 2020, an improvement of £0.083m since May, as shown in Table 14 below. This is after moving the expected Covid-19 impact of £0.055m into Central Items in relation to lost income at Swan Hunters.

4.5.2 **Table 14: Forecast Impact of Covid-19 on RED for 2020/21**

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Regeneration	0.000	0.055	0.055	0.055	Estimated lost rental income at Swan Hunters site

4.5.3 Table 15: Forecast Variation for Regeneration and Economic Development

Service Area	Budget £m	Forecast July £m	Variance July £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance May £m	BAU Change Since May £m
Business & Enterprise	0.734	0.757	0.023	0.000	0.023	0.006	0.017
Regeneration	0.421	0.616	0.195	0.055	0.140	0.239	(0.099)
Resources & Performance	0.197	0.250	0.053	0.000	0.053	0.054	(0.001)
Total	1.352	1.623	0.271	0.055	0.216	0.299	(0.083)

4.5.4 The pressures in Regeneration result mainly from a forecasted inability to achieve staff capitalisation & recharge income targets of £0.132m following the decrease in regeneration capital projects and changes to how projects are delivered. This loss of recharge income is then further impacted by combined income generation shortfalls at both Swans-related sites making up the remaining pressure.

4.5.5 Resources and Performance is carrying historic staffing pressures resulting in a forecast £0.041m pressure. The remaining forecast pressure comes from nominal overspends against the Private Sector Housing service.

4.6 Corporate Strategy

4.6.1 Corporate Strategy is forecasting a pressure of £0.132m as set out in Table 16 below, after transferring out Covid-19 related costs totalling £0.072m. The position reflects an improvement of £0.031m since the last Cabinet reported pressure of £0.163m.

4.6.2 Table 16: Forecast Impact of Covid-19 on Corporate Strategy for 2020/21

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Marketing	0.000	0.060	0.060	0.040	Marketing income lost
Children's Participation & Advocacy	0.001	0.000	0.001	0.000	Snap report
Marketing	0.011	0.000	0.011	0.011	Production of Covid-19 leaflets and guidance
Total	0.012	0.060	0.072	0.051	

4.6.3 Table 17: Forecast Variation Corporate Strategy

Service Area	Budget £m	Forecast July £m	Variance July £m	Of Which Covid- 19 £m	Of Which BAU £m	BAU Variance May £m	BAU Change Since May £m
Children's Participation & Advocacy	0.243	0.243	0.000	0.000	0.000	0.040	(0.040)
Corporate Strategy Management	(0.001)	0.106	0.107	0.000	0.107	0.105	0.002
Elected Mayor & Executive Support	0.013	0.020	0.007	0.000	0.007	0.009	(0.002)
Marketing	0.273	0.360	0.087	0.071	0.016	0.016	0.000
Policy Performance and Research	0.104	0.107	0.003	0.001	0.002	(0.007)	0.009
Total	0.632	0.836	0.204	0.072	0.132	0.163	(0.031)

4.6.4 The remaining pressures in the service are due to shortfall of £0.100m against income targets, plus small staffing and operational pressures across the service. The improvement from the previous report reflects reduced staffing pressures.

4.7 Resources and Chief Executive Office

4.7.1 The forecast pressure of £0.177m within Resources and Chief Executive Office, is after an adjustment of £0.186m for Covid-19 revenue costs. In addition, the service has identified £0.050m of capital Covid-19 costs due to purchase of IT equipment. The service budget pressures, as set out in Table 18 below, mainly relate to additional licence costs within ICT Retained Services, IT Customer Journey costs plus an increased staffing pressure in HR, which are mitigated by savings in Finance (Revenues & Benefits) and the Chief Executive's office.

4.7.2 Table 18: Forecast Impact of Covid-19 on Resources for 2020/21

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Corporate ICT Costs	0.003	0.000	0.003	0.000	Purchase of IT equipment
Corporate HR costs	0.005	0.000	0.005	0.005	Additional resource to support HR for Covid-19 issues
Corporate Revenues costs	0.000	0.178	0.178	0.000	Lost enforcement income due to courts being closed
Total	0.008	0.178	0.186	0.005	

4.7.3 Table 19: Forecast Variation Resources

Service Area	Budget £m	Forecast July £m	Variance July £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance May £m	BAU Change Since May £m
ICT	2.817	3.012	0.195	0.003	0.192	0.249	(0.057)
Finance	(0.029)	0.093	0.122	0.178	(0.056)	(0.076)	0.020
HR & Organisational Development	(0.009)	0.090	0.099	0.005	0.094	0.101	(0.007)
Chief Executive	(0.090)	(0.143)	(0.053)	0.000	(0.053)	(0.063)	0.010
Total	2.689	3.052	0.363	0.186	0.177	0.211	(0.034)

4.7.4 Within ICT, the main pressures relate to continuing pressures associated with the Customer Journey project running to August, plus on-going pressures relating to various new software development and licence costs. The £0.057m improvement is mainly due to the Customer Journey Project ending in August rather than September.

4.7.5 Within the Finance service, Revenues & Benefits is showing an overall saving of £0.056m, which is made up of these factors:

- Enforcement cost and income are no longer showing a pressure of £0.178m as it has been identified that the pressure is in relation to Covid-19, with this now being forecast in the central Covid-19 cost centre;
- Bank Charges are expected to be £0.030m overspent due to increased costs;
- Overpayments income is forecasting a worsening pressure of £0.369m in month (£1.018m overall) due to the number of overpayments generated during lockdown. Overpayments income is

extremely low so far as there have been reduced changes in circumstances and house moves. There have been less fluctuations in wages as people are either in employment or on fixed furlough amounts. As the stages of lockdown ease and recovery is progressing, these changes are picking up again and this is expected to accelerate as the furlough scheme ends in October. There are a series of reviews planned for the rest of the year for higher risk claims for self-employed, trust and protect claims, main wage earners, and claims below applicable amounts. This is likely to generate additional overpayments and improve the potential to close the gap on the overpayment income target, although it is unlikely to get back to pre Covid-19 and budget levels;

- Subsidy is showing an improved surplus of £0.072m in month (£0.595m overall variance against budget) due to reducing overpayments which increases subsidy yield for North Tyneside Council. As per Overpayments income, throughout the rest of the year, the Authority is likely to see this figure return closer to budget levels as pro-active action takes place to check benefit claims; and,
- Debt is being transferred to the Payment Deduction Programme for recovery by the Department for Work and Pensions which is resulting in a decrease in the bad debt provision by a further £0.099m (£0.497m overall) and as lower numbers of overpayments are being created, the bad debt provision has also been reduced. As with Overpayment income, if targeted action planned for later this year produces more overpayments, then the bad debt provision will have to be adjusted accordingly.

