Cabinet – 30 November 2020

2020/21 Financial Management Report Annex

INDEX

SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 This report is the third 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 third 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 considering the financial impacts of the pandemic and revising its financial modelling accordingly with the latest central government guidance and expects 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 £5.142m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.8 below sets out the variation summary across the General Fund. Included in Table 1 is a forecasted movement to reserves, based on current estimates, of £12.719m relating to additional Section 31 (S31) payments the

Authority will receive from Government to compensate for the losses that will be incurred from the additional Retail and Nursey Relief's introduced by Government in their response to the Covid-19 pandemic. The result of these additional reliefs is to cause an increased deficit position in the Authority's Collection Fund position which will need to be met from the additional S31 payments in 2021/22. Further details can be found in both Section 5 of this Annex as well as 4.9 of Section 4.

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 £25.703m to the General Fund in 2020/21. The total Local Authority Support Grant received from Government to date is (£14.308m) of which £0.733m was required to offset Covid-19 issues in 2019/20. A fourth tranche of funding has been announced and the share for North Tyneside Council is (£2.061m). With that included the remaining (£15.636m) is being applied against the forecasted pressures along with three specific grants for costs linked to Test and Trace (£1.140m), Infection Control (£2.205m) and Sales, Fees and Charges (£2.463m) leaving an amount of £4.259m over and above current grant funding. Therefore, the pressures relating to normal business activities across the Authority are currently in the region of £0.883m and compare favourably with this stage of recent financial years.

1.4 On 2 July 2020 the Government announced support will be provided in relation to pressures on sales, fees and charges. The Authority submitted its first claim covering the period 1 April 2020 – 31 July 2020 in September to the value of £2.463m. No confirmation relating to this claim has been received from Government, but this is built into the position reported.

1.5 The Authority has also received and/or been notified of other sources of government funding related to Covid-19 since the last report. Further details of these can be found in section 3 of this annex. The main items relate to a second tranche of Infection Control Grant and further Test, Track and Trace funding intended to support the local effort in tracing, compliance and enforcement activities to stop the spread of Covid-19 within the borough. Plans for the utilisation of these funds are being finalised and as such these grants are not included in the figures as at the end of September 2020. The Cabinet Member for Finance and Resources will be kept up to date with the impact of the grant funding and an update will be provided to Cabinet in the next report in January.

1.6 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.

1.7 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.

1.8 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 30 September 2020

Services	Budget	Forecast Sept	Variance Sept	Variance July	Variance Change since July		Of which - Covid-19	Of which - Business as Usual	Business as Usual July Variance	Business as Usual Change since July
	£m	£m	£m	£m	£m		£m	£m	£m	£m
Health, Education, Care and Safeguarding	70.163	87.962	17.799	19.422	(1.623)		11.725	6.074	5.723	0.351
Commissioning and Asset Management	7.053	11.270	4.217	5.182	(0.965)		3.830	0.387	0.401	(0.014)
Environment, Housing and Leisure	42.696	50.543	7.847	6.811	1.036		7.871	(0.024)	0.063	(0.087)
Regeneration and Economic Development	1.352	1.616	0.264	0.271	(0.007)		0.055	0.209	0.216	(0.007)
Corporate Strategy	0.632	0.822	0.190	0.204	(0.014)		0.093	0.097	0.132	(0.035)
Chief Executive's Office	(0.090)	(0.165)	(0.075)	(0.053)	(0.022)		0.000	(0.075)	(0.053)	(0.022)
Resources	2.781	4.062	1.281	0.416	0.865		1.052	0.229	0.230	(0.001)
Law and Governance	0.053	0.541	0.488	0.449	0.039		0.237	0.251	0.240	0.011
Central Items	16.708	(22.880)	(39.588)	(21.292)	(18.296)		(20.604)	(18.984)	(6.171)	(12.813)
Support Services	20.013	20.013	0.000	0.000	0.000		0.000	0.000	0.000	0.000
Authority Sub Total	**161.361**	**153.784**	**(7.577)**	**11.410**	**(18.987)**		**4.259**	**(11.836)**	**0.781**	**(12.617)**
Section 31 – Transfer to Reserves	0.000	12.719	12.719	0.000	12.719		0.000	12.719	0.000	12.719
Total Authority	**161.361**	**166.503**	**5.142**	**11.410**	**(6.268)**		**4.259**	**0.883**	**0.781**	**0.102**

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 £1.471m 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 £3.622m.

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 September 2020**

Service	2020/21 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
HECS	3.069	0.356	0.000	2.713
Commissioning & Asset Management	0.249	0.230	0.000	0.019
Environment Housing & Leisure	0.125	0.125	0.000	0.000
Central Items	0.179	0.179	0.000	0.000
TOTAL	**3.622**	**0.890**	**0.000**	**2.732**

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 £2.713m, with £0.621m of savings identified relating to Sector Led Improvement income, public health contracts, school improvement and family gateway and the reversal of the one-year only Troubled Families saving (£0.265m) being built into the base budget and therefore achieved. This target to achieve consists of £0.978m of savings reported in 2019/20 as being met in-year through management actions but still requiring a permanent solution and £1.735m of savings identified for delivery in 2020/21. These savings targets relate to a number of areas;

- Increasing income £0.775m
- Service delivery changes £1.888m
- Staffing £0.050m

2.8 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, shared care or continuing healthcare (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 as previously planned due to Covid-19 restrictions. The pressure 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.

2.9 Whilst the project delivery figure of £0.890m is an improvement from £0.524m reported to Cabinet in September 2020, there is still a large balance to be achieved. Finance Officers continue to attend 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. Further details on the delivery of these savings can be found in the Quarter 2 Efficiency Programme Report that was presented to Overview, Scrutiny and Policy Development Committee on 9 November 2020 and has been included as a background paper to this report.

Commissioning and Asset Management

2.10 Within Commissioning and Asset Management, the only savings targets forecast to be partially met relates to the target for increase in school meals fees of £0.082m of which £0.011m (reduced from £0.033m in July) 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 £0.008m (£0.033m in July) 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 since the previous report at July until the publishing date for this report.

Table 4: Grants Received or Notified since the July Monitoring Report

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Health Education Care & Safeguarding	Education and Skills Funding Agency	KS 2 moderation and KS 1 Phonics Funding	To fund statutory duties for teacher assessment and monitoring of the phonics screening test	0.011
Health Education Care & Safeguarding	Home Office	Leaving Care	Support for young care leavers	0.025
Health Education Care & Safeguarding	Department for Education	Looked After Children Mental Health Assessment Pilot	Piloting a new mental health assessment framework for looked after children entering care	0.040
Health Education Care & Safeguarding	National Foundation of Youth Music	Standing Upright Project	Delivery of a youth music programme in North Tyneside	0.015
Health Education Care & Safeguarding	Department for Education	Extension of the role of Virtual School Head to certain previously looked after children	To support authorities to meet their duty to appoint a Virtual School Head for previously looked after children and make information and advice available	0.054
Environment Housing and Leisure	North of Tyne Combined Authority	Next Steps Accommodation	To support reduction of homelessness during Covid-19	0.048
Environment Housing and Leisure	Historic England	Street Through Time	Supporting recovering of historic high streets	0.009

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Environment Housing and Leisure	Without Walls Ltd	Without Walls	Supporting outdoor arts	0.010
Regeneration and Economic Development	European Regional Development Fund	Reopening High Streets Safely Fund	To support local authorities to develop an action plan for the reopening of local economies	0.184
Central Items	Ministry of Housing Communities and Local Government	Local Authority Compliance and Enforcement Grant	To support the Local Authority with any activity which will support compliance and enforcement of measures to prevent the spread of Covid-19	0.108
Central Items	Department of Health and Social Care	Local Authority Test and Trace - Containment	To support the Authority with any activity which will support containment to control the spread of Covid-19 (to be managed at a regional level)	0.416
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Programme Costs	Individuals are entitled to Test and Trace Support Payments of £500. This is to support people on low incomes who are unable to work from home if they are told to self isolate by NHS Test and Trace	0.090

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Discretionary Payments	Individuals are entitled to Test and Trace discretionary support payments. This is to support people on low incomes who are unable to work from home if they are told to self isolate by NHS Test and Trace	0.054
Central Items	Department of Health and Social Care	Test and Trace Support Payments – Administration Costs	To support administration costs associated with Test and Trace support payments.	0.033
Central Items	Department for Education	Mental Health in School	To support the Wellbeing for Education Return project supporting psychological recovery for the return to full time education post lockdown	0.027
Central Items	Department for Transport	Travel Demand Management	To support the Authority with travel demand management activities linked to Covid-19 regulations	0.020
Central Items	Department for Education	Covid-19 Schools Fund 1	To support schools facing additional costs of Covid-19	0.084
Central Items	Department for Education	Covid-19 Schools Fund 2	To support schools facing additional costs of Covid-19	0.108

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department for Education	Schools catch up premium	To provide assistance to the Authority for maintained schools and pupils placed in independent special settings in the form of Coronavirus catch-up premium	0.514
Central Items	Ministry of Housing Communities and Local Government	Covid-19 Local Authority Support Grant	To support the Authority in funding the financial impact of Covid-19	2.061
Central Items	Department of Health and Social Care	Infection Control Grant Round 2	To provide support to care homes and other providers to fund the cost of controlling Covid-19 infection	2.207
Health Education Care and Safeguarding	Education and Skills Funding Agency	Teachers Pay Grant	Paid across to schools to support teachers' pay costs	1.071
Health Education Care and Safeguarding	Education and Skills Funding Agency	Teachers Pensions Employer Contributions Grant	Paid across to schools to support teachers' pensions costs	3.229
Health Education Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	To support the Authority to monitor performance of maintained schools and broker school improvement provision	0.168
Health Education Care and Safeguarding	Education and Skills Funding Agency	Primary PE and Sports Premium Grant	Paid across to schools to support and develop PE and sport	1.128
Total				**11.714**

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. A challenge session for quarter one has taken place and further sessions are planned for the remainder of the year 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 £6.074m at September which is an increase of £0.351m compared to the forecast variance of £5.723m reported in July. The increased variance relates mainly to additional care costs for children partially offset by reductions in care package costs for adults. This position is after adjusting for a total of £11.725m of Covid-19 related cost and income pressures which are now shown within Central Items. In July, a total of £13.699m of Covid-19 related cost pressures were forecasted. The reduced Covid-19 cost forecast relates mainly to a reduced forecast for the net cost of adult social care clients returning to the Authority from the pooled fund arrangement put in place for hospital discharges partially resulting from the new arrangements announced by the Government which came into force from 1 September 2020 which allow up to six weeks of care costs to be charged to an extended pooled fund arrangement. 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 £0.862m. 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 Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Mainly Wellbeing & Assessment	0.000	0.110	0.110	0.388	Lost client contributions

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Mainly Wellbeing & Assessment	0.494	0.000	0.494	2.110	Net care package costs of clients returning to the LA after NHS Covid discharge funding ends
Mainly Wellbeing & Assessment	5.403	0.000	5.403	5.533	Supporting the care market (including Infection Control Grant payments)
Mainly Integrated Services	0.346	0.000	0.346	0.691	Additional staff costs, supplies and services incl. PPE
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	**7.543**	**0.110**	**7.653**	**10.022**	
Employment & Skills	0.026	0.035	0.061	0.062	Lost course fee income and equipment costs
School Improvement	0.000	0.666	0.666	0.873	Lost income from the Langdale Centre, High Borrans and school development work
Mainly Corporate Parenting & Placements	1.233	0.000	1.233	1.238	Increased costs for children in care
Integrated Disability and Additional Needs	0.000	0.051	0.051	0.051	Lost SLA income for summer term
Across the Service	1.413	0.000	1.413	1.413	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adoptions	0.051	0.000	0.051	0.040	Costs relating to adoptions
Children's Total	**2.723**	**0.752**	**3.475**	**3.677**	
Public Health	0.597	0.000	0.597	0.000	Measures to prevent infection and promote compliance with local and national restrictions
Total	**10.863**	**0.862**	**11.725**	**13.699**	

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 (whether they have tested positive for Covid-19 or not) and any increased costs of packages which prevented admissions to hospital have been charged into a new pooled fund of £1.300bn nationally with these costs met by contributions from the Government paid via the North Tyneside Clinical Commissioning Group (NTCCG). The end date for these arrangements, as published on 25 August 2020, was 31 August 2020. At this date there were 332 clients with services commenced under these arrangements who needed to be assessed to establish their ongoing needs. The costs for clients requiring ongoing support will, after assessment, return to the Authority and these clients will also be subject to a financial assessment to establish any contribution for the costs of their care. Clients with high level needs would be assessed against the continuing healthcare framework. Ongoing costs to the Authority have been forecasted on the basis of 163 of the 332 clients who had been assessed by the end of September. This identified a cost of £0.060m per week for the remainder of the financial year. This forecast will be revised as the remainder of this cohort of clients is assessed. Client contributions for these clients have been forecasted at the average rate of all clients currently receiving services.

