Cabinet – 25 January 2021

2020/21 Financial Management Report Annex

INDEX

SECTION 1 – EXECUTIVE SUMMARY

General Fund Summary

1.1 This report is the fourth 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 fourth 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 £1.510m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.9 below sets out the variation summary across the General Fund. Included in figures reported in Table 1 is a forecasted movement to reserves relating to a Section 31 (S31) payment the Authority will receive from

Government and a growth element to be received from the North of Tyne Combined Authority for North Tyneside Council's participation in a Business Rates Pool in 2019/20. At this stage it is anticipated that this funding will be held in reserve to support businesses and residents from the impact of Covid-19 during 2021/22 and in future years. Further details can be found within the Central Items section on this report (Section 4.9).

1.3 The Authority is continuing to take a prudent approach to forecasting including in relation to identifying the impact of Covid-19 which currently is forecast to add pressures of £27.072m to the General Fund in 2020/21. The Authority has received to date £25.689m of grant funding which is being applied against these pressures. Further detail of these grants is included in table 23 in paragraph 4.9.5. After allocation there is an amount of £1.383m over and above current grant funding. Therefore from the total £1.510m pressure reported, the pressures relating to normal business activities across the Authority are £0.127m and compare favourably with this stage of recent financial years.

1.4 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 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 March.

1.5 This Annex describes as far as possible the assumptions currently made in respect of additional costs and loss of income as a result of Covid-19, and where services continue to see variations in respect of business as usual.

1.6 Through close monitoring of Covid-19 implications the forecast position will change through the remainder of 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.

Housing Revenue Account

1.7 The Authority had previously identified a risk relating to compensation payments for water rates billing in relation to council house tenants, following a court decision against Southwark Council in 2016. In October 2020 the Court of Appeal upheld the High Court ruling in favour of the council tenant, which has potential financial consequences for all social landlords with similar water rate agreements.

1.8 The Authority has already amended contracts and procedures from 1 April 2017 to prevent ongoing claims and is reviewing the potential impact of liabilities prior to this amendment.

1.9 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 30 November 2020

Services	Budget	Forecast Nov	Variance Nov	Variance Sept	Variance Change since Sept		Of which - Covid-19	Of which - Business as Usual	Business as Usual Sept Variance	Business as Usual Change since Sept
	£m	£m	£m	£m	£m		£m	£m	£m	£m
Health, Education, Care and Safeguarding	71.518	91.154	19.636	17.799	1.837		13.107	6.529	6.074	0.455
Commissioning and Asset Management	7.429	11.194	3.765	4.217	(0.452)		3.404	0.361	0.387	(0.026)
Environment, Housing and Leisure	43.459	51.411	7.952	7.847	0.105		8.208	(0.256)	(0.024)	(0.232)
Regeneration and Economic Development	1.392	1.639	0.247	0.264	(0.017)		0.055	0.192	0.209	(0.017)
Corporate Strategy	0.701	0.883	0.182	0.190	(0.008)		0.093	0.089	0.097	(0.008)
Chief Executive's Office	(0.078)	(0.147)	(0.069)	(0.075)	0.006		0.000	(0.069)	(0.075)	0.006
Resources	2.877	4.080	1.203	1.281	(0.078)		1.152	0.051	0.229	(0.178)
Law and Governance	0.133	0.620	0.487	0.488	(0.001)		0.222	0.265	0.251	0.014
Central Items	13.917	(17.976)	(31.893)	(26.869)	(5.024)		(24.858)	(7.035)	(6.265)	(0.770)
Support Services	20.013	20.013	0.000	0.000	0.000		0.000	0.000	0.000	0.000
Total Authority	**161.361**	**162.871**	**1.510**	**5.142**	**(3.632)**		**1.383**	**0.127**	**0.883**	**(0.756)**

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 November 2020**

Service	2020/21 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
HECS	3.069	1.062	0.130	1.877
Commissioning & Asset Management	0.249	0.235	0.000	0.014
Environment Housing & Leisure	0.125	0.125	0.000	0.000
Central Items	0.179	0.179	0.000	0.000
TOTAL	**3.622**	**1.601**	**0.130**	**1.891**

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 £1.877m, with £1.457m of savings already identified and forecast to be achieved relating to Sector Led Improvement income, public health contracts, school improvement, NHS income and family gateway and the reversal of the one-year only Troubled Families saving (£0.265m) was been built into the base budget. An in-year saving of £0.130m has been identified through management actions of retaining vacancies. Since the September report, management have identified the delivery of savings relating to NHS income targets within adult services (£0.250m) as continuing healthcare assessments were brought back into operation following the ending of the first phase of Discharge Requirements arrangements on 31 August 2020, in addition to the staffing savings of £0.130m. Savings of £0.300m of Sector Led income and £0.155m of NHS income in relation to children's services have also been identified.

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, a prudent approach to forecasting has been taken. A proportion of the savings involve income generation via third parties. 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 is an improvement of £0.836m compared to the value reported to Cabinet in the September position, 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 assigned responsibilities to review existing schemes for deliverability and to identify alternative proposals to mitigate any shortfalls.

Commissioning and Asset Management

2.10 Within Commissioning and Asset Management, the only savings target forecast to be partially met relates to the target for increase in school meals fees of £0.082m of which £0.014m (increased from £0.011m in September) is not likely to be achieved due to Covid-19 related school closures and restrictions. This value has been adjusted out of the service's position and has been shown within Central Items as Covid-19 related costs. All other targets are now forecasted to be achieved.

SECTION 3 – NEW REVENUE GRANTS

3.1 New revenue grants have been received or notified since the previous report at September until the publishing date for this report.

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

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Commissioning and Asset Management	Ministry of Housing Communities and Local Government	Supporting the Clinically Extremely Vulnerable Individuals	Supporting the Clinically Extremely Vulnerable Individuals to stay safe	0.142
Commissioning and Asset Management	Department for Education	Additional Funding for Home to School Transport	To provide additional journeys while social distancing is required	0.110
Health Education Care & Safeguarding	Ministry of Housing Communities and Local Government	Domestic abuse Duty Capacity Building Fund	Support for the delivery of new duties	0.050
Health Education Care & Safeguarding	Department for Education	Partners in Practice – Covid-19 response Programme	Understanding and investigating the impact of Covid-19 on practice issues for children's social care	0.296
Health Education Care & Safeguarding	Youth Justice Board	Youth Justice Good Practice Grant (top up)	Reducing Youth Offending	0.005
Health Education Care & Safeguarding	North of Tyne Combined Authority	Sector Based Work Academy Programme	Delivery of adult education	0.060
Environment Housing and Leisure	National Foundation for Youth Music	Bigfoot Beats	To support youth music programme	0.010
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Local Restrictions Support Grant (Closed)	To support local businesses forced to close during restrictions	3.052