4.7.6 Human Resources (HR) & Organisational Development is showing a pressure of £0.094m due to the full year impact of the restructure, which is offset by small operational savings of £0.010m and increased income (£0.062m) from work on the Step-Up Grant and Health and Safety Insurance recharges.

4.7.7 The Chief Executive's office is showing a saving of £0.053m. The saving is due to an underspend on staffing (£0.023m) and reduced spend on supplies and services (£0.029m). The in-month movement is due to a budget re-alignment to create a central budget for Remembrance Services.

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a net pressure of £0.240m, a movement of £0.016m since the May report. The pressure reported is after transfer of £0.269m identified Covid-19 costs and £0.060m Covid-19 related savings (see Table 20).

4.8.2 Table 20: Forecast Impact of Covid-19 on Law & Governance for 2020/21

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
Customer, Governance and Registration	0.000	0.110	0.110	0.095	Registrars – lost income due to reduction in numbers of weddings / civil ceremonies / citizenship ceremonies / duplicate certificate requests (April - July 2020)
	0.000	0.019	0.019	0.019	Registrars – lost income due to reduction in venue usage for weddings (April - July 2020)
Legal Services	0.000	0.063	0.063	0.063	Legal Services (Non-Contract) lost income due to lower property/business transactions
Information Governance	0.000	0.077	0.077	0.077	Land Charges - lost income due to lower property transactions in conjunction with market forces
Democratic and Electoral Services	(0.060)	0.000	(0.060)	0.000	Election Expenses - Expenditure underspend forecast due to no elections taking place
Total	(0.060)	0.269	0.209	0.254	

4.8.3 Table 21: Forecast Variation for Law and Governance

	Budget £m	Forecast July £m	Variance July £m	Of Which Covid- 19 £m	Of Which BAU £m	BAU Variance May £m	BAU Change Since May £m
Customer, Governance and Registration	(0.074)	0.073	0.147	0.129	0.018	0.025	(0.007)
Democratic and Electoral Services	(0.064)	(0.134)	(0.070)	(0.060)	(0.010)	0.006	(0.016)
Information Governance	0.028	0.067	0.039	0.077	(0.038)	(0.016)	(0.022)
Legal Services	(0.135)	0.100	0.235	0.063	0.172	0.155	0.017
North Tyneside Coroner	0.293	0.391	0.098	0.000	0.098	0.086	0.012
Total	0.048	0.497	0.449	0.209	0.240	0.256	(0.016)

4.8.4 Alongside the forecast staffing pressures arising from within Legal Service (£0.172m) and the increased costs of the Coroner Service (£0.098m), there are smaller pressures within Customer, Governance and Registration relating to a forecast shortfall against income targets not related to Covid-19. These are partially mitigated by net operational savings across the service.

4.9 Central Items

4.9.1 The July 2020 business as usual forecast for Central Items is a surplus of £6.171m and is unchanged from the May report. As described in sections 4.1 to 4.8, the income and expenditure pressures relating to Covid-19 within each service area have been transferred into Central Items to be shown against the Covid-19 support grant. Total pressures of £26.890m has been identified across the rest of the General Fund as shown in Table 22 below. This includes expenditure relating to the Track and Trace grant of £1.140m received within Public Health.

4.9.2 Table 22: Summary of Covid-19 Pressures by Service

Service	Total Forecasted Covid-19 Pressure £m
Health, Education, Care and Safeguarding	13.699
Commissioning and Asset Management	4.781
Environment, Housing and Leisure	6.748
Regeneration and Economic Development	0.055
Corporate Strategy	0.072
Chief Executive's Office	0.000
Resources	0.186
Law and Governance	0.209
Public Health (Track and Trace)	1.140
Total Covid-19 pressures transferred to Central Items	26.890
Covid-19 Pressure within Central Items – bad debts	0.300
Covid-19 Pressure within Central Items – items normally recharged to General Fund from HRA	0.359
Allocation of Local Authority Support Grant and specific grants	(16.920)
Central Items Covid-19 Pressure	10.629

4.9.3 As reported in the May report, the total Local Support Grant received from Government to date was £12.531m of which £0.733m was required to offset Covid-19 issues in 2019/20. The remaining £11.798m has been carried forward into 2020/21. A further sum of £1.777m of Local Authority Support Grant was announced in July. In addition, amounts of £2.205m for Infection Control and £1.140m for Track and Trace are also available to offset some of the Covid-19 pressures identified. The total of grants available is therefore £16.920m and is being applied against the forecasted pressures leaving an amount of £10.629m over and above current grant funding. This compares favourably with a gap of £12.060m at May. This pressure is being partially offset by underspends within Central Items outlined in paragraph 4.9.5 below. Table 23 summarises the position within Central Items.

4.9.4 Table 23: Outturn Variation Central Budgets and Contingencies

	Budget £m	Forecast July £m	Variance July £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance May £m	Change in BAU since May £m
Corporate & Democratic Core	1.734	1.734	0.000	0.000	0.000	0.000	0.000
Other Central Items	15.006	(6.286)	(21.292)	(15.121)	(6.171)	(6.171)	0.000
Total Central Items	16.740	(4.552)	(21.292)	(15.121)	(6.171)	(6.171)	0.000

4.9.5 Within Other Central Items there are several budget areas which are partially offsetting the Covid-19 pressures. Continuing from 2019/20, there are contingency budgets totalling £4.558m including contingencies held for adult and children's social care of £4.416m. Continued savings have been identified in 2020/21 resulting from the application of the Authority's Treasury Management Strategy. There is a forecasted underspend of £1.314m due to interest savings resulting from higher than forecasted cash balances, reduced interest rates and Investment Plan reprogramming. In addition, reprogramming is also forecasted to deliver a credit against Minimum Revenue Provision of £0.279m.

SECTION 5 – THE COLLECTION FUND

- 5.1 This section has been added to the report due to the impact of Covid-19 on the Collection Fund. Whilst the impact is anticipated to be felt in 2020/21, the nature of the Collection Fund means it is important to consider the impact Covid-19 will have on future years with regards to budget setting in 2021/22 and medium-term financial planning.

Members will recall when the budget was set on 20 February 2020, the budgeted Council Tax for 2020/2021 was £114.558m, of which the retained share for the Authority is £100.886m. For Business Rates (NNDR) the net for 2020/2021 is £58.435m; following adjustment for the previous year's deficit position on NNDR, the budget retained share for the Council for 2020/21 is £27.955m. Business Rates income is supplemented by a top-up grant from Government of £20.505m, providing an anticipated combined budgeted income from Business Rates to the Council of £48.460m.