4.2.5 When the Government announced the ending of the first phase of funding arrangements relating to hospital discharges, they announced a second phase which was implemented from 1 September 2020. Under these arrangements, residents discharged from hospital who require social care services are entitled to up to six weeks of free care where the costs of these services are charged into a pooled fund to be met by contributions from the Government claimed via the NTCCG. These clients are reassessed during this six-week period once their ongoing needs have settled and can be more clearly identified. At the point of reassessment and the establishment of a longer-term service, the responsibility for the costs of the services returns to the Authority and the client is financially assessed to establish any client contributions. This second phase of funding arrangements is planned to be in place until 31 March 2021. During September, the first month of operation of these arrangements, 47 clients were discharged from hospital. Forecasts based on these initial clients indicated that £0.367m of recharges to the CCG are anticipated.

4.2.6 The net impact of the changes in these schemes has resulted in a reduction of the forecasted costs under Covid-19 arrangement to £0.494m from £2.110m. This includes the additional CCG recharges under the phase two arrangements, forecasted client contributions relating to the phase one clients and additional CCG income from the phase one arrangements.

4.2.7 The forecasted costs of supporting the care market is estimated to be £5.403m 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 £0.346m of which £0.255m 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.

4.2.8 Lost income across the service has also been identified as an impact of Covid-19 disruption. This relates to client contributions (£0.110m) 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 suspended services are re-started albeit at reduced capacity. A loss of income within School Improvement of £0.666m 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 in addition to SLA income within Integrated Disability and Additional Needs of £0.051m relating to Educational Psychology.

4.2.9 A total of £1.233m 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.

4.2.10 An amount of £0.597m has been included in Public Health relating to a range of measures designed to prevent the spread of Covid-19 including additional Environmental Health capacity, Communications capacity and costs relating to the establishment and maintenance of Local Support Hubs. These costs are met by the Track and Trace Grant.

4.2.11 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 4.2.13 to 4.2.42.

4.2.12 **Table 6: Forecast Variation for HECS at September 2020**

	Budget £m	**Forecast Sept £m**	**Variance Sept £m**	**Of which- Covid-19 related £m**	**Of which- Business as Usual £m**	**Business as Usual Variance July £m**	**Business as Usual Change Since July £m**
Corporate Parenting & Placements	16.680	23.023	6.343	1.863	4.480	3.929	0.551
RHELAC Service	0.004	0.004	0.000	0.000	0.000	0.000	0.000

	Budget £m	Forecast Sept £m	Variance Sept £m	Of which- Covid-19 related £m	Of which- Business as Usual £m	Business as Usual Variance July £m	Business as Usual Change Since July £m
Child Protection, Independent Assurance and Review	0.673	0.708	0.035	0.000	0.035	0.015	0.020
Early Help & Vulnerable Families	1.039	1.021	(0.018)	0.121	(0.139)	(0.079)	(0.060)
Employment & Skills	0.549	0.544	(0.005)	0.061	(0.066)	(0.047)	(0.019)
Integrated Disability & Additional Needs Service	2.272	3.995	1.723	0.713	1.010	1.060	(0.050)
School Improvement	0.056	0.687	0.631	0.666	(0.035)	(0.079)	0.044
Regional Adoption Agency	(0.010)	0.042	0.052	0.051	0.001	0.000	0.001
Children's Services Sub-total	**21.263**	**30.024**	**8.761**	**3.475**	**5.286**	**4.799**	**0.487**
Wellbeing, Governance & Transformation	2.271	2.321	0.050	0.000	0.050	0.058	(0.008)
Disability & Mental Health	31.850	33.061	1.211	1.543	(0.332)	(0.345)	0.013
Wellbeing & Assessment	11.820	19.005	7.185	5.752	1.433	1.866	(0.433)
Integrated Services	2.568	2.347	(0.221)	0.108	(0.329)	(0.648)	0.319
Business Assurance	0.293	0.509	0.216	0.250	(0.034)	(0.007)	(0.027)
Adult Services Sub-total	**48.802**	**57.243**	**8.441**	**7.653**	**0.788**	**0.924**	**(0.136)**
Public Health	0.098	0.695	0.597	0.597	0.000	0.000	0.000
Total HECS	**70.163**	**87.962**	**17.799**	**11.725**	**6.074**	**5.723**	**0.351**

Main budget pressures across HECS

4.2.13 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.

4.2.14 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 and are reported as 303 at September (see chart 3 in 4.2.31 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

4.2.15 In Adult Services, there is a forecasted pressure of £0.788m which represents a £0.136m improvement on the July budget position.

4.2.16 There are on-going pressures in third party payments for care provision which is £3.261m above budget levels. There are also smaller pressures relating to premises costs, £0.165m and supplies and services, £0.136m. These are partially offset by increased client contributions and contributions from the NHS (£2.393m). There is an underspend against transport budgets of (£0.156m) and within staffing budgets of (£0.225m). The demand pressures were foreseen by Cabinet and a £1.800m contingency base budget was set up, which is currently held centrally.

4.2.17 Pressures within external payments for care provision total £3.261m 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	Sept £m	July £m
Residential and Nursing Care	1.772	2.750
Homecare and Extra Care	1.943	1.493
Other Community-Based Care	(0.454)	(0.664)
Total	**3.261**	**3.579**

Residential and Nursing Care

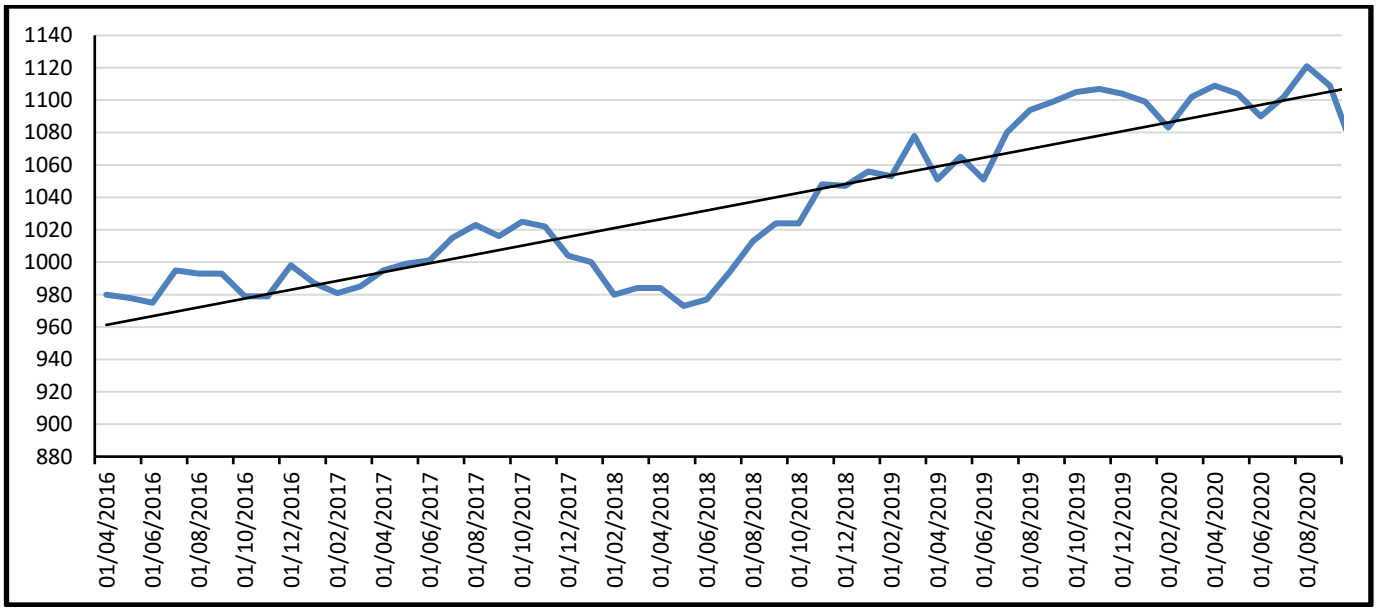
4.2.18 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term

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.

4.2.19 The Covid-19 pandemic initially had a significant impact on the numbers in residential and nursing care with a reduction due to a higher than normal level of deaths and a slower rate of new admissions to care however, numbers increased significantly in July to the level of 1,102 leading to an increased forecast in expenditure. There has however been a significant drop in August and September to 1,070. This reduction of 32 placements has significantly reduced the forecast pressure as shown in Table 7 above.

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

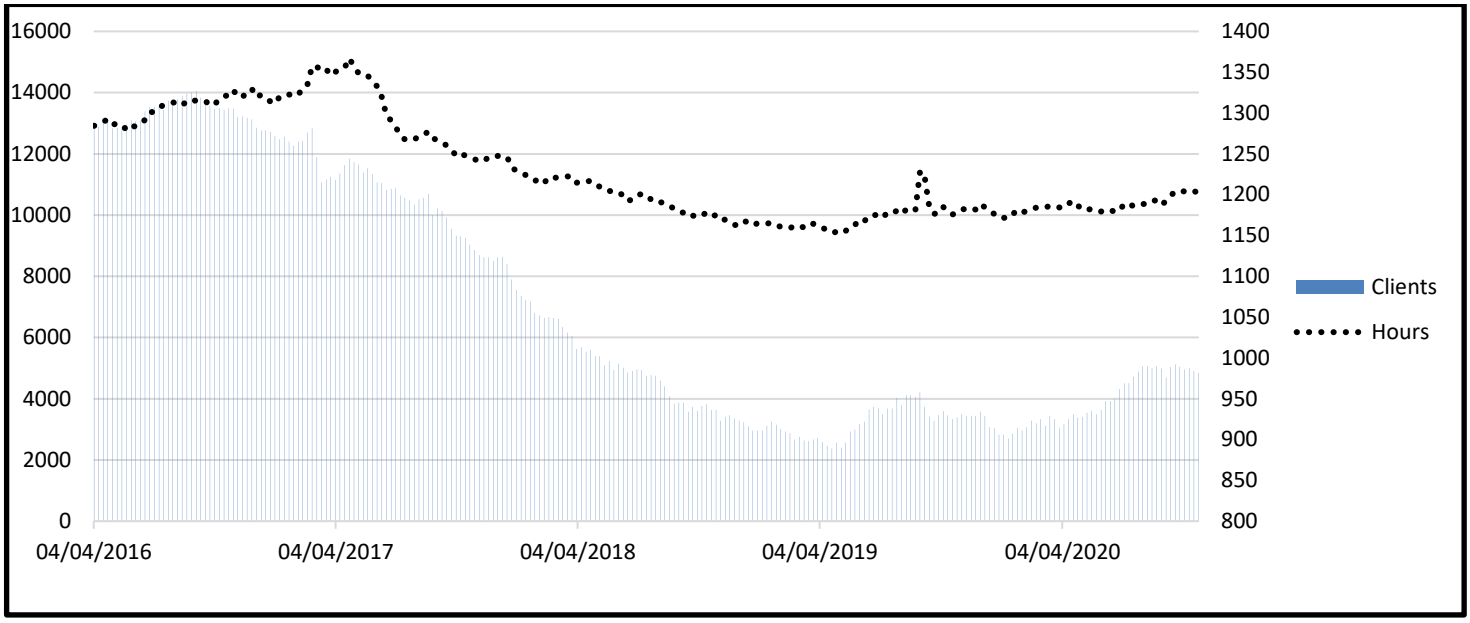
Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



Homecare and Extra Care

4.2.21 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. The upward trend in hours delivered has continued in August and September with a further increase of 442 hours per week leading to an increased pressure of £1.943m.