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Local Restrictions Support Grant (Open)	To support local businesses during tier 2 restrictions	0.983
Regeneration and Economic Development	Ministry of Housing Communities and Local Government	Additional Restrictions Grant	To support local businesses until March 2022	4.158
Central Items	Ministry of Housing Communities and Local Government	Income Compensation Grant for Sales Fees and Charges	To provide income compensation for lost sales fees and charges resulting form Covid-19	2.463
Central Items	Ministry of Housing Communities and Local Government	S31 Grant Export Health Certificate Support Fund Grant	To support English coastal Local Authorities to strengthen their certifier capacity	0.030
Central Items	Ministry of Housing Communities and Local Government	Additional EU Transition Funding for Ports and Borders	Additional funding to support English coastal Local Authorities to strengthen their certifier capacity	0.086
Central Items	Ministry of Housing Communities and Local Government	Rough Sleepers Additional Grant	To assist Local Authorities in supporting rough sleepers during Covid-19	0.006
Central Items	Department of Work and Pensions	Winter Grant Scheme	To support vulnerable households and families with children particularly affected by the pandemic	0.645

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department of Work and Pensions	New Burdens Funding – Administration of Housing Benefit (Severe Disability Premium)	To meet the final costs for the administration of the Housing Benefit (Severe Disability Premium) gateway changes	0.003
Central Items	Department of Health and Social Care	Local Authority Test and Trace – Contain Grant	To support the Authority with any activity which will help to contain Covid-19 (note initial tranche of £0.416m was reported to Cabinet in Sept)	2.079
Total				**14.178**

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. Challenge sessions for quarter one and two have 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 £6.529m at November which is an increase of £0.455m compared to the forecast variance of £6.074m reported in September. The increased variance relates mainly to additional care costs for children partially offset by reductions in costs relating to adults. This position is after adjusting for a total of £13.107m of Covid-19 related cost and income pressures which are now shown within Central Items. In September, a total of £11.725m of Covid-19 related cost pressures were forecasted. The increased Covid-19 cost forecast relates mainly to the expenditure associated with making payments from the second round of the Infection Control Fund (£2.207m) to support care homes and other care providers within the Borough. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

4.2.2 The HECS service continues to be heavily impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work has also been ongoing to support social care providers to maintain their vital services. In addition to cost pressures, income losses directly related to Covid-19 disruption are forecasted amounting to £1.033m. 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 Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Mainly Wellbeing & Assessment	0.000	0.110	0.110	0.110	Lost client contributions
Mainly Wellbeing & Assessment	0.494	0.000	0.494	0.494	Net care package costs relating to Covid (net of pooled fund contributions)

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Mainly Wellbeing & Assessment	7.195	0.000	7.195	5.403	Supporting the care market (including Infection Control Grant payments rounds 1 and 2)
Mainly Integrated Services	0.346	0.000	0.346	0.346	Additional staff costs, supplies and services incl. PPE
Across the Service	0.920	0.000	0.920	1.300	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adults Total	**8.955**	**0.110**	**9.065**	**7.653**	
Employment & Skills	0.018	0.042	0.060	0.061	Lost course fee income and equipment costs
School Improvement	0.000	0.830	0.830	0.666	Lost income from the Langdale Centre, High Borrans and school development work
Mainly Corporate Parenting & Placements	1.496	0.000	1.496	1.233	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	0.957	0.000	0.957	1.413	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adoptions	0.051	0.000	0.051	0.051	Costs relating to adoptions
Children's Total	**2.522**	**0.923**	**3.445**	**3.475**	
Public Health	0.597	0.000	0.597	0.597	Measures to prevent infection and promote compliance with local and national regulations
Total	**12.074**	**1.033**	**13.107**	**11.725**	

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. At the end of November 2020 only 16 clients were awaiting reassessment from the initial group discharged under these guidelines. The costs of these clients continue to be forecasted within Covid cost centres while the costs of reassessed clients with ongoing services are shown within Adult Services cost centres as business as usual.

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 and October, 196 clients were discharged from hospital and supported through these arrangements.

4.2.6 There is a net cost of care packages shown against Covid cost centres after contributions from the pooled fund of £0.494m which relates mainly to care packages resulting from Covid but which did not meet the criteria of charging to the pooled fund.

4.2.7 The forecasted costs of supporting the care market is estimated to be £7.195m (September, £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 Round 1 amount of £2.205m. An amount of £2.207m for the Infection Control Grant Round 2 has now been added and is the main reason for the increase in this forecast. The income for the grant is held within Central Items. There has also been some offsetting reductions in the forecast for excess cost claims by care providers on the basis of claims received to date. All providers with operational services funded by the Authority 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 and grants 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. A loss of income within School Improvement of £0.830m 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 £0.042m 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 £1.496m 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 November 2020**

	Budget £m	**Forecast Nov £m**	**Variance Nov £m**	**Of which-Covid-19 related £m**	**Of which-Business as Usual £m**	**Business as Usual Variance Sept £m**	**Business as Usual Change Since Sept £m**
Corporate Parenting & Placements	16.951	23.502	6.551	1.689	4.862	4.480	0.382
RHELAC Service	0.008	0.008	0.000	0.000	0.000	0.000	0.000

	Budget £m	Forecast Nov £m	Variance Nov £m	Of which- Covid-19 related £m	Of which- Business as Usual £m	Business as Usual Variance Sept £m	Business as Usual Change Since Sept £m
Child Protection, Independent Assurance and Review	0.695	0.717	0.022	0.000	0.022	0.035	(0.013)
Early Help & Vulnerable Families	1.146	1.095	(0.051)	0.136	(0.187)	(0.139)	(0.048)
Employment & Skills	0.590	0.612	0.022	0.064	(0.042)	(0.066)	0.024
Integrated Disability & Additional Needs Service	2.366	4.125	1.759	0.624	1.135	1.010	0.125
School Improvement	0.143	0.916	0.773	0.802	(0.029)	(0.035)	0.006
Regional Adoption Agency	(0.010)	0.120	0.130	0.130	0.000	0.001	(0.001)
Children's Services Sub-total	**21.889**	**31.095**	**9.206**	**3.445**	**5.761**	**5.286**	**0.475**
Wellbeing, Governance & Transformation	2.305	2.345	0.040	0.000	0.040	0.050	(0.010)
Disability & Mental Health	32.082	33.342	1.260	1.391	(0.131)	(0.332)	0.201
Wellbeing & Assessment	11.876	20.753	8.877	7.566	1.311	1.433	(0.122)
Integrated Services	2.844	2.487	(0.357)	0.108	(0.465)	(0.329)	(0.136)
Business Assurance	0.288	0.301	0.013	0.000	0.013	(0.034)	0.047
Adult Services Sub-total	**49.395**	**59.228**	**9.833**	**9.065**	**0.768**	**0.788**	**(0.020)**
Public Health	0.234	0.831	0.597	0.597	0.000	0.000	0.000
Total HECS	**71.518**	**91.154**	**19.636**	**13.107**	**6.529**	**6.074**	**0.455**

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 300 at November (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 £0.768m which represents a £0.020m improvement on the September budget position.