Council Tax

- 5.2 Cabinet are aware that the Council Tax Base is a key figure used in setting the budget and this is affected by the number of domestic properties in the borough, the level of collection rate expected and the number of households claiming Local Council Tax Support (LCTS). For the 2020/21 Budget, the Council Tax Base was agreed by Cabinet on 20 January 2020. This calculation is based on the number of domestic properties as at the end of November before considering the impact of future housing growth, collection rates and LCTS.
- 5.3 The Covid-19 pandemic has already begun to have a number of impacts on the Council Tax position, most notably through the levels of collection (a 0.88% reduction by June 2020 and 1.13% drop by July 2020) and increase in LCTS. Recovery action was restarted, although with a softer approach in August so this position is expected to improve. Table 24 below shows the position of the key statistics through the last seven financial years leading up the budget position set for 2020/21. The statistics show a strong record of growth in the borough combined with a strong collection performance. However, for July 2020, following the impact of Covid-19, the tax base figure is 61,623 which is lower than the budgeted figure of 61,870. The main cause of this has been the increase in the number of LCTS claimants (outlined in 5.4 below). Despite the net collectable debit being higher, increased pressures on collection and increasing LCTS claimants suggest less resources will be generated by the Authority.
- 5.4 Table 25 shows the number of LCTS claimants over a seven-year period. This shows a year on year reduction in the number of claimants in the borough prior to the impact of Covid-19. This impact is shown in the increase seen from the end of 2019/20 to the July position in 2020/21, where the Authority has had an additional 533 claimants, with further claimants expected. A reduced collection rate of 97.5% is now being assumed due to the increased financial difficulties Covid-19 may have had on residents.

Table 24: Council Tax – Performance through the years

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 Budget	2020/21 End July
No of Domestic Properties	95,059	95,563	96,243	96,752	97,698	98,626	99,558	99,407	99,671
Council Tax Base	53,034	55,400	56,424	56,948	58,202	59,048	60,167	61,870	61,623
Net Collectable Debit £m	81.404	82.842	84.868	89.961	97.737	104.048	110.511	114.558	113.846
In year Collection Rate %	96.5	96.4	96.6	96.5	96.2	95.4	95.0	n/a	n/a
Assumed Collection Rate %	98.5	98.5	98.5	98.5	98.5	98.5	98.5	98.5	n/a

Table 25: Local Council Tax Support Claimants

Financial Year	Working Age	Pensionable Age	Total Claimants
2013/14	11,551	10,656	22,207
2014/15	11,290	10,032	21,322
2015/16	10,937	9,435	20,372
2016/17	10,434	8,891	19,325
2017/18	10,289	8,435	18,724
2018/19	9,633	8,098	17,731
2019/20	9,372	7,800	17,172
2020/21 – End July	9,986	7,719	17,705

- 5.5 The impact of these factors on the Collection Fund position has the potential to push the Council Tax Collection Fund into deficit for 2020/21, which will have a direct impact on available resources for 2021/22.
- 5.6 The Authority has received £2.023m of discretionary funding from Government to support residents who are in financial hardship through Covid-19. This funding came with a clear instruction that Government expected local authorities to provide £150.00 additional Council Tax discount to working age claimants who were in receipt of LCTS. Some claimants did not have that amount of liability which meant that they had nothing to pay in 2020/21, once the discount was awarded. The hardship discount has been paid to 9,985 LCTS recipients at a cost to date of £1.487m.

The guidance from Government states that any new claimants that are awarded LCTS during 2020/21 should also be entitled to up to £150.00 in hardship support. The Authority is anticipating more claimants to come forward once the Government’s furlough scheme comes to an end and there is a potential for job losses if firms either cease trading or reduce staff.

Forecasts at this stage suggest that approximately £0.400m of the grant may be left after all the hardship payments are allocated as the Authority’s Recovery Group workstream on Welfare Support is currently looking at criteria and processes for utilisation of the remaining hardship funding.

Business Rates

- 5.7 Significant changes have been made by Government to Business Rates in response to the Covid-19 pandemic, in an effort to help support businesses during the crisis. One such measure was the introduction of a grant aimed at supporting businesses in the retail, hospitality and leisure sectors, small businesses in receipt of small business rate relief and other organisations such as community associations and sporting clubs during the pandemic. Using records held in the Northgate system, initial estimates were that 3,014 business premises would be eligible to apply for this grant at a cost of £34.270m. At the end of July 2020, the Authority had made payments to 2,756 (91.44%) of the eligible businesses, totalling £31.760m. Payments have continued to be made during August and as at 14 August 2020, payments totalling £32.065m had been made to 2,782 (92.30%) eligible businesses.
- 5.8 Two further discretionary reliefs were introduced, as a response to Covid-19, for Retail Discount and Nursery Discount. At the end of July 2020, these reliefs totalled £27.782m and £0.219m respectively for North Tyneside.
- 5.9 The implications of these reliefs are that the Authority’s net rateable value is reduced, resulting in lower income than budgeted for being generated through Business Rates. Government is compensating Authorities for this through additional Section 31 grants. Section 31 grants are received into the General Fund whereas business rates income retained would be received into the Collection Fund. These extra reliefs will impact the Collection Fund, leaving a greater deficit than expected but a greater S31 surplus will be achieved in the General Fund. The forecasted position for S31 is shown in table 26 below.

Table 26: Section 31 grants in 2020/21

	Budget £m	July Forecast £m	Difference £m
S31 Grant	(4.900)	(17.537)	(12.637)

- 5.10 Other considerations, resulting from the impact of Covid-19, are not only the ability for businesses to recover and continue to operate in the borough but whether demand for premises will change as businesses adjust to increase levels of home working. With large business parks in the borough, such as Cobalt, Quorum and

Balliol this is a particular concern for North Tyneside. Whilst it is very difficult currently to forecast the implications on the Rates payable by the impacts on business across the borough for illustrative purposes at this early stage a 10% reduction to the overall nets rate payable has been assumed. A further consideration will be the impact of collection rates which have fallen towards the end of 19/20 and into 20/21.

5.11 **Table 27: Rateable Value and Net Rates Payable by Business Type**

Type	Current Rateable Value £m	Nets Rate Payable (100%) £m	Nets Rates Payable (90%) £m
Shop/Retail	61.012	1.453	1.308
Offices	30.716	12.494	11.245
Industrial	33.107	13.306	11.975
Hospitality	1.721	0.012	0.011
Club/Community/Sports	3.660	0.942	0.847
Others	19.694	6.508	5.857
Total	149.910	34.715	31.243

5.12 **Table 28: Business Rates Collection Rates**

Financial Year	Collection Rate (%)
2014/15	97.99
2015/16	98.50
2016/17	97.76
2017/18	98.90
2018/19	99.70
2019/20	97.60
2020/21 (assumed)	97.83

5.13 The overall implications are that the Collection fund could move into significant deficit for 21/22, some of which will be met by the S31 grant for the reliefs issued in 20/21 and is illustrated in Table 29 below.