4.2.22 **Chart 2: Trends in Homecare/Extra Care Services**



4.2.23 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.

<u>Client Related Income</u>

4.2.24 There is a forecasted pressure in NTCCG contributions for shared care of £0.925m 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 £0.219m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £2.174m, partially offsetting the pressures within payments for externally provided care.

Premises

4.2.25 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

4.2.26 In Children's Services the £5.286m forecast position (up from £4.799m in July) relates mainly to demand pressures of £4.480m in Corporate Parenting and Placements and £1.010m 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 a contingency based budget of £2.616m was created, currently held centrally . This position excludes Covid-19 related pressures of £3.475m which have been transferred to Central Items.

Corporate Parenting and Placements

4.2.27 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 Sept £m	Variance July £m	Change Since July £m
Care provision – children in care	9.384	2.515	2.002	0.513
Care provision – other children	3.200	0.772	0.908	(0.136)
Management & Legal Fees	(0.053)	0.458	0.437	0.021
Social Work	4.105	0.730	0.577	0.153
Safeguarding Operations	0.044	0.005	0.005	0.000
Total	**16.680**	**4.480**	**3.929**	**0.551**

4.2.28 The forecast has been developed based on the children in care as at the end of September 2020. The number in care at the end of September was 303, a net decrease of 5 since the July report.

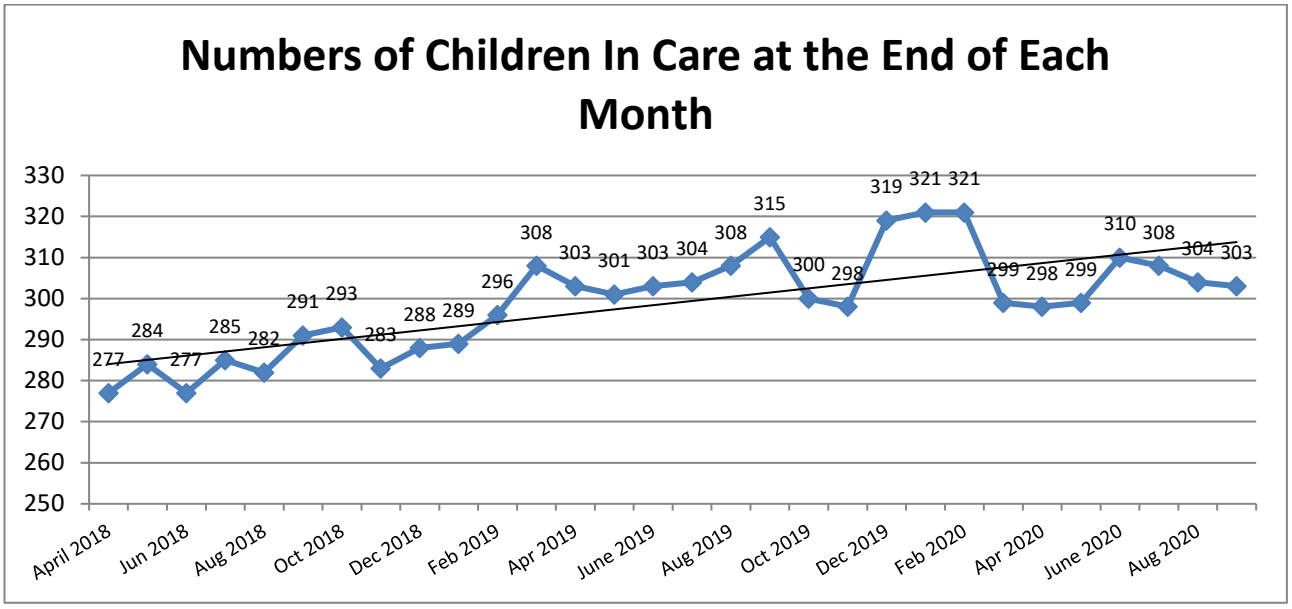
Care Provision – Children in Care

4.2.29 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.

4.2.30 Delays within the court system have eased slightly with 19 children leaving the care system in August and September however, there is concern about the potential continuing impact of Covid-19 on court processes. The Authority

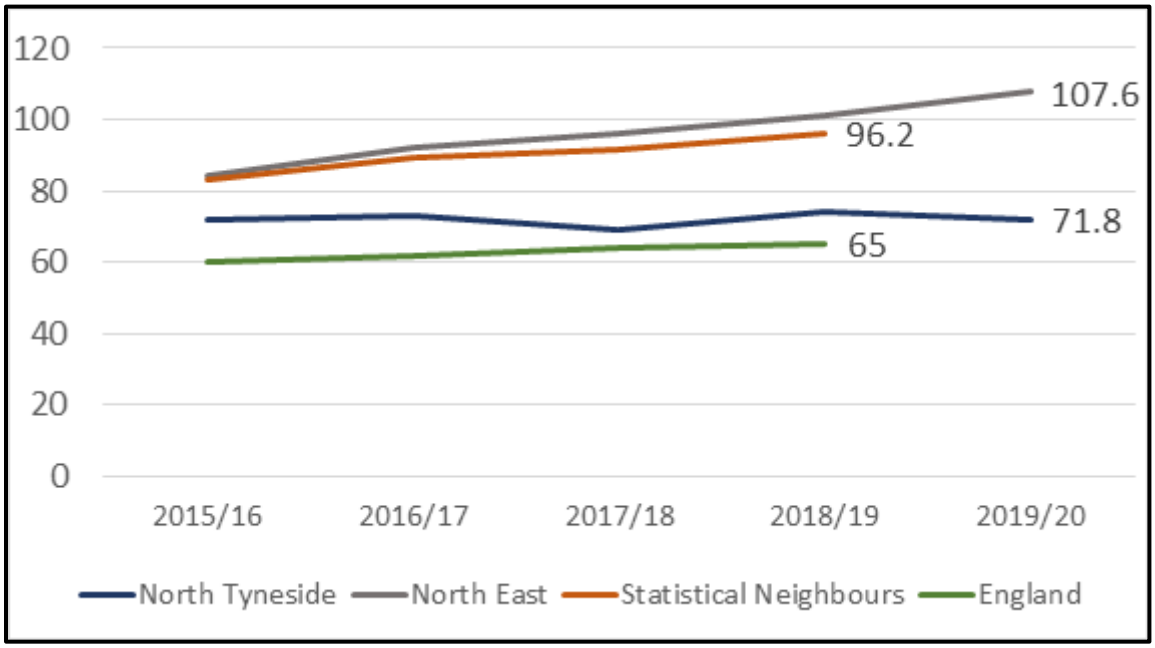
currently has 10 cases delayed either because the court cannot complete the hearings remotely or because Covid-19 has affected the availability of specialist assessments. The impact of this is that children are remaining in care for longer where otherwise an improved situation for them could have achieved in a shorter time frame. The financial impact is the ongoing cost of placements. The pattern of children entering and leaving care is shown in Chart 4 below.

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



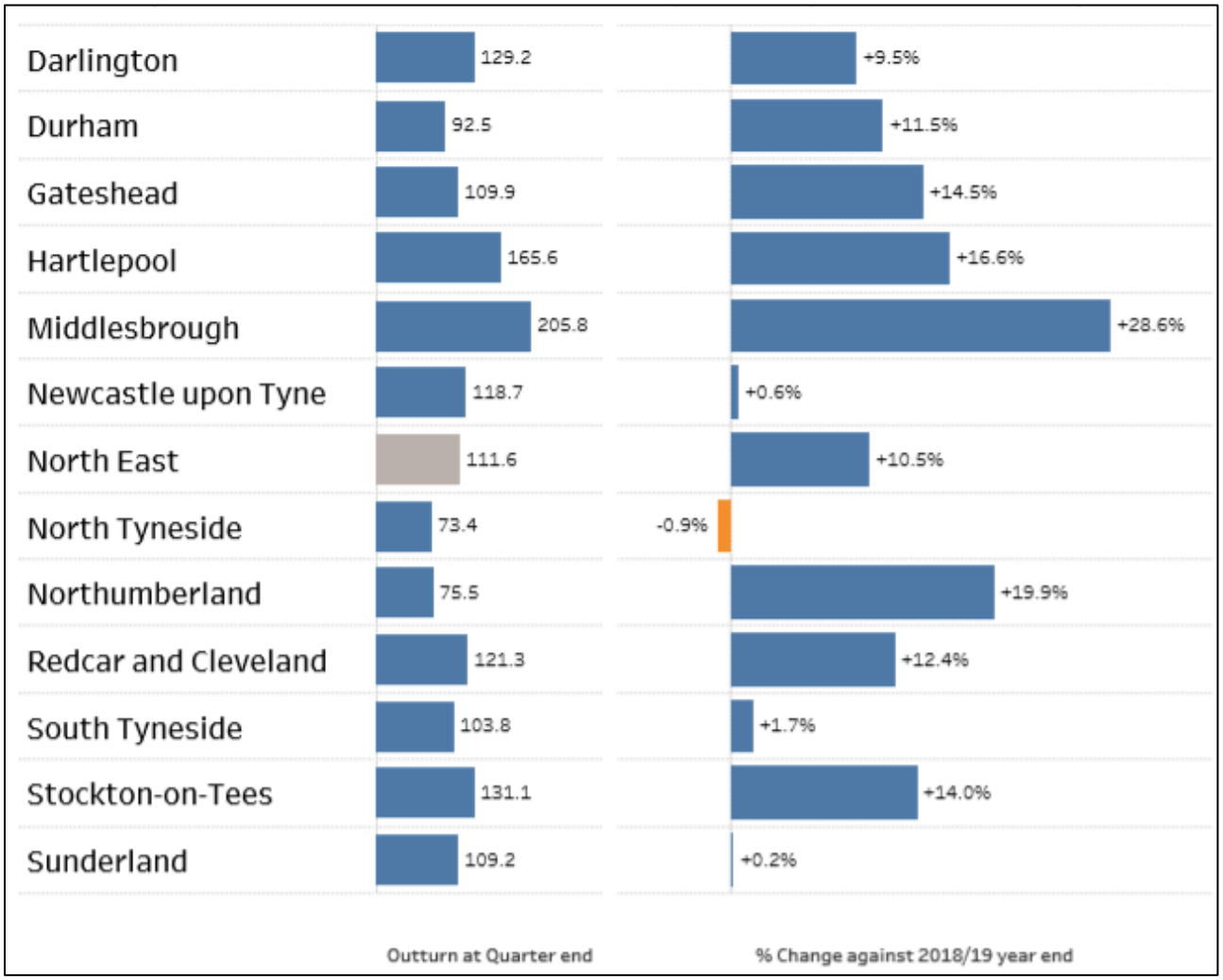
4.2.32 Despite regular changes in the number of children in care, the rate per 10,000 is stable when compared to national and regional averages. The most recent available national comparators from 2019/20, as demonstrated by Chart 4 below, shows that North Tyneside, although above the England average, has historically performed well within the North East region in relation to the rates of children in care.