4.2.16 There are on-going pressures in third party payments for care provision which is £3.640m above budget levels. There are also smaller pressures relating to premises costs, £0.165m and supplies and services, £0.130m. These are partially offset by increased client contributions and contributions from the NHS (£2.526m). There is an underspend against transport budgets of (£0.162m) and within staffing budgets of (£0.479m). 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 £3.640m 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	Nov £m	Sept £m
Residential and Nursing Care	2.217	1.772
Homecare and Extra Care	1.390	1.943
Other Community-Based Care	0.033	(0.454)
Total	**3.640**	**3.261**

Residential and Nursing Care

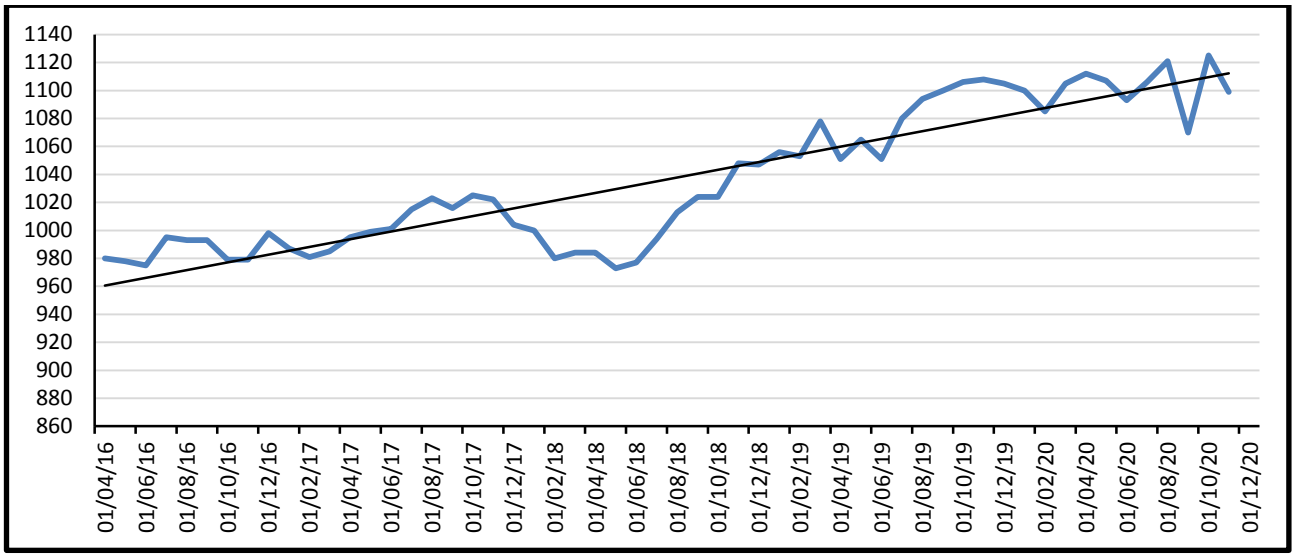
4.2.18 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term

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 over the summer. Since the September level of 1,070 there has been a rise in October to 1,125 followed by a fall in November to 1,099. This has lead to an overall increase in variance to £2.217m 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.

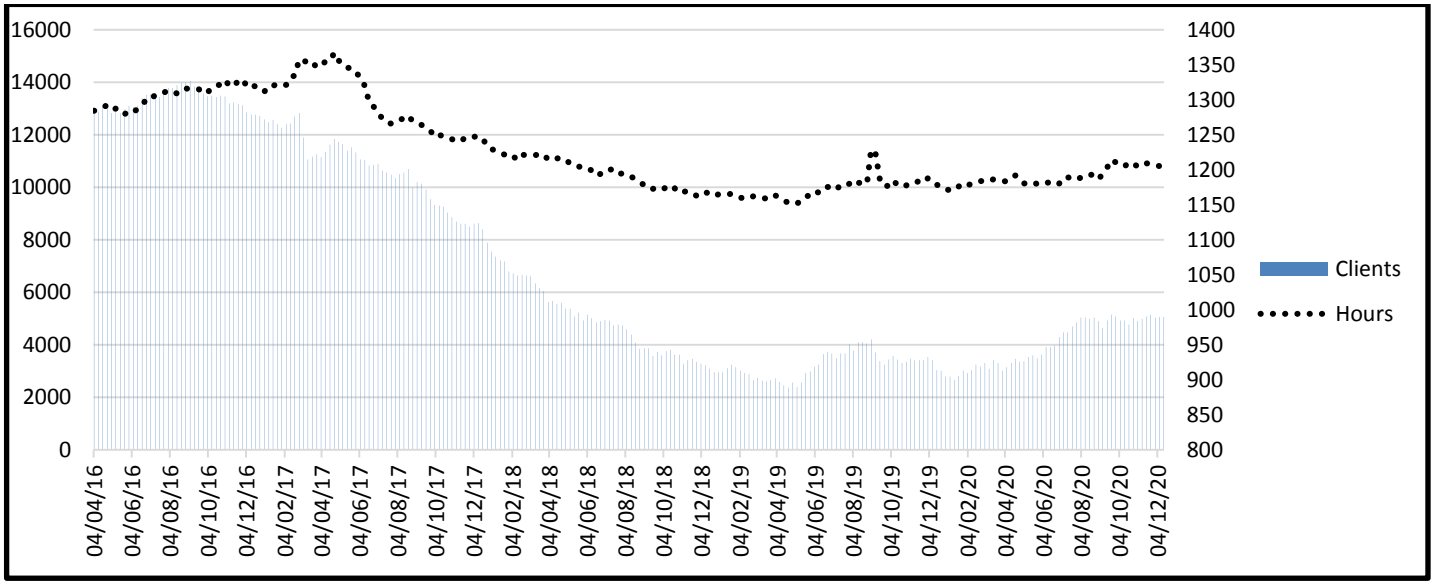
Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



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 continued in August and September but has reduced in October and November by 154 hours per week leading to a reduced pressure of £1.390m.

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 £0.470m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £2.056m, partially offsetting the pressures within payments for externally provided care.

Staffing

4.2.25 There is an improved staffing position since the September report (September, underspend of £0.225) due to ongoing vacancies across several teams. The service is currently actively recruiting and expects new starters to be in place early in the new year. This in year saving is partially mitigating the delivery of savings targets of £0.130m.

Premises

4.2.26 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

4.2.27 In Children's Services the £5.761m forecast position (up from £5.286m in September) relates mainly to demand pressures of £4.862m in Corporate Parenting and Placements and £1.135m 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 £3.445m which have been transferred to Central Items.