Table 29: Summary position for Business Rates

	Difference £m
Additional S31 Grant (table 26)	(12.637)
North Tyneside Projected Deficit	15.328
Additional Deficit	2.691

SECTION 6 - SCHOOLS FINANCE

Schools Monitoring

6.1 Update on School Budgets 2020/21 to 2022/23

6.2 Schools are normally required to submit their rolling three-year budget plan to the Authority by 31 May each year. Due to the impact of Covid-19, the Council exercised discretion to move this deadline to mid-June, allowing schools to provide initial budget plans before making any allowances for falling rolls, headroom or growth funding (as held within the DSG). Table 30 below shows the current three-year impact of the schools' budgets by phase.

6.3 Table 30: School three-year budget plan summary by phase

PHASE	ACTUAL OUTTURN 2019/20 £m	BUDGET PLAN 2020/21 OUTTURN £m	BUDGET PLAN 2021/22 OUTTURN £m	BUDGET PLAN 2022/23 OUTTURN £m
Nursery/ Primary	(4.371)	(2.999)	(3.117)	(2.269)
Middle / High	5.113	9.422	11.563	14.659
Special / PRU	(0.907)	0.266	3.702	7.831
TOTAL	(0.165)	6.689	12.148	20.221

6.4 The initial planned deficit for school balances is budgeted to rise from a £6.689m deficit in 2020/21 to £20.221m in 2022/23. The schools finance team are continuing to work with schools to refine these budget positions and will also be supporting schools' applications for de-delegated funding held centrally to cover schools experiencing falling rolls, requiring a headroom allocation to help bring them out of deficit sooner or schools experiencing growth in rolls where there is a lag in funding. These applications will be considered by a sub-group of Schools Forum and these allocations will be reported back to Cabinet as they are agreed.

School Deficits

6.5 Some individual schools continue to face significant financial challenges. There are twelve schools with a current deficit budget plan for 2020/21. These break down into seven schools with continuing deficits (including two deemed to be in structural deficit) and five schools with a new deficit in 2020/21. An initial deficit review session has been held with each school during May and June 2020, with challenge sessions commencing in July 2020. Before any adjustments identified during the upcoming challenge sessions and the allocation of falling rolls and headroom funding, the total balances of these deficit schools are expected to total £12.597m with individual school deficit values shown in Table 31 below.

6.6 **Table 31: Schools in an expected deficit position 2020/21**

School	Deficit Budget 2019/20 £m	Outturn 2019/20 £m	Deficit Budget 2020/21 £m	Status
Beacon Hill	(0.211)	0.149	(0.699)	In Deficit
Fordley Community	(0.019)	(0.055)		Out of Deficit
Forest Hall Primary	(0.025)	0.001	(0.014)	In Deficit
Holystone Primary	(0.023)	(0.051)	(0.032)	In Deficit
Ivy Road Primary	(0.357)	(0.257)	(0.300)	In Deficit
Longbenton High	(2.195)	(2.092)	(2.610)	In Deficit
Marden High	(0.603)	(0.459)	(0.468)	In Deficit
Monkseaton High	(4.492)	(4.310)	(5.165)	Structural Deficit
Norham High	(2.057)	(2.198)	(3.193)	Structural Deficit
St Aidan's RC Primary	(0.025)	0.001		Out of Deficit
St Bartholomew's C of E	(0.033)	0.004		Out of Deficit
Benton Dene Primary			(0.016)	New Deficit
St Mary's North Shields			(0.033)	New Deficit
Marden Bridge Middle			(0.067)	New Deficit
TOTAL	(10.040)	(9.267)	(12.597)	

6.7 Further work continues with special schools to look at appropriate levels of funding for the needs of their current cohort of pupils. A review of High Needs provision in North Tyneside is also being undertaken and the outcome of this review will be reported to Cabinet in due course.

6.8 As in previous years, the details of schools' balances will be reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. This return is co-ordinated by the Authority and would normally be submitted by the deadline of July (to coincide with the end of term). Due to the pressures on schools dealing with Covid-19, the revised deadline for completing this return is 25 September 2020. Concerns have been raised nationally with the DfE as many schools will have difficulties meeting this deadline as schools are planning to either close or be on reduced setting from July to September.

6.9 The next in-year monitoring for schools takes place in October and November and will be reported in the November report. This will be the first monitoring report which will give an indication of the pressures schools are experiencing in relation to Covid-19.

Covid-19 Impact on Schools

6.10 Schools across North Tyneside have identified approximately £0.797m of additional costs due to the impact of Covid-19 for March to July. In April, the DfE issued advice that they would be looking to support costs in schools, especially around additional cleaning, keeping schools open outside normal hours and costs

of providing meals. Schools forecasted that costs in these categories would be approximately £0.148m of the £0.797m total impact, with £0.460m due to lost income out of school clubs and other community-led services. DfE have now issued guidelines that significantly reduce the costs that will be covered, leaving schools with a potential £0.650m pressure over the budgeted pressures in 2020/21.

Early Years Block

- 6.11 The Early Years block outturn for 2019/20 was a surplus of £0.432m. Initial indications for 2020/21 show that services can be delivered within the budget available.

Covid-19 Impact on Early Years

- 6.12 The worst-case forecasted impact on funding for Early Years settings was initially estimated to be £0.300m. This was to assist settings that were open to cover costs of supporting children from closed settings, assuming most children would still be attending settings. In practice, open Early Years settings are only applying for additional funding where they are taking in children over their normal numbers (which is mainly impacting on child-minding services rather than nurseries). Due to this managed approach the additional impact on funding is expected to be less than £0.020m.

High Needs Block

- 6.13 Cabinet will recall that the High Needs block reported an expected in-year pressure of £1.943m, a cumulative pressure of £6.485m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund.
- 6.14 The forecast for the High Needs Block is now an anticipated in-year pressure of £2.470m reflecting a further rise in demand for special school places within the Authority. This will give a £7.012m cumulative balance at the end of the year. A breakdown of the revised in-year pressure is shown in Table 32 below:

6.15 Table 32: Breakdown of High Needs Pressures at July 2020

Provision	Budget £m	Variance July £m	Comment	Variance May £m
Special schools and PRU	13.000	1.627	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	1.217
ARPs/Top ups	4.005	0.507	Pressures in pre 16 top ups e.g. Norham ARP, Melrose ARP	0.497
Out of Borough	2.165	0.301	Increased number of children placed outside North Tyneside Schools	0.227
Commissioned services	3.957	0.035		0.002
Subtotal	23.127	2.470		1.943
2019/20 Balance		4.542		4.542
Subtotal	23.127	7.012		6.485