4.2.33 **Chart 4: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



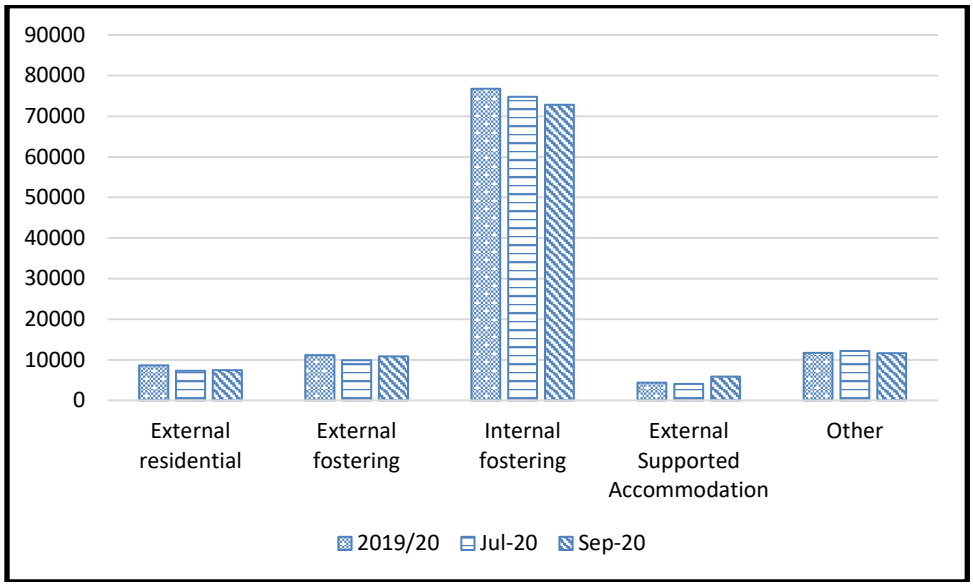
4.2.34 Placement mix in 2019/20 continued to change, moving towards the complex end of the spectrum which led to an increase in overall costs last financial year and this pattern is being sustained in 2020/21. The July forecast for the total number of care nights was 108,264 nights however, despite a reduction in the number of children in care at the end of the period, the total number of bed nights forecasted has increased slightly to 108,706 as a result of the movements of children in and out of care within August and September. This bed nights forecast continues to be a reduced forecast compared to 2019/20 levels of 112,622 and spend on children in care placements in 2020/21 is forecast to be reduced compared to 2019/20. This is in the context of long-term demand pressures on children's services in North Tyneside and nationally and whilst the impact of Covid-19 on children's social care has been felt mainly in terms of an increased number of children with a Child Protection Plan (CPP), numbers of children in care have remained stable, which is in contrast to the experience of many other local authorities who have seen sharp increases as indicated in Chart 5 below.

4.2.35 **Chart 5: Regional Breakdown of Rate of Children in Care per 10,000 showing rate change in Q1 of 2020/21**



4.2.36 Although there is an increase in the overall number of forecasted bed nights, the main reason behind the increase in forecast cost pressures is the reduction in bed night within less costly services notably in house fostering (reduced by 1,919 nights) and an increase in more costly service types principally external supported accommodation (increased by 1,806 nights). 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 economic effects of the Covid-19 crisis continues to impact on families. Details of the movement in forecasted bed days by type of service is shown at Table 9 and the movement in bed nights by service type is shown in Chart 6 below;

Chart 6: Changes in Bed Night by Service Type



4.2.37 Residential placements continue to be costly with a current average annual cost of £0.276m 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.

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

Placement Type	Sept Var £m	Average Annual cost £m	2020/21 Forecast Bed Nights Sept	2020/21 Forecast Bed Nights July	2019/20 Bed Nights	Placement Mix as at Sept	No. of children Sept 20	No. of children July 20
External Residential Care	0.700	0.276	7,449	7,311	8,649	7%	25	24
External Fostering	0.030	0.038	10,859	9,926	11,184	10%	28	26
In-House Fostering Service	0.442	0.023	72,845	74,764	76,731	67%	199	205
External Supported Accommodation	1.224	0.135	5,901	4,095	4,349	5%	20	19
Other*	0.119	various	11,652	12,168	11,709	11%	31	34
Total	**2.515**		**108,706**	**108,264**	**112,622**	**100%**	**303**	**308**

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

Care Provision – Children not in care

4.2.39 The pressure of £0.772m (July variance, £0.908m) 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 based budget of £2.616m established in 2018/19 was, in part, intended to mitigate against these costs. The reduction in forecast in this area relates mainly to leaving care services with reductions in staffing costs at Starting Point and reduced care leaver allowances.

Management and Legal Fees

4.2.40 This area has a forecast pressure of £0.458m (July, pressure of £0.437m). 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

4.2.41 Within the overall pressure of £3.929m for Corporate Parenting and Placements, there are staffing pressures of £0.730m, a rise of £0.153m from £0.577m in July. 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 enable manageable caseloads (£0.234m) and as a result of market supplement payments to support the recruitment and retention of social workers (£0.293m). There is also a pressure of £0.050m relating to apprentice posts. There are currently no agency staff in place however, a result of the increase in the number of children with a Child Protection Plan during Covid-19, caseloads for social workers have shown an increasingly high number which is above the national average although this is beginning to reduce. The movement is due to a higher forecast with the Multi Agency Safeguarding Hub and a reduction of £0.066m staff costs recharged into Covid-19 cost centres following a review of workloads.

Integrated Disability and Additional Needs (IDANS)

4.2.42 IDANS is forecasting a pressure of £1.010m which is a decrease of £0.050m from the July position of £1.060m. Pressures within IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs) leading to a pressure in short break spend of £0.403m. Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to 1,811 at September 2020. The movement in month primarily relates to reduced costs relating to transitions to adult services. There are also pressures relating to operational staffing costs within in-house residential services of £0.161m and associated unachieved health income target of £0.100m. There are also forecast staffing pressures of £0.363m 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 £0.051m 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 £0.387m (July, pressure of £0.401m) as set out in Table 11. This is after adjusting for forecast pressures of £3.830m 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 Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Catering	1.212	3.373	4.585	4.260	Lost school meals income and hospitality income and costs of providing additional free school meals services, costs of perishable stock disposal
Catering/Property	(1.986)	0.000	(1.986)	(0.861)	Savings in provisions and utilities 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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Other income	0.000	0.123	0.123	0.123	Lost income for parking charges at Quadrant, Procurement rebates and school absence penalty notices
Home to school Transport	0.345	0.000	0.345	0.225	Additional costs of transport under infection control
Volunteer Scheme	0.081	0.000	0.081	0.106	Supporting vulnerable residents by additional foodbank support for the full financial year
Property	0.300	0.000	0.300	0.400	Costs in relation to public buildings and worksites
Property Services	0.000	0.049	0.049	0.195	Potential rental income reductions
Total	**0.285**	**3.545**	**3.830**	**4.781**	

4.3.4 In relation to paid school meals, there is a forecasted income loss of £1.637m. This assumes a 100% loss of income for the period April to July 2020 dropping to a 36% loss from September to March. Remaining Catering income losses (£0.454m) relate to staff restaurants and civic catering which are forecasted as a total loss for the whole financial year as staff facilities remain closed. Non-fee-paying income loss (£1.263m) is forecast for the period April to July 2020. A pressure of £0.747m is forecasted for the costs of packed lunches over and above grant funding for free school meals as this form of provision is more costly than normal operations with further additional costs of £0.320m relating to disposable packaging and cutlery. 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 £1.705m. Savings of £0.023m in electricity costs have also been included.

4.3.5 Additional cost pressures of £0.333m for cleaning have been identified for the full financial year. These relate 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 to be £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 £0.345m in relation to Home to School Transport have been forecasted from September with a need to provide more single journeys to allow for social distancing in line with guidelines. Pupils within the same 'bubble' can travel together however modelling of required journeys indicates additional costs of £0.015m per week for 23 weeks.

4.3.8 Additional forecasted pressures in relation to Property relate to an amount of £0.300m identified as the forecasted cost of making all council buildings Covid-19 compliant. A further amount of £0.049m has been identified as lost rental income resulting from Covid-19 related closures.

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 July £m**	**Business as Usual Change since July £m**
School Funding & Statutory Staff Costs	4.690	4.637	(0.053)	0.000	(0.053)	(0.035)	(0.018)
Commissioning Service	0.359	0.339	(0.020)	0.000	(0.020)	(0.025)	0.005
Facilities & Fair Access	0.353	4.249	3.896	3.393	0.503	0.485	0.018
Community & Voluntary Sector Liaison	0.439	0.495	0.056	0.081	(0.025)	(0.024)	(0.001)
Strategic Property & Investment	1.727	2.009	0.282	0.300	(0.018)	0.000	(0.018)
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property	(0.645)	(0.619)	0.026	0.026	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.154	0.154	0.000	0.000	0.000	0.000	0.000

	Budget £m	Forecast July £m	Variance July £m	Of which – Covid-19 £m	Of which – Business as usual £m	Variance July £m	Business as Usual Change since July £m
Procurement	(0.024)	0.006	0.030	0.030	0.000	0.000	0.000
Total Commissioning & Asset Management	**7.053**	**11.270**	**4.217**	**3.830**	**0.387**	**0.401**	**(0.014)**

4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.503m (July, pressure of £0.485m) which are largely unchanged from the 2019/20 outturn. The pressures are across Catering and Cleaning (£0.150m) and Home to School Transport (£0.322m) 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. There has been an improvement of £0.024m since July due to reduced forecasts for non-staffing costs within the service. The Home to School Transport pressures relate to the increase in children with complex needs attending special schools and has increased by £0.042m since July. Demand pressures in High Needs is a known issue nationally and is also impacting on the High Needs budget within the Dedicated Schools Grant (see paragraphs 6.9 to 6.13 for more details). National supplier relief guidelines have been followed and transport contractors were 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 ongoing uncertainty resulting from Covid-19 related changes in the operation of schools.

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 will be limited by infection control measures.

4.3.13 C&AM contains the Property element of the Capita North Tyneside Technical Partnership. Whilst, the Partnership is projecting to deliver a balanced managed budget by year-end, it is currently working on proposals to manage pressures linked to the Property Business Cases of £1.039m.

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

4.4.1 EHL is forecasting a saving of £0.024m against the £42.696m budget, as set out in Table 13 below. This is an improved position since July's forecast outturn pressure of £0.063m. 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 initial closure then operation of a reduced service on reopening 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. These amounts 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 £1.123m is mainly due to revised estimates of income loss relating to sports centres and increased enforcement costs.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Sports & Leisure	0.005	4.845	4.850	4.449	Lost income due to Covid related closures. Reduced capacity of facilities when reopened. Additional use of casual workers and additional cleaning costs
Environmental Services	0.188	0.172	0.360	0.358	Additional costs and lost income from café closures Covid-19 signage Additional PPE costs and additional staffing Increased bereavement costs.
Waste Management	0.058	0.000	0.058	0.002	Suez Management Fees for health and safety marshalling costs Increased supply costs

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Cultural Services	0.172	0.227	0.399	0.365	Impact on Mouth of Tyne Festival (fees paid to acts, etc.) Impact on T&W Museums Lost income in libraries Loss of rental income in buildings
Planning and Development	0.000	0.129	0.129	0.130	Reduction in building control fees Reduction in planning applications
Environmental and Regulatory Services	0.057	0.169	0.226	0.054	Taxi licencing activities Enforcement Marshalls cost of additional regulatory equipment
Highways and Transport	0.000	1.810	1.810	1.351	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	0.005	Costs to counter increased anti-social behaviour
Total	**0.519**	**7.352**	**7.871**	**6.748**	

4.4.4 The impact of the Covid-19 pandemic on EHL is mainly in relation to lost income. £7.352m of the £7.871m 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 The largest increase in costs relates to Highways and Transport with revision of estimates relating to loss of car parking income and associated enforcement and in relation to lost income on engineers' fees, frontline charges, Streetworks and road

permitting. There are also additional costs associated with the introduction of Covid Marshalls.