Corporate Parenting and Placements

4.2.28 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 Nov £m	Variance Sept £m	Change Since Sept £m
Care provision – children in care	9.447	2.829	2.515	0.314
Care provision – other children	3.247	0.803	0.772	0.031
Management & Legal Fees	(0.039)	0.454	0.458	(0.004)
Social Work	4.250	0.771	0.730	0.041
Safeguarding Operations	0.046	0.005	0.005	0.000
Total	**16.951**	**4.862**	**4.480**	**0.382**

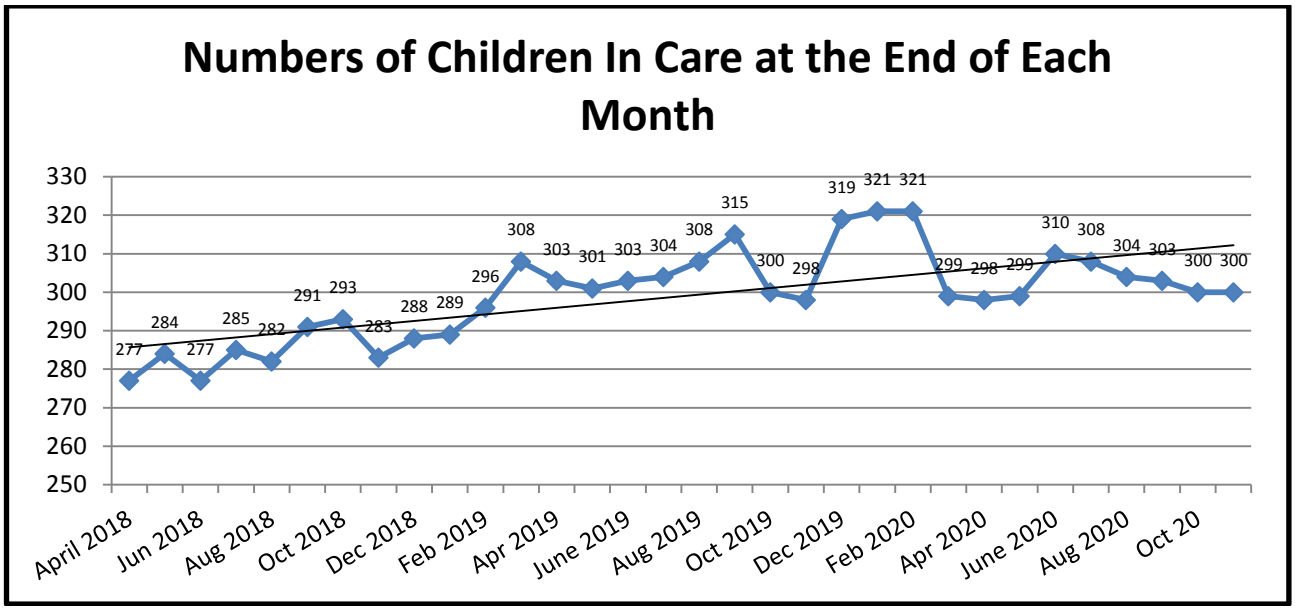
4.2.29 The forecast has been developed based on the children in care as at the end of November 2020. The number in care at the end of November was 300, a net decrease of 3 since the September report.

Care Provision – Children in Care

4.2.30 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.

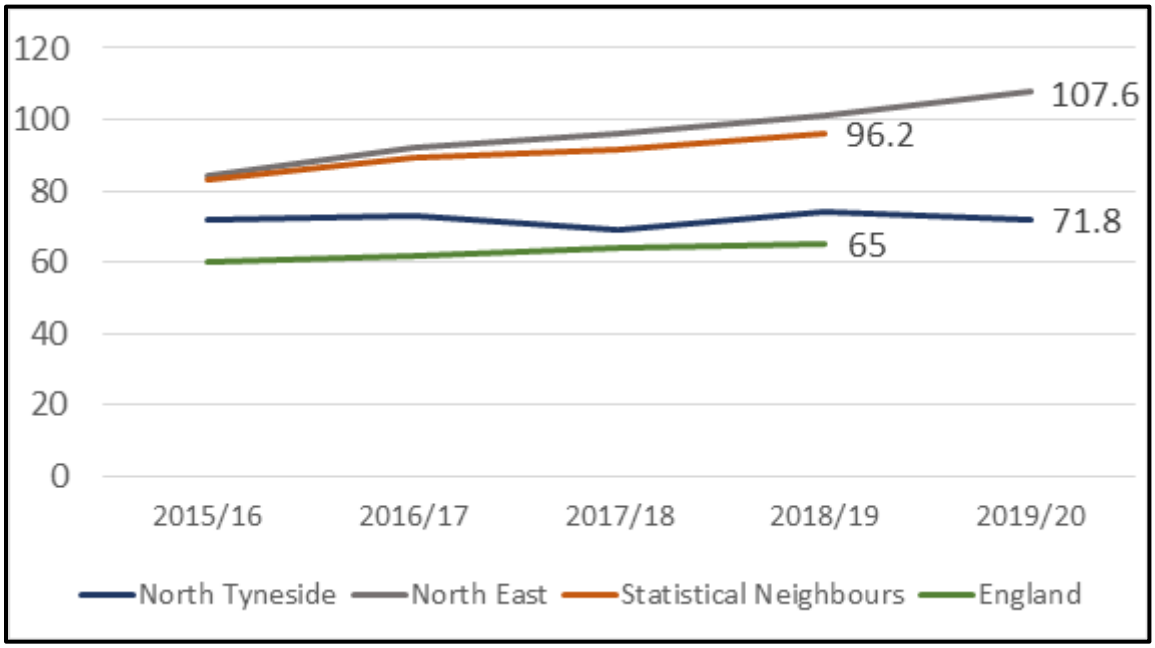
4.2.31 Delays within the court system have eased slightly with 14 children leaving the care system in October and November however, there is concern about the potential continuing impact of Covid-19 on court processes. The Authority currently has 10 cases delayed either because the court cannot complete 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.