Autumn Term School Finance Plan

6.16 The Authority is continuing to work with schools and the Schools Forum to review the modelling of the conversion of the Authority's Local Funding Formula towards the National Funding Formula. In addition Schools Forum have been asked to consider the introduction of a Growth Fund Policy to support schools with increasing pupil numbers due to bulge classes or increases in pupil published admission numbers (PAN) as approved by the Authority. The process will continue in line with the key milestones outlined in Table 33 below:

6.9 **Table 33: Process to Agree the Schools Allocation Formula and Growth Policy for 2020/21**

	Detail	Timescales
1	Review of the current Local Funding Formula (LFF)	Complete
2	Scenario modelling for potential LFF changes for 2021/22	Complete
3	Draft Growth Fund Policy to Schools Forum	8 September 2020
4	Liaise with Schools Forum Finance Sub Group <ul style="list-style-type: none"> • LFF recommendations for consultation • Agree Growth Fund Policy • Schools in Financial Difficulty eligibility criteria review 	September 2020
5	Schools Forum to receive recommendations in relation to LFF, Growth Fund Policy and Schools in Financial Difficulty Policy	1 October 2020
6	LFF Consultation	5 October 2020 – 1 November 2020
7	Schools Forum – agree LFF recommendations to Cabinet	8 November 2020
8	Delegated decision for LFF – Cabinet	January 2021
9	The Authority submits individual school allocations based on the agreed formula to the DfE	January 2021

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 34 below is based on the results to July 2020. Currently the HRA is forecasting a saving against budget of £1.314m before the impact of identified HRA Covid-19 costs and a £0.602m pressure after including Covid-19 costs. Throughout the year costs will be monitored closely across all areas, but with additional focus on Rent Arrears and the related impact on the bad debt provision, rental income, Council Tax voids and staffing vacancies, which could lead to further improvements in the forecast position.

7.2 Table 34: Forecast Variance Housing Revenue Account

	Budget £m	Current Forecast £m	Current Variance £m	Last cabinet report £m
HRA Management Costs	10.227	10.076	(0.151)	(0.159)
HRA Repairs	12.247	11.534	(0.713)	(0.966)
HRA Other Costs	40.415	40.415	0.000	0.000
HRA - Rental Income	(60.299)	(60.749)	(0.450)	0.000
Total before Covid-19 pressures	2.590	1.276	(1.314)	(1.125)
HRA Covid-19 pressures	0.000	1.916	1.916	1.729
Total after HRA Covid-19 pressures	2.590	3.192	0.602	0.604

7.3 The £1.916m Covid-19 costs for HRA mainly relate to unproductive workforce costs resulting from restrictions during lockdown, but also include costs from lost rental income due to properties not being available to let and the costs of PPE. In addition, HRA services have identified costs relating to the general fund. The increase in Covid-19 pressures since the May report is mainly due to an increase in the bad debt provision of £0.150m.

7.4 **Table 35: Forecast Impact of Covid-19 on HRA for 2020/21**

Service Area	Covid Cost Impact July £m	Covid Income Impact July £m	Total Covid Impact July £m	Total Covid Impact May £m	Description
HRA – PPE	0.085	0.000	0.085	0.095	HRA PPE and Staff involved in procuring, receiving, packaging and delivering PPE for the entire authority being acquired as a direct result of the Covid-19 Pandemic - HPC Stores staff, Procurement staff and staff driving vans for delivery.
HRA - Other	0.022	0.145	0.167	0.069	Losses from increased numbers of empty homes and matched properties that cannot be let (Rent and Council tax)
HRA – Workforce	1.514	0.000	1.514	1.565	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
HRA – Other	0.150	0.000	0.150	0.000	Increased requirement for Bad Debt Provision as a result of increased arrears
Total	1.771	0.145	1.916	1.729	

7.5 Rental income is currently performing ahead of target. Dwellings rent figures are forecasted to perform ahead of budget (£0.200m) due to an improvement in the empty homes position across both general needs and sheltered accommodation; Service charge income is currently forecasted to also perform ahead of budget (£0.050m) due to the improved income in Sheltered Accommodation resulting from the lower than forecast empty homes position. There was a slight rise in the number of empty homes early in the period due to the suspension of works resulting from Covid-19 restrictions, but these works have now recommenced, and

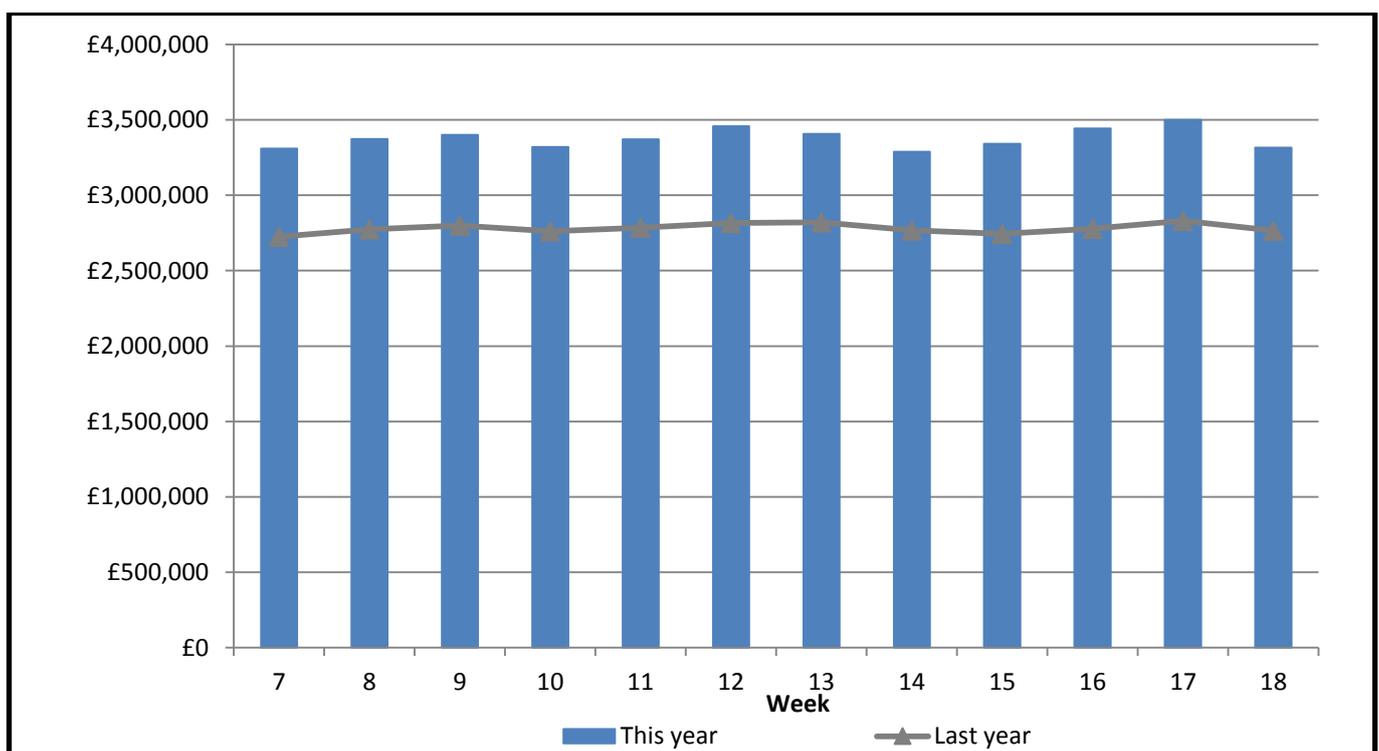
work is being accelerated. Therefore, the current rental forecasts could continue to improve as the year progresses. However, some of this improved position has been offset by the continuing impact of Universal Credit, coupled with Covid-19 which has resulted in a forecasted increase in the Bad Debt Provision of £0.150m above budget. There has also been an increased Council Tax void costs (£0.022m) due to the initial rise in empty properties along with the budgeted empty property assumptions for the remainder of 2020/21. All of these will continue to be closely monitored throughout the year.