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

	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU July £m	BAU Change Since July £m
Sport & Leisure	2.802	7.749	4.947	4.850	0.097	0.121	(0.024)
Cultural Services	6.802	7.382	0.580	0.399	0.181	0.176	0.005
Security & Community Safety	0.314	0.324	0.010	0.000	0.010	0.028	(0.018)
Fleet Management	1.087	1.077	(0.010)	0.000	(0.010)	(0.003)	(0.007)
Waste and Recycling Disposal	7.579	7.459	(0.120)	(0.006)	(0.114)	(0.097)	(0.017)
Waste Management	3.880	3.938	0.058	0.064	(0.006)	0.000	(0.006)
Local Environmental Services	7.210	7.432	0.222	0.360	(0.138)	(0.122)	(0.016)
Head of Service and Resilience	0.234	0.253	0.019	0.000	0.019	(0.002)	0.021
Street Lighting PFI	4.323	4.328	0.005	0.005	0.000	0.000	0.000
Consumer Protection & Building Control	1.006	1.212	0.206	0.226	(0.020)	(0.011)	(0.009)
Transport and Highways	6.405	8.196	1.791	1.810	(0.019)	(0.008)	(0.011)
Planning	0.257	0.381	0.124	0.129	(0.005)	0.000	(0.005)
General Fund Housing	0.797	0.812	0.015	0.034	(0.019)	(0.019)	0.000
Total	**42.696**	**50.543**	**7.847**	**7.871**	**(0.024)**	**0.063**	**(0.087)**

4.4.7 The movement since the last report is due to service leads managing costs down, including holding vacancy savings where possible.

4.4.8 The following paragraphs 4.4.9 to 4.4.25 outline the pressures in each service area;

<u>Sport and Leisure</u>

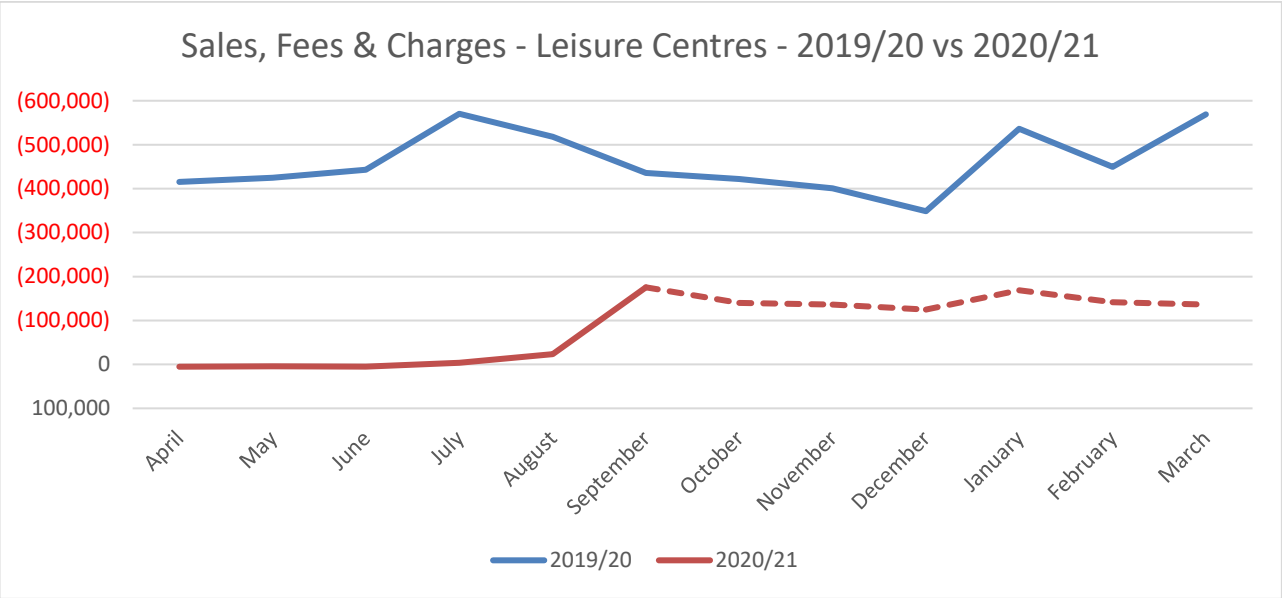
4.4.9 Sport and Leisure is predicting a reduced pressure of £0.097m, however this position is after a transfer to Central Items of £4.845m lost income and £0.068m

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 continues to be closely managed, with monthly updates of income across the multiple streams. Other budgeted costs have previously been reported as reduced or been offset by expected savings from being closed.

4.4.12 **Chart 7: Sales, Fees & Charges from Leisure Centres 2019/20 vs 2020/21**



Cultural Services

4.4.13 Cultural Services within North Tyneside are showing a forecast pressure of £0.181m, which is net of Covid-19 related forecast transfers of £0.399m.

4.4.14 Historical pressures around energy and rates have been partially mitigated in 2020/21 and some other historical pressures prudently remain forecast in relation to library income targets and operational costs. 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

4.4.15 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 and has reduced due to operational management of the area.

Fleet Management

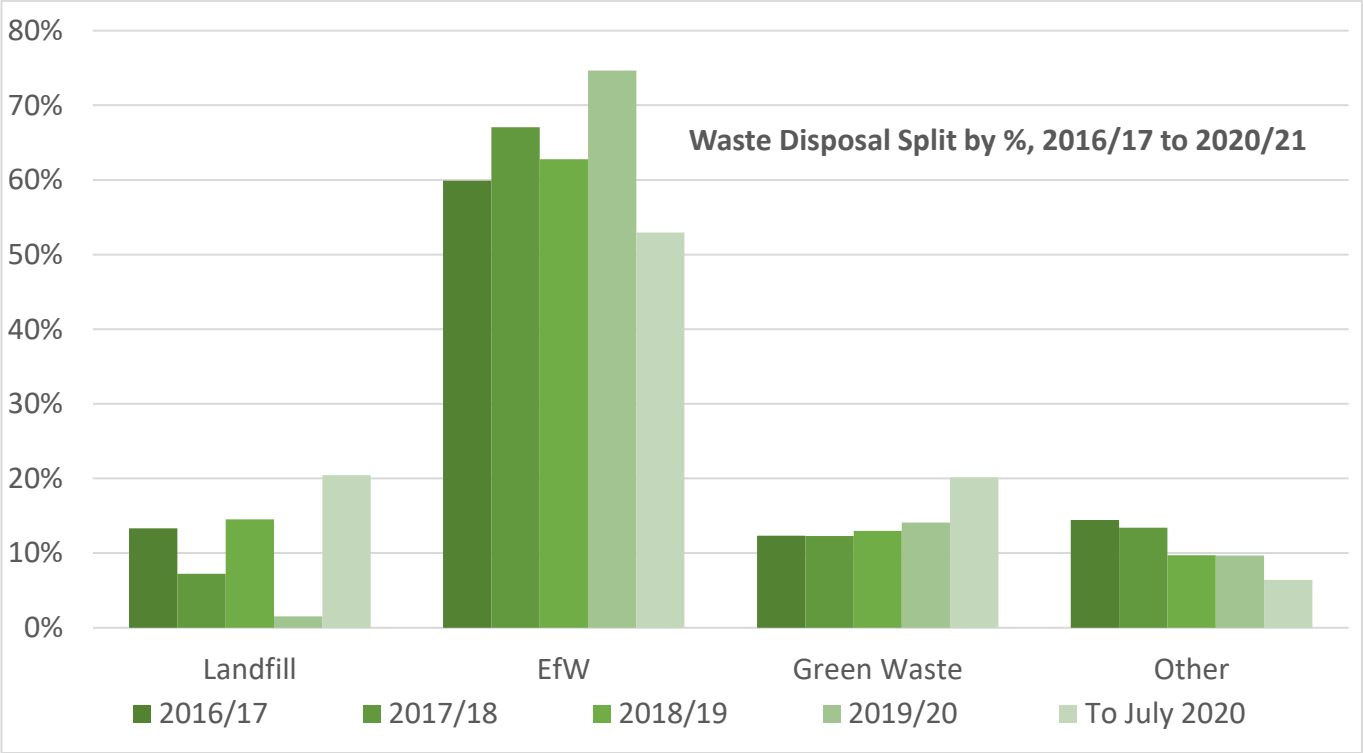
4.4.16 Fleet Management is now forecasting an improved saving of £0.010m, moving from the previously reported £0.003m saving. The service is assuming reduced maintenance costs and levels will continue to be reviewed.

Waste Management including Recycling and Disposal

4.4.17 Waste Management is showing an improved £0.120m saving, better by £0.023m since July and fully mitigating operational pressures of £0.011m. The saving is mainly due to vacancy savings in the waste strategy team. As reported in previous cabinet reports recruitment plans to re-energise the waste strategy work have been delayed. This saving has been reduced by additional third-party costs for the waste disposal contract project.

4.4.18 For 2020/21, Waste Management are continuing to review 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 7 below shows the mix of waste disposal between collected and household recycling centre, across types of disposal and finally costs of disposal, to August 2020. 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.

4.4.19 **Chart 8: Waste Disposal Volumes and Costs Comparison 2016/17 to 2020/21 (at August)**



Local Environmental Services

4.4.20 Local Environmental Services is predicting a saving of £0.138m, an improvement from the last report's forecast saving of £0.122m. The increase is due to increased savings from vacant posts not being filled as the service was not operating to full capacity during lockdown, adding to existing vacancy savings, a reduction in capital financing costs charged to revenue for the cremator replacement of £0.050m and an improved forecast on Bereavement income.

4.4.21 Local Environmental Services are transferring out the £0.360m 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

4.4.22 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

4.4.23 This area is predicting Covid-19 related costs of £0.226m, mainly for increased enforcement costs and the impact of taxi licencing. Transferring these costs centrally with leaves an expected small staffing saving of £0.020m.

Transport & Highways

4.4.24 This area is forecasting Covid-19 related lost income from car parks of £1.179m, which is based on complete closure to mid-July 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 £0.631m 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 £0.019m.

Technical Partnership

4.4.25 EHL contains the Engineering, Planning, Consumer Protection and Building Control element of the Capita North Tyneside Technical Partnership. This area of the partnership has been significantly impacted Covid-19, with £2.282m of pressures identified as a result of the pandemic primarily relating to car parking income losses. With these pressures allocated to the Covid-19 codes within Central Items, the partnership is managing business as usual pressures of £0.606m. However, as in previous years, the Partnership is working to manage the pressures and as such is projecting to deliver a balanced managed budget by year-end.

General Fund Housing

4.4.26 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 £0.209m at September 2020, an improvement of £0.007m since July, as shown in Table 15 below. This is after moving the expected Covid-19 impact of £0.055m (Table 14) 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 Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £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 Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
Business & Enterprise	0.734	0.733	(0.001)	0.000	(0.001)	0.023	(0.024)
Regeneration	0.421	0.639	0.218	0.055	0.163	0.140	0.023
Resources & Performance	0.197	0.244	0.047	0.000	0.047	0.053	(0.006)
Total	**1.352**	**1.616**	**0.264**	**0.055**	**0.209**	**0.216**	**(0.007)**

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 £0.097m as set out in Table 17 below, after transferring out Covid-19 related costs totalling £0.093m (Table 16).

The position reflects an improvement of £0.035m since the last Cabinet reported pressure of £0.132m.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Marketing	0.000	0.080	0.080	0.060	Marketing income lost
Marketing	0.013	0.000	0.013	0.011	Production of Covid-19 leaflets and guidance
Policy, Performance & Research	0.001	0.000	0.001	0.001	SMAP report
Total	**0.013**	**0.080**	**0.093**	**0.072**	

4.6.3 **Table 17: Forecast Variation Corporate Strategy**

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
Children's Participation & Advocacy	0.243	0.240	(0.003)	0.000	(0.003)	0.000	(0.003)
Corporate Strategy Management	0.000	0.108	0.108	0.000	0.108	0.107	0.001
Elected Mayor & Executive Support	0.013	0.019	0.006	0.000	0.006	0.007	(0.001)
Marketing	0.272	0.354	0.082	0.092	(0.010)	0.016	(0.026)
Policy Performance and Research	0.104	0.101	(0.003)	0.001	(0.004)	0.002	(0.006)
Total	**0.632**	**0.822**	**0.190**	**0.093**	**0.097**	**0.132**	**(0.035)**

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 operational expenditure and improved income forecasts.