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



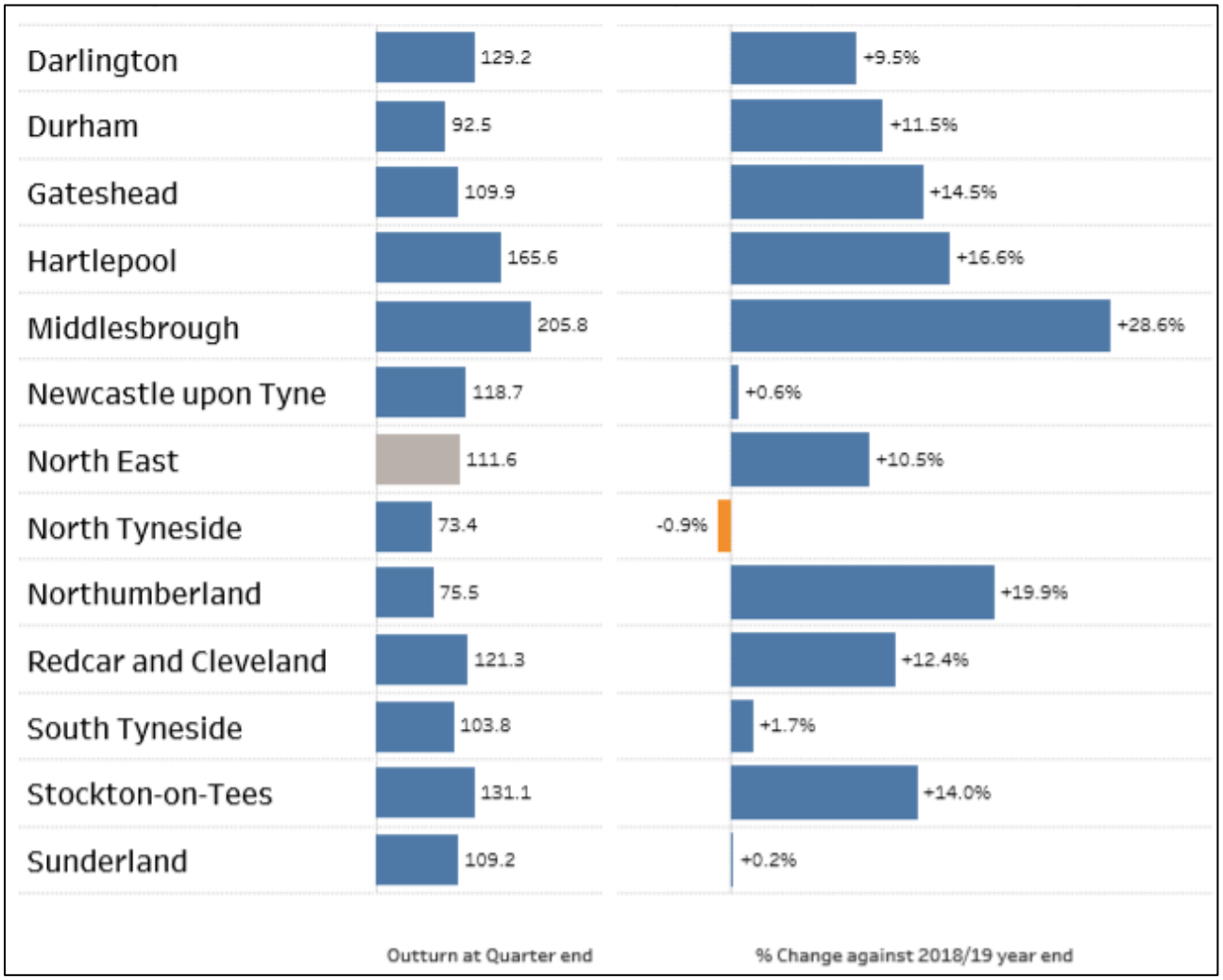
4.2.33 The rate of children in care per 10,000 is stable when compared to national and regional averages. The most recent available national comparators from 2019/20, as demonstrated by Chart 4 below, shows that North Tyneside, although above the England average, has historically performed well within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

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



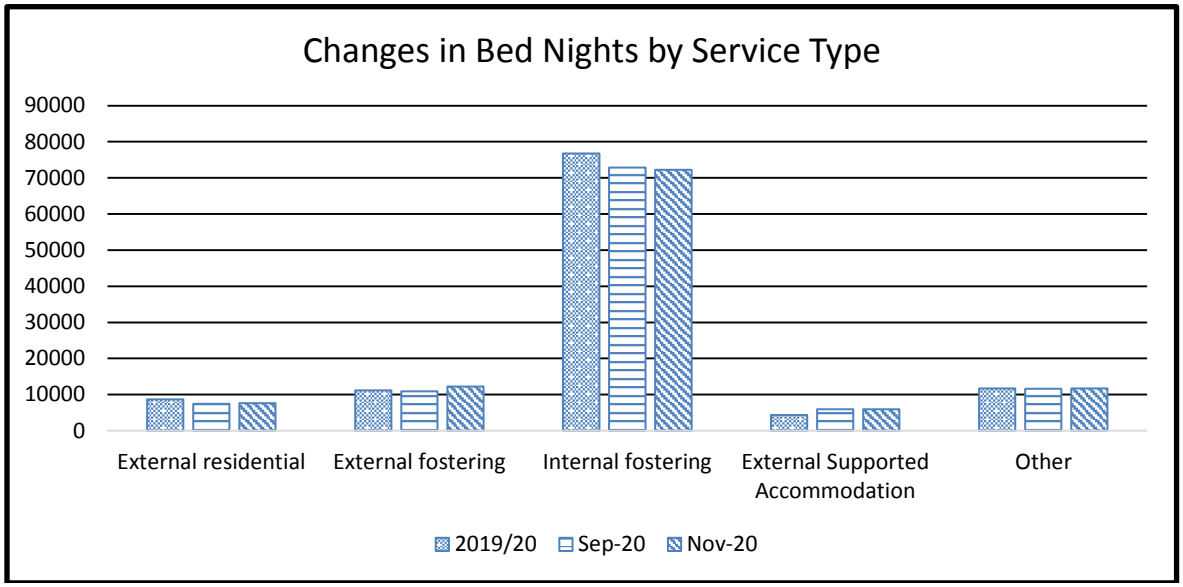
4.2.35 Placement mix in 2019/20 continued to change, moving towards the complex end of the spectrum which led to an increase in overall costs last financial year and this pattern is being sustained in 2020/21. The September forecast for the total number of care nights was 108,706 nights however, despite a reduction in the number of children in care at the end of the period, the total number of bed nights forecasted has increased to 109,825 as a result of the movements of children in and out of care within October and November. 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.

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



4.2.37 The increased forecast in November is explained by the increased overall number of forecasted bed nights. There has been a reduction in bed night within in house fostering which is a less costly service (reduced by 578 nights) and an increase in more costly service types principally external fostering (increased by 1,407 nights), external residential (increased by 178 nights) and supported accommodation (increased by 50 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



4.2.38 Residential placements continue to be costly with a current average annual cost of £0.294m 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.

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

Placement Type	Nov Var £m	Average Annual cost £m	2020/21 Forecast Bed Nights Nov	2020/21 Forecast Bed Nights Sept	2019/20 Bed Nights	Placement Mix as at Nov	No. of children Nov 20	No. of children Sept 20
External Residential Care	0.791	0.294	7,627	7,449	8,649	7%	27	25
External Fostering	0.113	0.039	12,266	10,859	11,184	11%	29	28
In-House Fostering Service	0.446	0.023	72,267	72,845	76,731	66%	198	199
External Supported Accommodation	1.349	0.134	5,951	5,901	4,349	5%	15	20
Other*	0.130	various	11,714	11,652	11,709	11%	31	31
Total	**2.829**		**109,825**	**108,706**	**112,622**	**100%**	**300**	**303**

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

Care Provision – Children not in care

4.2.40 The pressure of £0.803m (September variance, £0.772m) 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.

Management and Legal Fees

4.2.41 This area has a forecast pressure of £0.454m (September, pressure of £0.458m). 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

4.2.42 Within the overall pressure of £4.862m for Corporate Parenting and Placements, there are staffing pressures of £0.771m, a rise of £0.041m from £0.730m in September. 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. 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.