7.6 It is anticipated that savings in management costs will be realised due to delays in recruitment to several vacancies as a result of the Covid-19 pandemic. The recruitment to these vacancies could result in further savings if posts are recruited internally within the HRA. There are also forecasted savings, once Covid-19 costs have been removed, within Repairs. This represents the impact of Covid-19 and the fact that most areas of the in-house construction service were stood down during the initial months of 2020/21 and as a result, have not been incurring costs for materials.

Rent Arrears

7.7 The impact of rent arrears has risen in the first two months of 2020/21 as compared to 2019/20. Chart 7 below shows the value of rent arrears in 2020/21 compared to the same period in 2019/20. A team is working proactively with tenants to minimise arrears, and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. For the past two years there has been a pressure on the bad debt provision (the prior 15 years had seen no such pressure), which was mainly in relation to changes caused by Universal Credit.

7.8 **Chart 7: Rent Arrears in Weeks 7-18 (May-July) 2020/21 compared to 2019/20**

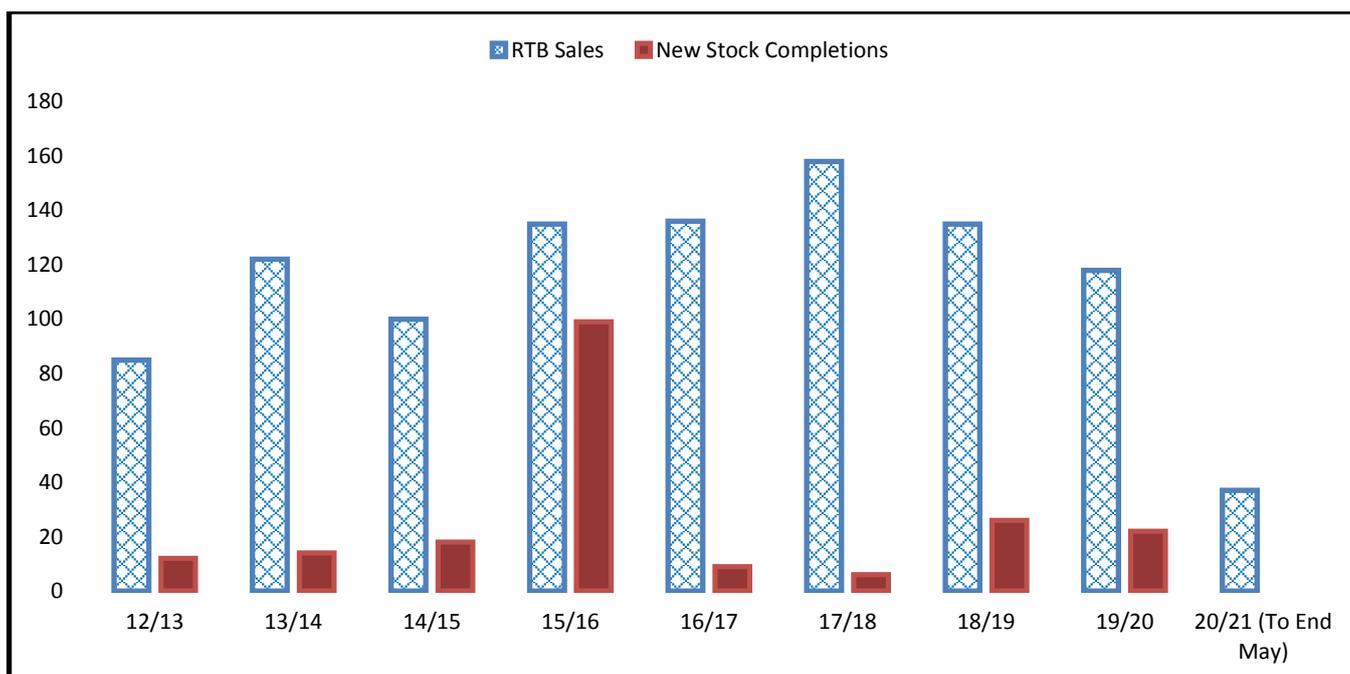


7.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 30 March 2020, there were 3,417 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.033m. At 10 August 2020 there were 3,913 tenants on Universal Credit (increase of 496 tenants) with related arrears of £2.245m (increase of £0.212m).

Right to Buy (RTB) Trends

7.10 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 8 below shows the trend in RTB sales since that time.

7.11 Chart 8: Trend in Right to Buy Sales



SECTION 8 - INVESTMENT PLAN

Review of Investment Plan - Position Statement

8.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. Officers will continue to plan the delivery of those key projects included within the 2020/21 Investment Plan and regularly review the impact of Covid-19. The variations shown in paragraphs 8.8 through to 8.10 below include the expected impact of Covid-19 on the delivery and financing of the Investment Plan at this stage. This position is being regularly reviewed and any further changes will continue to be reported through the budget monitoring process.

Some of the key highlights of the Investment Plan due to be delivered during 2020/21 are summarised below:

Affordable Homes New Build and Conversion Works

8.2 There are currently 3 affordable home projects that will progress during 2020/21, these include:

- The construction of 3 new affordable homes at Edwin Grove, Howdon;
- The construction of 12 new affordable homes on the former site of the Cedars, North Shields;
- The construction of 9 new affordable homes on the former site of Bawtry Court, Battlehill; and,
- In addition to the above projects that will be complete in year there will be a number of other schemes progressed through the design, planning and procurement process during 2020/21 that will subsequently complete in future financial years.