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast pressure of £0.154m within Resources and Chief Executive Office, is after an adjustment of £1.052m for Covid-19 revenue costs (Table 18). In addition, the service has identified £0.200m of capital Covid-19 costs due to purchase of IT equipment. The service budget pressures, as set out in Table 19 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 Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Corporate ICT	0.003	0.000	0.003	0.003	Purchase of IT equipment
Corporate HR	0.005	0.000	0.005	0.005	Additional resource to support HR for Covid-19 issues
Corporate Finance (Benefits)	0.076	0.000	0.076	0.000	Additional costs of homelessness
Corporate Finance (Revenues)	0.000	0.968	0.968	0.178	Lost enforcement income due to courts being closed
Total	**0.084**	**0.968**	**1.052**	**0.186**	

4.7.3 **Table 19: Forecast Variation Resources**

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
ICT	2.825	3.019	0.194	0.003	0.191	0.192	(0.001)
Finance	(0.029)	0.959	0.988	1.044	(0.056)	(0.056)	(0.000)
HR & Organisational Development	(0.015)	0.084	0.099	0.005	0.094	0.094	0.000
Chief Executive	(0.090)	(0.165)	(0.075)	0.000	(0.075)	(0.053)	(0.022)
Total	**2.691**	**3.897**	**1.206**	**1.052**	**0.154**	**0.177**	**(0.023)**

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.

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 due to lost enforcement income of £1.044m 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 over budget 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 progress, 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. This position does not yet include any impact of the Health & Safety team returning to the control of the Authority.

4.7.7 The Chief Executive's office is showing a saving of £0.075m. The saving is due to an underspend on staffing (£0.023m) and reduced spend on supplies and services (£0.052m). The £0.023m improvement is mainly due to savings from the reduction in planned corporate events for the rest of the year.

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a net pressure of £0.251m, a movement of £0.011m since the July report. The pressure reported is after transfer of £0.357m identified Covid-19 costs and £0.120m 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 Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
Customer, Governance and Registration	0.000	0.170	0.170	0.110	Registrars – lost income due to reduction in numbers of weddings / civil ceremonies / citizenship ceremonies / duplicate certificate requests (April - September 2020)
	0.000	0.025	0.025	0.019	Registrars – lost income due to reduction in venue usage for weddings (April - September 2020)
Legal Services	0.000	0.070	0.070	0.063	Legal Services (Non-Contract) lost income due to lower property/business transactions
Information Governance	0.000	0.092	0.092	0.077	Land Charges - lost income due to lower property transactions in conjunction with market forces
Democratic and Electoral Services	(0.120)	0.000	(0.120)	(0.060)	Election Expenses - Expenditure underspend forecast due to no elections taking place
Total	**(0.120)**	**0.357**	**0.237**	**0.209**	

4.8.3 **Table 21: Forecast Variation for Law and Governance**

Service Area	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	BAU Change Since July £m
Customer, Governance and Registration	(0.076)	0.151	0.227	0.195	0.032	0.018	0.014
Democratic and Electoral Services	(0.064)	(0.221)	(0.157)	(0.120)	(0.037)	(0.010)	(0.027)
Information Governance	0.034	0.097	0.063	0.092	(0.029)	(0.038)	0.009
Legal Services	(0.135)	0.119	0.254	0.070	0.184	0.172	0.012
North Tyneside Coroner	0.294	0.395	0.101	0.000	0.101	0.098	0.003
Total	**0.053**	**0.541**	**0.488**	**0.237**	**0.251**	**0.240**	**0.011**

4.8.4 Alongside the forecast staffing pressures arising from within Legal Service (£0.179m) and the increased costs of the Coroner Service (£0.101m), 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 all parts of the service.

4.9 **Central Items**

4.9.1 The September 2020 business as usual forecast for Central Items is a surplus of £6.265m, an improvement of £0.094m from the July report. This position is after a £12.719m forecasted transfer to reserves relating to a surplus S31 balance generated following additional payments being received from Government as compensation for the increased Retail and nursery reliefs offered to Business Rates in response to the Covid-19 pandemic. The surplus on S31 will be used to partially offset the Collection Fund deficit that will be carried into 2021/22 as a result of the additional reliefs being offered to rate payers. Further details can be found in Section 5.

4.9.2 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 Local Authority Support Grant. Total pressures of £24.863m have been identified across the rest of the General Fund as shown in Table 22 below.

4.9.3 **Table 22: Summary of Covid-19 Pressures by Service**

Service	Total Forecasted Covid-19 Pressure £m
Health, Education, Care and Safeguarding	11.725
Commissioning and Asset Management	3.830
Environment, Housing and Leisure	7.871
Regeneration and Economic Development	0.055
Corporate Strategy	0.093
Chief Executive's Office	0.000
Resources	1.052
Law and Governance	0.237
Total Covid-19 pressures transferred to Central Items	**24.863**
Covid-19 Pressure within Central Items – bad debts	0.300
Covid-19 Pressure within Central Items – items normally recharged to General Fund from HRA	0.387
Covid-19 Pressure within Central Items - PPE	0.153
Allocation of Local Authority Support Grant and specific grants	(21.444)
Central Items Covid-19 Pressure	**4.259**

4.9.4 As reported in the July monitoring report, the total Local Support Grant received from Government at that point 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 and a fourth tranche was announced in October of £2.061m. In addition, amounts of £2.205m for Infection Control, £1.140m for Track and Trace and £2.463m for compensation for losses to Sales Fees and Charges between April 2020 and July 2020 have also been included in the reported position to offset some of the Covid-19 pressures identified. The total of grants available is therefore £21.444m and is being applied against the forecasted pressures leaving an amount of £4.259m over and above current grant funding. This compares favourably with a gap of £10.629m at July. This pressure is being partially offset by underspends within Central Items outlined in paragraph 4.9.7 below. Table 23 summarises the position within Central Items.

4.9.5 Note that the Authority's claim of £2.463m (for April 2020 to July 2020) relating to the Government's compensation scheme for sales fees and charges has been submitted and included in the position but is still pending confirmation from Government.

4.9.6 **Table 23: Outturn Variation Central Budgets and Contingencies**

	Budget £m	Forecast Sept £m	Variance Sept £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance July £m	Change in BAU since July £m
Corporate & Democratic Core	1.729	1.734	0.005	0.000	0.005	0.000	0.005
Other Central Items	14.979	(24.614)	(39.593)	(20.604)	(18.989)	(6.171)	(12.818)
Central Items Sub Total	**16.708**	**(22.880)**	**(39.588)**	**(20.604)**	**(18.984)**	**(6.171)**	**(12.813)**
S31 – Transfer to Reserves	0.000	12.719	12.719	0.000	12.719	0.000	12.719
Total Central Items	**16.708**	**(10.161)**	**(26.869)**	**(20.604)**	**(6.265)**	**(6.171)**	**(0.094)**

4.9.7 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 £4.416m held for adult and children's social care. 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. The movement of (£0.094m) relates to a procurement rebate of £0.227m partially offset by a reduction in contingency balances following a reconciliation.

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 Authority 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 Authority 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 0.98% reduction by August 2020 and 0.81% drop by Sept 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 September 2020, following the impact of Covid-19, the tax base figure is 61,648 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 September position in 2020/21, where the Authority has had an additional 430 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 Sept
No of Domestic Properties	95,059	95,563	96,243	96,752	97,698	98,626	99,558	99,407	99,795
Council Tax Base	53,034	55,400	56,424	56,948	58,202	59,048	60,167	61,870	61,648
Net Collectable Debit £m	81.404	82.842	84.868	89.961	97.737	104.048	110.511	114.558	114.036
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 Sept	9,938	7,664	17,602

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 10,067 LCTS recipients at a cost to date of £1.526m.

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.

The Authority has allocated £0.100m to Housing to support tenants who are in financial difficulties and require support. 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 September 2020, the Authority had made payments to 2,849 (94.53%) of the eligible businesses, totalling £32.825m.

5.8 Two further discretionary reliefs were introduced, as a response to Covid-19, for Retail Discount and Nursery Discount. At the end of September 2020, these reliefs totalled £27.946m 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	**Sept Forecast £m**	**Difference £m**
S31 Grant	(4.916)	(17.635)	(12.719)

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 currently very difficult 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 (September)**

Type	Current Rateable Value £m	Nets Rate Payable (100%) £m	Nets Rates Payable (90%) £m
Shop/Retail	60.564	1.209	1.092
Offices	30.803	12.425	11.197
Industrial	35.600	14.291	12.870
Hospitality	1.733	0.014	0.012
Club/Community/Sports	5.042	1.166	1.054
Others	16.369	4.769	4.292
Total	**150.111**	**33.874**	**30.517**

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)	(12.719)
North Tyneside Projected Deficit	14.433
Additional Deficit	**1.714**

SECTION 6 - SCHOOLS FINANCE

Update on School Monitoring

6.1 Cabinet will recall that in July it was reported that schools submitted initial budgets for 2020/21 reflecting a total forecast deficit of £6.689m. These budgets were revised, mainly following discussions with schools showing deficit balances, to an expected deficit of £6.681m. This compared to a 2019/20 budget plan forecasting £4.661m deficit, whilst school balances carried forward from 2019/20 totalled a £0.165m surplus balance.

6.2 Schools are normally required to carry out formal monitoring at least twice a year, normally in Autumn then again early in the new year. All maintained schools have now completed the first monitoring, supported by Finance, with the results by phase shown in Table 30 below. Forecast results across all school phases now reflect a forecast deficit of £5.734m, which is an improvement against budget of £1.022m.

6.3 **Table 30: School Summary Positions at First Monitoring**

PHASE	BUDGET 2019/20 OUTTURN £m	ACTUAL OUTTURN 2019/20 £m	BUDGET 2020/21 OUTTURN £m	MONITORING 1 2020/21 £m	Variance £m
Nursery	0.002	0.127	0.053	0.086	0.034
First	0.412	0.746	0.665	0.624	(0.042)
Primary	2.346	3.497	2.271	2.630	0.359
Middle	0.369	0.437	0.276	0.338	0.063
Secondary	(8.028)	(5.549)	(9.679)	(9.766)	(0.087)
Special/PRU	0.238	0.907	(0.267)	0.353	0.695
TOTAL	**(4.661)**	**0.165**	**(6.681)**	**(5.734)**	**1.022**

Covid-19 Impact on Schools

6.4 Cabinet will recall schools across North Tyneside initially identified an impact of additional costs relating to Covid-19 of £0.797m for March to September. In April, the Department for Education (DfE) issued advice that they would be providing additional funding to support these costs in schools, limiting the initial funding around additional cleaning for Covid-19 cases, keeping schools open outside normal hours and costs of providing meals outside the normal schemes.

6.5 DfE have now identified two tranches of funding in relation to costs incurred between March and August, the first for £0.081m which is included in the first monitoring forecasts, in addition a further £0.108m which was received after the monitoring process was completed. The DfE are still reviewing outstanding claims for other additional costs and are planning to provide a further opportunity to update claims for the period up to the start of term in September. The Finance service will be working with schools to reassess the total expected impact of Covid-19, to report back to Cabinet in due course.

School Deficits

6.5 In July twelve schools were identified to cabinet as expecting to be in deficit during 2020/21, including two schools that were in structural deficit. Following the allocation of falling rolls and headroom funding in July, another school has now moved out of deficit and another three schools are being considered for Schools in Financial Difficulty funding, to be agreed in November at Schools Forum. Before any adjustments relating to this agreement, the total balances of these deficit schools are expected to total £12.516m with individual school deficit values shown in Table 31 below.