Integrated Disability and Additional Needs (IDANS)

4.2.43 IDANS is forecasting a pressure of £1.135m which is a increase of £0.024m from the September position of £1.010m. 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 £0.401m. Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to in excess of 1,800 at November 2020. There are also pressures relating to operational staffing costs within in-house residential services of £0.131m and associated unachieved health income target of £0.100m. There are also forecast staffing pressures of £0.228m 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 £0.076m 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 £0.361m (September, pressure of £0.387m) as set out in Table 11. This is after adjusting for forecast pressures of £3.404m 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 Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Catering	1.212	2.489	3.701	4.585	Lost school meals income and hospitality income and costs of providing additional free school meals services, costs of perishable stock disposal
Catering/Property	(1.570)	0.000	(1.570)	(1.986)	Savings in provisions and utilities due to non-delivery of services
Cleaning	0.207	0.000	0.207	0.333	Additional hours of cleaning and associated equipment and materials directly related to Covid-19
Other income	0.000	0.129	0.129	0.123	Lost income for parking charges at Quadrant, Procurement rebates and school absence penalty notices

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Home to school Transport	0.366	0.000	0.366	0.345	Additional costs of transport under infection control
Volunteer Scheme	0.229	0.000	0.229	0.081	Supporting residents by additional foodbank support for the full financial year and support arrangements for Extremely Clinically Vulnerable residents
Property	0.300	0.000	0.300	0.300	Costs in relation to public buildings and worksites
Property Services	0.008	0.034	0.042	0.049	Potential rental income reductions
Total	**0.752**	**2.652**	**3.404**	**3.830**	

4.3.4 In relation to paid school meals, there is a forecasted income loss of £1.864m. This is based on actual levels of income received to October 2020 and forecasted forward at current levels. Remaining Catering income losses of £0.625m relate to staff restaurants and civic catering which are forecasted as a total loss for the whole financial year as staff facilities remain closed. A non-fee-paying income loss is now not forecasted. 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 £1.545m. Savings of £0.025m in electricity costs have also been included.

4.3.5 Additional cost pressures of £0.207m for cleaning have been identified for the full financial year. These relate to anticipated additional cleaning within schools that will be required as a result of Covid-19 for the period to March 2021 plus costs of new cleaning machinery and equipment and additional cleaning materials (£0.087m). 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 £0.043m is forecasted in relation to school non-attendance penalty notices for the full year and an amount of £0.021m in rebates relating to procurement arrangements is also affected.

4.3.7 Additional costs of £0.366m 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 £0.016m 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 £0.034m has been identified as lost rental income resulting from Covid-19 related closures with £0.008m of NNDR costs relating to empty properties.

4.3.9 **Table 11: Commissioning and Asset Management Forecast Variation**

	Budget £m	Forecast Nov £m	Variance Nov £m	Of which – Covid-19 £m	Of which – Business as usual £m	Variance Sept £m	Business as Usual Change since Sept £m
School Funding & Statutory Staff Costs	4.689	4.636	(0.053)	0.000	(0.053)	(0.053)	0.000
Commissioning Service	0.406	0.373	(0.033)	0.000	(0.033)	(0.020)	(0.013)
Facilities & Fair Access	0.637	3.995	3.358	2.837	0.521	0.503	0.018
Community & Voluntary Sector Liaison	0.441	0.627	0.186	0.229	(0.043)	(0.025)	(0.018)
Strategic Property & Investment	1.746	2.010	0.264	0.300	(0.036)	(0.018)	(0.018)
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property	(0.643)	(0.626)	0.017	0.017	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.161	0.161	0.000	0.000	0.000	0.000	0.000
Procurement	(0.008)	0.018	0.026	0.021	0.005	0.000	0.005
Total Commissioning & Asset Management	**7.429**	**11.194**	**3.765**	**3.404**	**0.361**	**0.387**	**(0.026)**

4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.521m (September, pressure of £0.503m) which are largely unchanged from the 2019/20 outturn. The pressures are across Catering and Cleaning (£0.100m) and Home to School Transport (£0.400m) 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 £0.050m since September 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 £0.078m since September. 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 6.4 to 6.7 for more details). National supplier relief guidelines have been followed and transport contractors were paid at usual rates during the initial lockdown period when schools were closed 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 £0.256m against the £43.459m budget, as set out in Table 13 below. This is an improved position since September's forecast outturn saving of £0.024m. 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 closures and operation of a reduced service within 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.

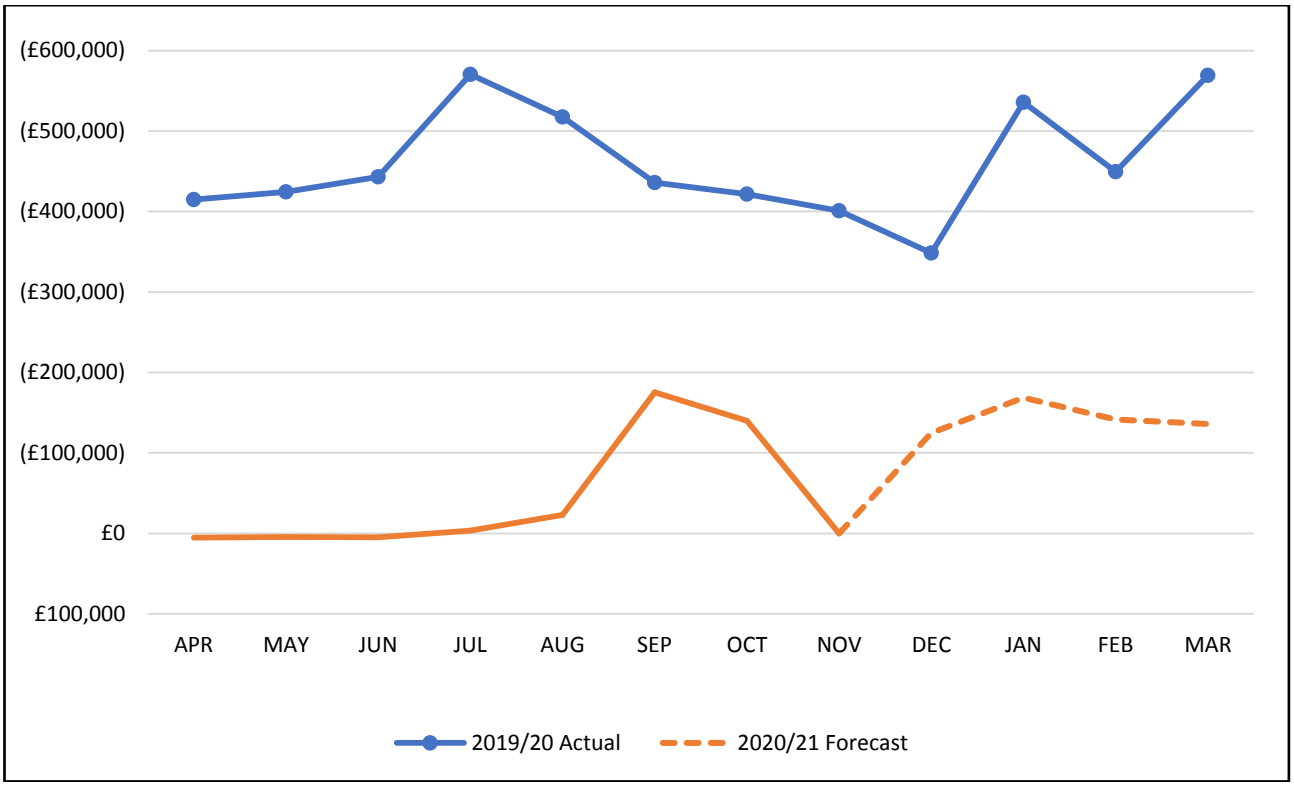
4.4.3 EHL carried out a full review of forecast spend in October, following the announcement of further lockdowns. This work identified further savings to offset the costs of Covid-19.