Housing Investment Work

8.3 The Housing Capital delivery programme will see the following works delivered across the borough during 2020/21:

- Kitchens and bathrooms to 541 homes;
- Heating upgrades to 600 homes;
- Electrical upgrades to 50 homes;
- Boundary improvements to 1,035 homes;
- Roof replacements to 334 homes;
- External Brickwork Repairs to 245 homes;
- External refurbishment works to 9 non-traditional homes;
- Damp Proof Course restoration works to 18 homes;
- Footpath repairs throughout the borough; and,
- Fire door replacement to 344 flats within communal blocks.

Education Investment Works

8.4 Delivery of the priority condition related projects across the school estate as part of the Schools Condition Investment Programme.

Asset Investment works

- 8.5 Delivery of the priority condition related projects across the asset property estate as part of the Asset Condition Investment Programme.

Highways and Infrastructure Works

- 8.6 The main Highways & Infrastructure works include:
- Delivery of the LTP, including the annual resurfacing programme and integrated transport projects. Larger projects will include the construction phase of the Pier Road stabilisation scheme and the demolition of Borough Road Bridge;
 - Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities; and,
 - Construction of the Southern Promenade sea wall scheme.

Regeneration Works

- 8.7 Regeneration Works for 2020/21 include:
- Swans – the next phase consists of:
 - CFI Phase 2 – completion of works; and,
 - Sale of the Swans site.
 - North Shields – a grant from Historic England for the North Shields Heritage Action Zone scheme for Northumberland Square and Howard Street. The scheme will have a total project value of £1.900m. The consultation draft masterplan was approved by Cabinet on 3 August 2020. Engagement will take place late summer/autumn 2020.

Variations to the 2020-2025 Investment Plan

- 8.8 Variations of £2.872m to the Investment Plan and net reverse reprogramming of £1.576m have been identified and are included in tables 36 and 37 below. Further details are provided in paragraph 8.9:

8.8.1 **Table 36: 2020 - 2025 Investment Plan changes identified**

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
Approved Investment Plan – Council 3 February 2020	67.307	50.773	41.303	84.937	244.320
Previously Approved Reprogramming/Variations					
2019/20 Monitoring	8.866	4.000	0.000	0.000	12.866
2019/20 Outturn	6.751	0.000	0.000	0.000	6.751
August 20 Cabinet	(8.828)	12.089	0.738	0.272	4.271
Approved Investment Plan	74.096	66.862	42.041	85.209	268.208
Jun/Jul 20 Monitoring Variations					
Variations	1.123	1.665	0.028	0.056	2.872
Reprogramming	1.576	(1.576)	0.000	0.000	0.000
Total Variations	2.699	0.089	0.028	0.056	2.872
Revised Investment Plan	76.795	66.951	42.069	85.265	271.080

8.9 Details of the variations and reprogramming are shown below:

- (a) **CO083 Whitley Bay Crematoria £1.175m reprogramming** – The project has been pushed back due to the Covid-19 pandemic and the potential implications this may have for decommissioning the cremators. The cremator replacement programme is now expected to be completed in 2021/22;
- (b) **DV064 Council Property Investment £0.060m** – Due to the impact of Covid-19 there has been some delay bringing forward pipeline sites including Backworth and Tynemouth Library resulting in reprogramming of £0.060m to 2021/22 to reflect the expected start on site;
- (c) **DV066 Investment in North Tyneside Trading Company £1.074m** – Covid-19 has delayed the purchasing of sites from the Authority and the commencement of associated development works. This has resulted in reprogramming of £1.074m;
- (d) **DV067 Northern Promenade £0.684m** – Proposals for phase 1 improvements have been submitted to the Investment Project Board. They include upgrading and modernising the Rendezvous café external area, including re-modelling the public toilets and re-surfacing the car park and the promenade around the Rendezvous area. The expected cost of the project is £1.024m. There is already £0.340m budget set aside, this variation is to transfer £0.350m from the Ambition for North Tyneside fund and to add in Section 106 funding £0.334m that has been identified towards this scheme;
- (e) **DV073 Ambition for North Tyneside £2.158m credit** – This variation is to reflect the transfer of £0.350m funding to support the Northern Promenade project and the transfer of £1.808m for the North Shields Housing Action Zone to its own project code;

- (f) **DV075 Town & Neighbourhood Centres £0.101m** – The authority has been awarded £0.184m of ERDF funding of which £0.101m is to be used for capital purposes. This funding is to allow local authorities to put in place additional measures to establish a safe trading environment for businesses and customers in our high streets and Neighbourhood shopping areas;
- (g) **ED132 Schools Capital Allocation £1.637m** – Central Government recently announced an additional £560m for repairs and upgrades to school buildings, on top of funding already allocated this year. This has been allocated through school condition allocations and the Condition Improvement Fund and is to help the recovery from the pandemic. North Tyneside’s allocation is £1.637m. It is unlikely that the additional grant will be spent in 2020/21 as any works during term time would cause significant disruption to our schools, so the grant has been allocated to 2021/22 to allow to identify and finalise the priority projects;
- (h) **EV034 Local Transport Plan £0.494m** – Section 106 developer funding £0.354m was obtained from two residential developments in the Newcastle City Council area near the boundary with North Tyneside. This is to be used to improve the Coach Lane junction by introducing a signalized junction. Also, £0.140m (£0.028m per annum) has been added to reflected funding from Nexus for public transport improvements;
- (i) **EV095 Emergency Active Travel Tranche £0.306m** – The Department for Transport (DfT) announced a £250m Covid-19 Emergency Active Travel Fund (EATF) which seeks to respond to the Covid-19 pandemic and associated reduction in public transport capacity, and support businesses in the recovery period, by providing measures which can be installed quickly to create a safer environment for cycling and walking. The EATF Tranche 1 measures in North Tyneside were implemented by 1 July 2020 and their effectiveness is being kept under review. These include the introduction of a two-way cycle track alongside one-way general traffic flow along the seafront between Tynemouth and Whitley Bay; reserving streets for cycling and walking only at Park View in Whitley Bay, the Fish Quay in North Shields and High Street West in Wallsend; and making extra pedestrian space to support social distancing on Front Street in Tynemouth; and,
- (j) **HS015 Refurbishment / Decent Homes Improvements £3.885m reverse reprogramming** – As part of the Housing and Construction Recovery Workstream the Authority has reviewed its Housing Capital Plan to assess what is able to be delivered prior to the end of the financial year. This includes a range of work that has been brought forward (accelerated) from next year’s plan and will be delivered this year to help meet expenditure targets and deliver improvements earlier than expected to some of our homes. Therefore, it is necessary to reverse previously reported reprogramming to finance the improvements.