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

School	BUDGET PLAN 2020/21 £m	MONITORING 1 2020/21 £m	VARIANCE 2020/21 £m	Status
Beacon Hill	(0.699)	(0.679)	0.020	In Deficit
Forest Hall Primary	(0.014)	(0.015)	(0.000)	In Deficit
Holystone Primary	(0.032)	0.020	0.052	Out of Deficit
Ivy Road Primary	(0.300)	(0.245)	0.055	In Deficit
Marden High	(0.494)	(0.475)	0.018	In Deficit
Monkseaton High	(5.164)	(5.090)	0.073	Structural Deficit
Norham High	(3.193)	(3.189)	0.004	Structural Deficit
Longbenton High	(2.610)	(2.586)	0.024	In Deficit
Benton Dene Primary	(0.022)	(0.010)	0.012	New Deficit
Greenfields Primary	(0.120)	(0.178)	(0.058)	New Deficit
St Marys RC Primary N/S	(0.033)	(0.039)	(0.005)	New Deficit
Marden Bridge Middle	(0.067)	(0.042)	0.025	New Deficit
Burradon Primary	0.017	(0.016)	(0.033)	New Forecast
Rockcliffe First	0.003	(0.007)	(0.010)	New Forecast
Western Primary	0.061	(0.045)	(0.106)	New Forecast
TOTAL	(12.667)	(12.516)	0.151	

6.7 Most of the schools in deficit have managed to improve their forecast position. Where schools have not improved their position, the impact of Covid-19 has been identified as the reason for their worsening forecasts. In addition, there are three schools with emerging forecast deficits following the first monitoring: Burradon Primary, Western Primary and Rockcliffe First School. These schools had not submitted a request for deficit approval at budget setting and have highlighted additional costs of Covid-19 as a factor in the downturn. Further work continues with all these schools to support and challenge their leadership teams with the target of moving them out of deficit as soon as possible.

Early Years Block

6.8 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.

High Needs Block

6.9 Cabinet will recall at July that the High Needs block reported an expected in-year pressure of £2.470m, a cumulative pressure of £7.012m. 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.

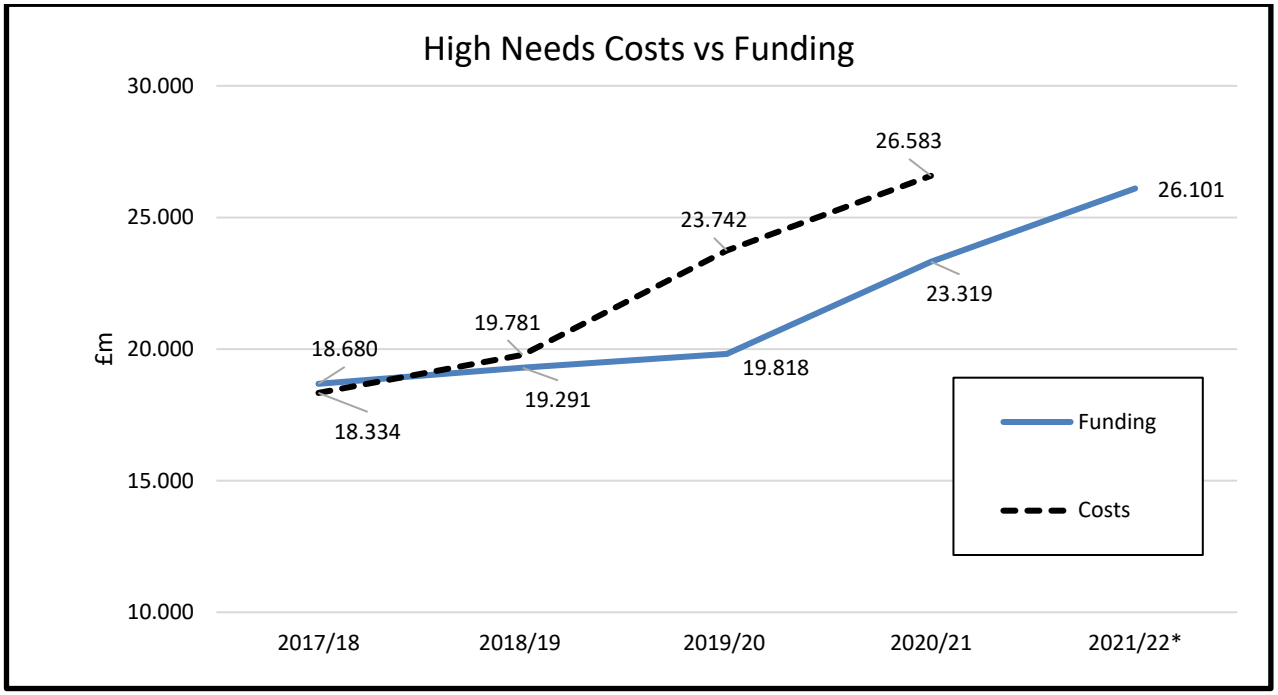
6.10 The forecast for the High Needs Block is now an anticipated in-year pressure of £3.457m reflecting an upswing in numbers of children with Education Health and Care Plans (EHCP) identified when schools returned. This will give a £7.999m cumulative balance at the end of the year. A breakdown of the revised in-year pressure is shown in Table 32 below:

6.11 **Table 32: Breakdown of High Needs Pressures at September 2020**

Provision	Budget	Forecast September	Variance	Comment	Variance July
	£m	£m	£m		£m
Special schools and PRU	13.000	14.866	1.866	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	1.627
ARPs/Top ups	4.005	4.996	0.991	Pressures in pre 16 top ups e.g. Norham ARP, Melrose ARP	0.507
Out of Borough	2.165	2.730	0.565	Increased number of children placed outside North Tyneside Schools	0.301
Commissioned services	3.957	3.991	0.035		0.035
Subtotal	23.127	26.583	3.457		**2.470**
2019/20 b/f			4.542		4.542
Subtotal			7.999		**7.012**

6.12 Chart 8 below shows the relative increases in costs versus funding for the High Needs Block since 2017/18. Costs are forecast to increase by 45% since 2017/18, whereas funding has increased by only 25% in the same period. The expected funding increase for next year will bring the increased funding up to 40%, which is still below the expected costs for this year.

6.13 **Chart 9: High Needs Funding versus costs 2017/18 to 2020/21**



Autumn Term School Finance Plan

6.14 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:

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

Date	Activity
July 2020	Department for Education (DfE) guidance issued for 2021/22
October / November 2020	Local consultation documents issued to stakeholders
20 November 2020	Consultation returns received and reviewed
26 November 2020	Schools Forum considers consultation response and agrees proposals for local funding allocation formula to individual schools, de-delegated and centrally retained budgets and any transfers between funding blocks
December 2020 / January 2021	Local Government Finance Settlement announced including school funding amounts
January 2021	Additional Schools Forum meeting (if required)
21 January 2021	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2021	Deadline for confirmation of schools budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 34 below is based on the results to September 2020. Currently the HRA is forecasting a saving against budget of £1.361m before the impact of identified HRA Covid-19 costs and a £0.259m 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	10.098	(0.129)	(0.151)
HRA Repairs	12.247	11.320	(0.927)	(0.713)
HRA Other Costs	40.415	40.665	0.250	0.000
HRA - Rental Income	(60.299)	(60.854)	(0.555)	(0.450)
Total before Covid-19 pressures	**2.590**	**1.229**	**(1.361)**	**(1.314)**
HRA Covid-19 pressures	0.000	1.620	1.620	1.916
Total after HRA Covid-19 pressures	**2.590**	**2.849**	**0.259**	**0.602**

7.3 The £1.620m Covid-19 costs for HRA mainly relate to unproductive workforce costs resulting from restrictions during lockdown, but also include costs of PPE. In addition, HRA services have identified costs relating to the general fund. The reduction in Covid-19 pressures since the July report is mainly due to a reduction in the forecast impact of non-productive time following an updated timesheet analysis.

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

Service Area	Covid Cost Impact Sept £m	Covid Income Impact Sept £m	Total Covid Impact Sept £m	Total Covid Impact July £m	Description
HRA – PPE	0.033	0.000	0.033	0.085	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 – Workforce	1.587	0.000	1.587	1.514	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
HRA - Other	0.000	0.000	0.000	0.167	Rental income has mitigated early lost income due to slow turnaround of empty properties
HRA – Other	0.000	0.000	0.000	0.150	No longer reflecting increased Bad Debt Provision
Total	**1.620**	**0.000**	**1.620**	**1.916**	

7.5 Rental income is currently performing well ahead of target. Dwellings rent figures are forecasted to perform ahead of budget (£0.352m) 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 (£0.109m) 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 has been accelerated. Therefore, the current rental forecasts may well improve as the year progresses. Although the Authority strives to try and minimise the continuing impact of the implementation of Universal Credit, the actual level of arrears has not increased at the rate initially witnessed

at the start of the Coronavirus pandemic, this has seen a reduction in the forecast impact on the in-year Bad Debt Provision which has been brought back in line with budget. There has also been an estimated increase in Council Tax void costs (£0.021m) 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.

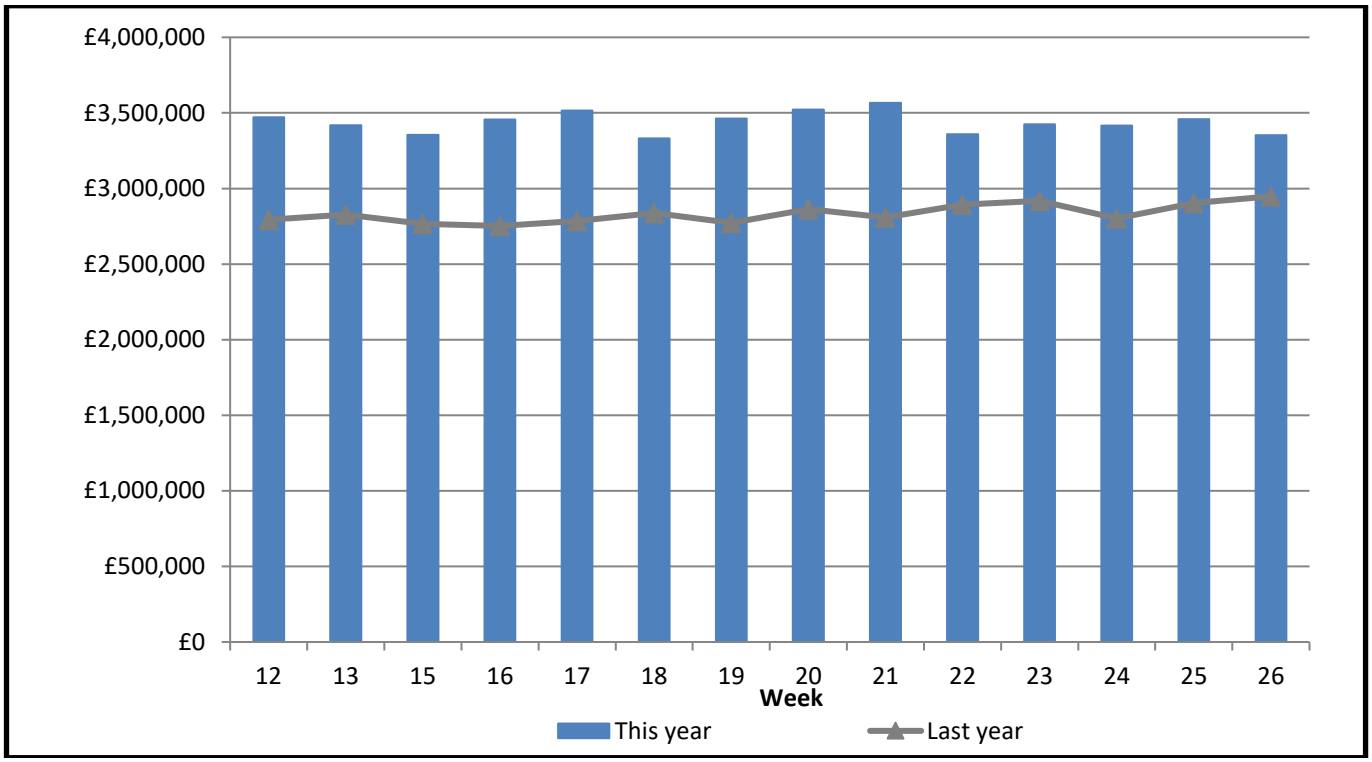
7.6 It is anticipated that savings in management costs will be realised due to delays in recruitment to several vacancies as a result of the Covid-19 pandemic (£0.129m). The recruitment to these vacancies could result in further savings if posts are recruited internally within the HRA. The Repairs budget is showing an over-spend of £0.695m currently, this is because all of the anticipated Covid-19 impact within the Housing Property and Construction Service is shown against this line, so it incorporates the impact of staff across revenue repairs, and those teams delivering Capital works within the Decent Homes programme as well as Adaptations. The costs mainly represent 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 recovering their costs against delivered works.