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Sport & Leisure	0.068	4.978	5.046	4.850	Lost income due to closure, then reduced capacity of facilities and take up of activities upon reopening. Some additional staffing cost to cover Covid related absences in leisure centres and additional cleaning supplies.
Sport & Leisure	(0.243)	0.000	(0.243)	0.000	Reduction in Active North Tyneside activities due to Covid restrictions. Vacancy in Active North Tyneside team not filled at this time. Reduction in utility costs at leisure centres due to closures.
Environmental Services	0.188	0.170	0.358	0.360	Additional costs and lost income from café closures Covid-19 signage Additional PPE costs and staffing Increased bereavement costs.
EHL General	0.249	0.000	0.249	0.000	PPE costs across numerous areas
Waste Management	0.130	0.000	0.130	0.058	Suez Management Fees for health and safety marshalling costs Increased supply costs
Cultural Services	0.120	0.227	0.347	0.399	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	0.123	0.123	0.129	Reduced building control fees Reduction in planning applications
Environmental & Regulatory Services	0.107	0.169	0.276	0.226	Taxi licencing activities Enforcement Marshalls cost of additional regulatory equipment
Highways and Transport	0.000	1.867	1.867	1.810	Impact on car parking fees Lost income on engineering fees, streetworks, road permits, etc
Homelessness Costs	0.050	0.000	0.050	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 EHL	**0.674**	**7.534**	**8.208**	**7.871**	

4.4.5 The impact of the Covid-19 pandemic on EHL is mainly in relation to lost income. £7.534m of the £8.208m total 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 and again in November, lost income is based on known closures and uses prior year income generation patterns to provide an estimated value. August to October reflects reduced operations and thereafter a high-level impact assessment of ongoing income has been made based on expected operating levels.

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



4.4.7 The costs have been offset by savings due to the period of lockdown totalling £0.293m. These savings relate to reductions in Active North Tyneside activities due to Covid restrictions and are a result of vacancies in the Active North Tyneside team not filled at this time and reductions in utility costs at leisure centres due to closures. This leaves a net Covid-19 impact for EHL of £8.208m.

4.4.8 The overall movement in business as usual forecasts since the last report is due to service leads managing costs down, including holding vacancy savings where possible.

4.4.9 Details of the variance for individual service areas are found in paragaphs 4.4.11 to 4.4.27.

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

	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Sep £m	BAU Change Since Sep £m
Sport & Leisure	2.975	7.862	4.887	4.803	0.084	0.097	(0.013)
Cultural Services	6.917	7.360	0.443	0.347	0.096	0.181	(0.085)
Security & Community Safety	0.342	0.338	(0.004)	0.000	(0.004)	0.010	(0.014)
Fleet Management	1.103	1.083	(0.020)	0.000	(0.020)	(0.010)	(0.010)
Waste and Recycling Disposal	7.586	7.629	0.043	0.128	(0.085)	(0.114)	0.029
Waste Management	3.975	3.943	(0.032)	0.002	(0.034)	(0.006)	(0.028)
Local Environmental Services	7.479	7.615	0.136	0.358	(0.222)	(0.138)	(0.084)
Head of Service and Resilience	0.245	0.491	0.246	0.249	(0.003)	0.019	(0.022)
Street Lighting PFI	4.323	4.328	0.005	0.005	0.000	0.000	0.000
Consumer Protection & Building Control	1.012	1.266	0.254	0.276	(0.022)	(0.020)	(0.002)
Transport and Highways	6.416	8.261	1.845	1.867	(0.022)	(0.019)	(0.003)
Planning	0.257	0.375	0.118	0.123	(0.005)	(0.005)	0.000
General Fund Housing	0.829	0.860	0.031	0.050	(0.019)	(0.019)	0.000
Total	**43.459**	**51.411**	**7.952**	**8.208**	**(0.256)**	**(0.024)**	**(0.232)**

Sport and Leisure

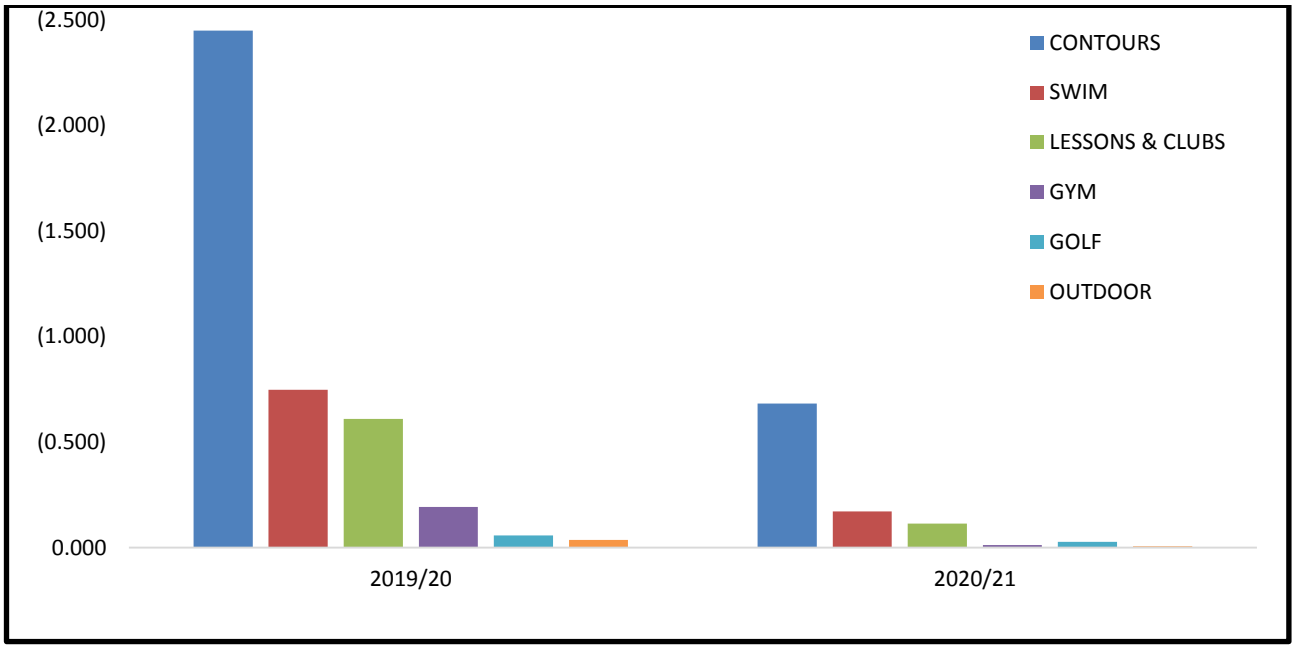
4.4.11 Sport and Leisure is predicting a reduced pressure of £0.084m, however this position is after a transfer to Central Items of £4.978m lost income and £0.068m additional expenditure due to Covid-19. This is offset by £0.243m savings due to a reduction in Active North Tyneside activities (due to Covid restrictions) resulting from vacancies in the Active North Tyneside team not being filled at this time and a reduction in utility costs at leisure centres due to closures.