8.10 The impact of the changes detailed above on capital financing is shown in table 37 below.

8.10.1 Table 37: Impact of variations on Capital financing

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
Approved Investment Plan	74.096	66.862	42.041	85.209	268.208
Council Contribution	(2.309)	2.309	0.000	0.000	0.000
Grants and Contributions	1.123	1.665	0.028	0.056	2.872
HRA Capital Receipts	0.298	(0.298)	0.000	0.000	0.000
HRA Revenue Contribution	3.587	(3.587)	0.000	0.000	0.000
Total Financing Variations	2.699	0.089	0.028	0.056	2.872
Revised Investment Plan	76.795	66.951	42.069	85.265	271.080

Capital Receipts – General Fund

8.11 General Fund Capital Receipts brought forward at 1 April 2020 were £1.773m. The capital receipts requirement for 2020/21, approved by Council on 3 February 2020, was £0.423m (2020-25 £1.100m). To date, £0.524m capital receipts have been received in 2020/21, of which £0.356m will be used to repay capital loans. The receipts position is shown in table 38 below.

8.11.1 Table 38: Capital Receipt Requirement – General Fund

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	2020-25 Total £m
Requirement reported to February 2020 Council	0.423	0.423	0.254	0.000	1.100
Receipts Brought Forward	(1.773)	(1.518)	(1.095)	(0.841)	(1.773)
Total Receipts received 2020/21	(0.524)	0.000	0.000	0.000	(0.524)
Receipts used to repay capital loans	0.356	0.000	0.000	0.000	0.356
Net Useable Receipts	(0.168)	0.000	0.000	0.000	(0.168)
Surplus Receipts	(1.518)	(1.095)	(0.841)	(0.841)	(0.841)

Capital receipts – Housing Revenue Account

8.12 Housing Capital Receipts brought forward at 1 April 2020 were £8.313m. The housing receipts are committed against projects included in the 2020-2025 Investment Plan. The approved Capital Receipt requirement for 2020/21 was £3.117m. This, together with the reprogramming and variations reported to Cabinet, gives a revised requirement of £0.727m. To date, receipts of £1.714m have been received in 2020/21 of which £0.469m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £8.831m to be carried forward to fund future years.

8.12.1 Table 39: Capital Receipt Requirement - Housing Revenue Account

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	2020-25 £m
Requirement reported to February 2020 Council	3.117	3.329	2.970	6.990	16.406
Reprogramming 2019/20 Outturn	0.167	0.000	0.000	0.000	0.167
Reprogramming 2020/21	(1.702)	1.702	0.000	0.000	0.000
Variation 2020/21	(0.855)	(0.855)	(0.855)	0.000	(2.565)
Revised Requirement	0.727	4.176	2.115	6.990	14.008
Receipts Brought Forward	(8.313)	(8.831)	(4.655)	(2.540)	(8.313)
Receipts Received 2020/21	(1.714)	0.000	0.000	0.000	(1.714)
Receipts Pooled Central Government	0.469	0.000	0.000	0.000	0.469
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	(8.831)	(4.655)	(2.540)	4.450	4.450

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2020/21.

Investment Plan Monitoring Position to 31 July 2020

8.13 Actual expenditure for 2020/21 in the General Ledger was £5.154m; 6.71% of the total revised Investment Plan at 31 July 2020. This is after adjusting for £0.237m of accruals relating to 2019/20 expenditure.

8.13.1 Table 40: Total Investment Plan Budget & Expenditure to 31 July 2020

	2020/21 Revised Investment Plan £m	Actual Spend to 31 July 2020 £m	Spend as % of revised Investment Plan %
General Fund	51.568	4.743	9.20%
Housing	25.227	0.411	1.63%
TOTAL	76.795	5.154	6.71%

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION

Current Cash Position

9.1 As at month end the Authority had £5.000m invested on an instant access basis with Lloyds Bank and with £53.000m invested externally with other UK Local Authorities. There was no investment with the DMO over month end due to the low balances.

9.2 Table 41: Investment Position as at 31/07/2020

Counterparty	Type	Amount (£m)	Maturity
Barclays Bank	Current	2.200	n/a
DMO	Term	0.000	n/a
Lloyds Bank	Call	5.000	Call
Inter – LA	Fixed	53.000	25 January 2021*

**This is the last maturity of this tranche.*

9.3 Short-term cash investment rates are amongst all-time lows and an opportunity has been taken to maximise investment returns by investing longer and locking in investment returns by undertaking forward dated transactions. As a result, the Authority has locked in £0.153m in interest income to be received by year end.

9.4 The approach of maintaining low cash balances has been part of the strategy for a number of years and has generated substantial savings year on year. The government's Debt Management Office (DMO) and other deposit investment rates are currently paying 0.01%, taking into account CHAPS transfers fees and principal invested, it can cost the Authority to invest surplus cash. Therefore, the Authority is investing longer to reduce transactional costs as well as maximise returns. The temporary borrowing market is currently very liquid with significant cash available at very low rates. A summary of rates available is shown in table 42 below. PWLB rates also continue to remain low due to low Gilt yields, which they are tracked against.

9.5 Table 42: Summary of Borrowing Levels

Temporary Market		PWLB	
Tenor	Level	Tenor	Level
1 week	0.01%	2 years	1.92%
1 month	0.01%	5 years	1.87%
3 months	0.03%	10 years	2.11%
6 months	0.15%	20 years	2.60%
9 months	0.35%	30 years	2.64%
12 months	0.30%	50 years	2.49%

9.6 Any shortfalls in cashflow are covered by in year temporary borrowing, which is a quick and cost-effective method of cash management in the current environment.

Borrowing Position

9.7 Table 43 shows the Authority's current debt position, with total borrowing maturing in 2020/21 of £64.470m.

Table 43: Current Debt Position

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	398.443	20.000	68.610	487.053
Debt Maturing 2020/21	1.000	10.000	53.470	64.470

**£10.000m LOBO has a call date in 2020/21 and subject to agreement between the Authority and the lender, the LOBO can be repaid. It is unlikely that the lender will call due to the current spread on interest rates vs Bank of England base rate.*

Covid-19 Impact on Cash

9.8 The impact of Covid-19 on cashflow for the Authority has resulted in several large grants being front loaded to the Authority. In March 2020, the Authority drew down £25.000m of PWLB to bolster the Authority's cash position, de-risk our borrowing requirement and take advantage of historically low levels in PWLB, and by doing so has contributed to the surplus cash balance. Whilst a proportion of this is currently invested out for a fixed term, the Authority is currently carrying a cash surplus balance. However, it is anticipated this surplus will unwind as Covid-19 restrictions are reduced. Projected reduced revenue streams, increased costs and repayment of outstanding debt is forecast to utilise cash balances within the year. It is therefore prudent to assume the Authority will be in a deficit cash position to the amount of the projected budget pressure.

The Authority is under-borrowed to the value of £57.655m as at 31 March 2020, and whilst the Authority cannot borrow to fund this revenue pressure, it can look to utilise reserves, unwind its under-borrowed position and externalise borrowing.