7.7 A number of delegated decisions have been made over the past few years to utilise PFI Reserve funds to support other areas of the HRA, namely, the purchase of the new fleet for the Housing Property and Construction Service, and payment of a settlement agreement with PFI Contractors S4NT and Galliford Try. These were accompanied with plans to restore the balance on the reserve over the following seven years. However, the opportunity was taken last year to make additional contributions into the reserve to bring that timeline down and reduce the risk to the reserve. An additional contribution to the reserve of £0.250m has been identified this year in line with the same principle applied last year, and this should reduce the time taken to bring the reserve back into balance by at least a further year.

Rent Arrears

7.7 The first half of the year has seen rent arrears rise however, the overall rate of increase does not appear to be sharper than the previous year, prior to the Coronavirus pandemic. There was an initial spike in the first few months which seemed to indicate that the virus might have a significant impact, but this has not materialised as the year progresses. Chart 9 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, but currently we are now predicting that bad debt provision will be contained within budget.

7.8 **Chart 10: Rent Arrears in Weeks 12-26 (July-Sept) 2020/21 compared to 2019/20**

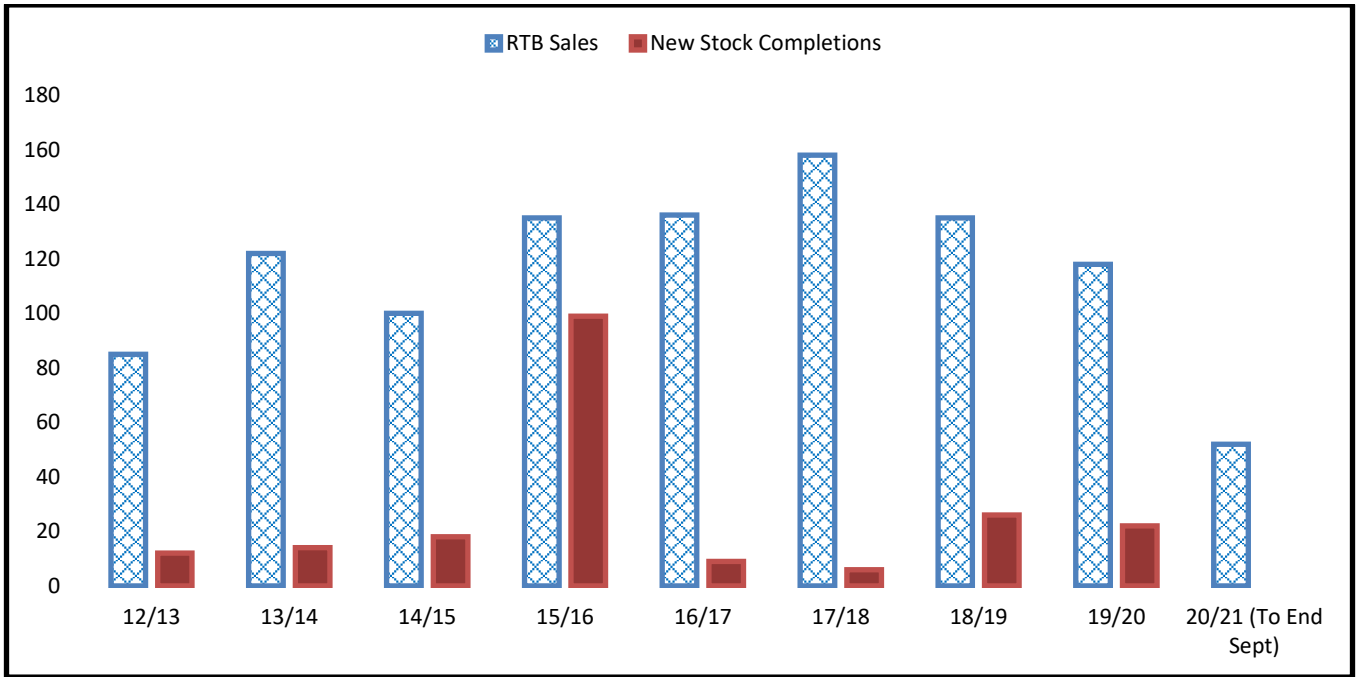


7.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 30 September 2020, there were 2,972 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.525m. This is up by 398 and £0.315m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, but actually is down from the end of August when there were 3,011 tenants on Universal Credit (reduction of 39 tenants) with related arrears of £2.529m (reduction of £0.004m).

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 10 below shows the trend in RTB sales since that time.

7.11 Chart 11: 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 195 homes;
- Heating upgrades to 461 homes;
- Electrical upgrades to 50 homes;
- Boundary improvements to 1,601 homes;
- Roof replacements to 398 homes;
- External Brickwork Repairs to 337 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 conclude on 16 October 2020.

Variations to the 2020-2025 Investment Plan

8.8 Variations of £6.923m credit to the Investment Plan and reprogramming of £0.260m from 2020/21 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
September 20 Cabinet	2.699	0.089	0.028	0.056	2.872
Approved Investment Plan	**76.795**	**66.951**	**42.069**	**85.265**	**271.080**
Aug/Sep 20 Monitoring					
Variations	(1.660)	(5.263)	0.000	0.000	(6.923)
Reprogramming	(0.260)	1.094	(0.460)	(0.374)	0.000
Total Variations	**(1.920)**	**(4.169)**	**(0.460)**	**(0.374)**	**(6.923)**
Revised Investment Plan	**74.875**	**62.782**	**41.609**	**84.891**	**264.157**

8.9 Details of the variations and reprogramming are shown below:

(a) **DV066 Investment in North Tyneside Trading Company £3.377m** – Section 106 affordable housing monies to be transferred to the Trading Company in the form of share capital which will allow the purchase of properties for letting at affordable rents. It anticipated that £0.840m of this money will be spent in the 2020/21 financial year, with the remaining £2.537m spent in 2021/22;

(b) **DV072 Royal Quays Enterprise Park £10.300m credit** – The Authority was approached by the NELEP to provide a capital loan to facilitate a North East Growth and Infrastructure Fund grant for the provision of improved infrastructure on and to the site. Following discussions with Port of Tyne, given the current economic climate, it is no longer considered appropriate to continue with this project at present. Therefore, it is requested to remove this scheme from the Investment plan; and,

(c) **DV074 North Shields Heritage Action Zone £0.260m reprogramming** – To reflect the expected delivery of the project the funding has been reprofiled over four financial years with the majority of the budget now allocated to 2021/22.

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	**76.795**	**66.951**	**42.069**	**85.265**	**271.080**
Council Contribution	(2.631)	(7.251)	(0.230)	(0.188)	(10.300)
Grants and Contributions	0.711	3.082	(0.230)	(0.186)	3.377
HRA Capital Receipts	0.000	0.000	0.000	0.000	0.000
HRA Revenue Contribution	0.000	0.000	0.000	0.000	0.000
Total Financing Variations	**(1.920)**	**(4.169)**	**(0.460)**	**(0.374)**	**(6.923)**
Revised Investment Plan	**74.875**	**62.782**	**41.609**	**84.891**	**264.157**

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, £0.673m 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)	(1.667)	(1.244)	(0.990)	(1.773)
Total Receipts received 2020/21	(0.673)	0.000	0.000	0.000	(0.673)
Receipts used to repay capital loans	0.356	0.000	0.000	0.000	0.356
Net Useable Receipts	**(0.317)**	**0.000**	**0.000**	**0.000**	**(0.317)**
Surplus Receipts	**(1.667)**	**(1.244)**	**(0.990)**	**(0.990)**	**(0.990)**

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 £2.529m 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 £9.646m 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)	(9.646)	(5.470)	(3.355)	(8.313)
Receipts Received 2020/21	(2.529)	0.000	0.000	0.000	(2.529)
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)	**(9.646)**	**(5.470)**	**(3.355)**	**3.635**	**3.635**

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 30 September 2020

8.13 Actual expenditure for 2020/21 in the General Ledger was £15.220m; 20.33% of the total revised Investment Plan at 30 September 2020. This is after adjusting for £0.184m of accruals relating to 2019/20 expenditure.

8.13.1 Table 40: Total Investment Plan Budget & Expenditure to 30 September 2020

	2020/21 Revised Investment Plan £m	Actual Spend to 30 Sept 2020 £m	Spend as % of revised Investment Plan %
General Fund	49.648	11.218	22.60%
Housing	25.227	4.002	15.86%
TOTAL	**74.875**	**15.220**	**20.33%**

SECTION 9 – TREASURY MANAGEMENT, CASH POSITION & MID-YEAR UPDATE

Current Cash Position

9.1 As at 30 September 2020 the Authority had £20.000m placed with the DMO, and £5.000m invested on an instant access basis with Lloyds Bank and with £40.500m invested externally with other UK Local Authorities.

9.2 **Table 41: Investment Position as at 30/09/2020**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	20.000	n/a
Lloyds Bank	Call	5.000	Call
Barclays Bank	Current	3.916	n/a
Inter – LA	Fixed	40.500	21 June 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 £0.159m 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 several years and has generated substantial savings year on year. The government's Debt Management Office (DMO) and other deposit investment rates are at all-time lows; 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	1.94%
1 month	0.01%	5 years	1.94%
3 months	0.03%	10 years	2.22%
6 months	0.15%	20 years	2.71%
9 months	0.25%	30 years	2.75%
12 months	0.35%	50 years	2.60%

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: Debt Position 2020/21

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	358.443	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.

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9.9 In line with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) a Treasury Management mid-year report detailing the requirements as laid out within the Code are set out and addressed in Appendix 3.

Municipal Bonds Agency (MBA)

9.10 The MBA have since the last mid-year update have undertaken two bond issuances with Lancashire County Council (LCC). The first bond issuance undertaken in February 2020. A £350m inaugural five-year floating rate bond which is linked to SONIA was successfully issued. The second issuance was a £250m ultralong maturity (40 year) fixed rate bond. As noted by the bond denominations bond issuances are particularly useful for raising large amounts of capital, and whilst the return of bond issuances is a favourable development for Local Authorities the

application in particular to North Tyneside Council is limited. Nonetheless, the development of UK Local Authority bond market will be watched closely.

Development of Derivatives in the Local Authority Space

9.11 A recent development in the Local Authority Treasury space has been Plymouth City Council who have undertaken the first interest swap deal since a high court ruling in 1991 banned Local Authorities from undertaking such transactions. That ruling declared that local authorities had no power to engage in interest rate swap agreements because they were beyond the council's borrowing powers.

Plymouth Council undertook a £75m swap citing the Localism Act 2011 gave councils in England a “general power of competence”. Section 1 of the act says: “A local authority has power to do anything that individuals generally may do.” The legislation has enabled Plymouth to go through with the swap transaction.

CIPFA and Link Asset Services, advisors to North Tyneside Council are under the view that the derivative is ultra vires and is not something Local Authorities should be undertaking.

Negative investment rates

9.12 While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid-19 crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

9.13 As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the Debt Management Account Deposit Facility, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

9.14 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.