4.4.12 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.

4.4.13 The Covid-19 impact on lost income has been increased due to the closure of services for November, as can be seen in Chart 7 above. Other budgeted costs

have previously been reported as reduced or been offset by expected savings from being closed. Sport & Leisure income streams continue to be closely managed, with monthly updates of income across the multiple streams, as seen in Chart 8.

4.4.14 **Chart 8: Impact of Income Across Main Sport & Leisure Activities**



Cultural Services

4.4.15 Cultural Services within North Tyneside are predicting a forecast pressure of £0.096m, which is net of Covid-19 related forecast transfers of £0.347m. The movement from the last reported position of £0.182m in September is mainly due to reviewing the spend on books in libraries, along with reviewing forecast spend on operational costs.

4.4.16 Historical pressures around energy and rates, plus cost pressures associated with The Playhouse theatre and various events including the postponement of the 2020 Mouth of the Tyne Festival, have been partially mitigated with the savings on book spend and other 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 requirements.

Security and Community Safety

4.4.17 Cabinet will recall Security and Community Safety was reviewed and realigned to increase its overall viability. The remaining variance is due to small operational savings against the revised budget.

Fleet Management

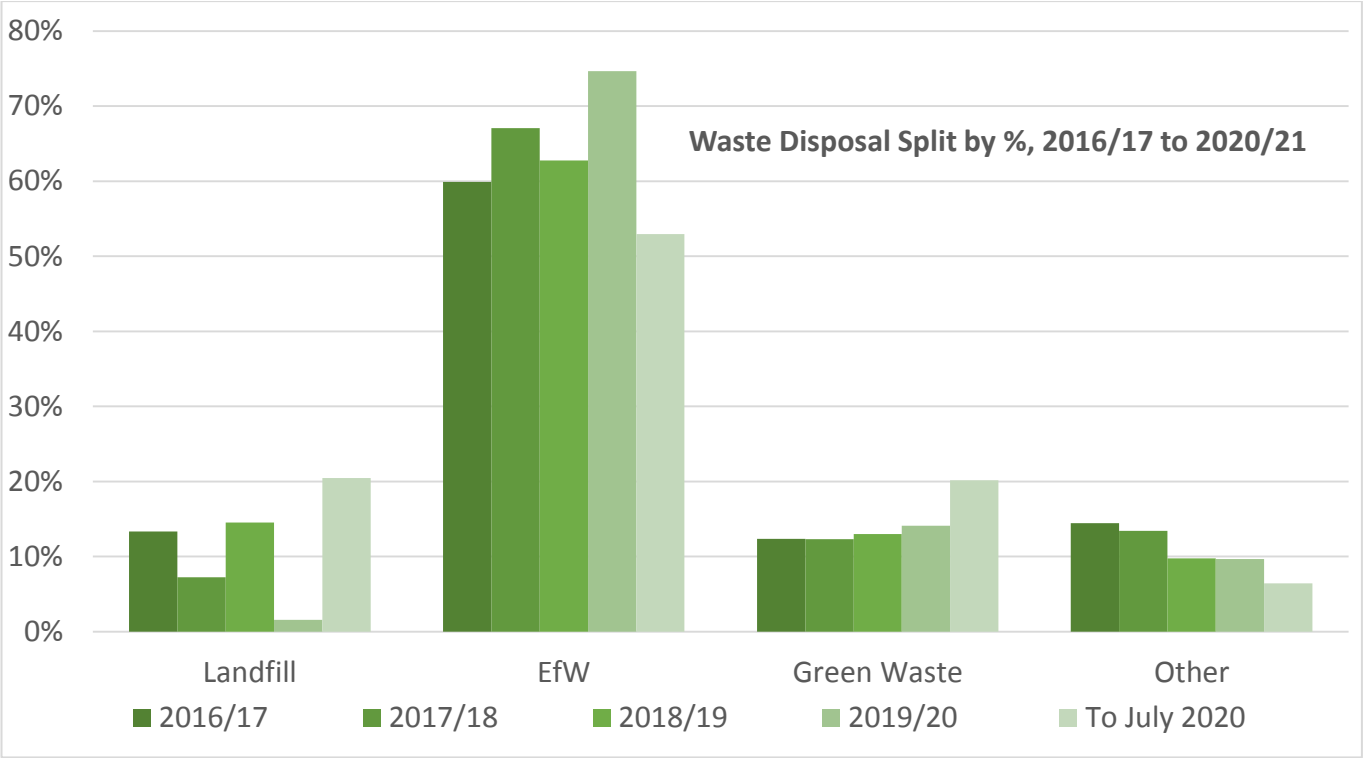
4.4.18 Fleet Management is now forecasting an improved saving of £0.020m, moving from the previously reported £0.010m saving, with further reductions in operational costs.

Waste Management including Recycling and Disposal

4.4.19 Waste Management is showing a £0.119m saving, worse by £0.009m since the last Cabinet report but fully mitigating operational pressures of £0.011m. As reported in previous Cabinet reports, vacancy savings are identified associated with waste strategy work. The Waste Strategy vacancy savings have been partially off-set by costs incurred by the use of third party technical advisory support on the waste Disposal Contract, in addition to waste campaign work being stepped-up to encourage more recycling during the Covid-19 Pandemic.

4.4.20 Waste and Recycling Disposal has previously reported additional costs of landfill are being offset by savings in other methods of disposal. Chart 9 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.

4.4.21 **Chart 9: Waste Disposal Volume Comparison 2016/17 to 2020/21 (at August)**



Local Environmental Services

4.4.22 Local Environmental Services is predicting a saving of £0.222m, an improvement from the last report's forecast saving of £0.084m. The movement is due to increased operational savings, which add to existing savings due to a reduction in capital financing costs charged to revenue for the cremator replacement of £0.050m.

4.4.23 Local Environmental Services have identified the estimated cost impact of Covid-19 as £0.358m, which mainly relates to lost income in park cafes, additional costs

of staffing (e.g. wardens), 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

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

Consumer Protection & Building Control

4.4.25 This area is predicting Covid-19 related costs of £0.276m, mainly for increased enforcement costs (including the costs of Covid marshalls) and the impact on taxi licencing income. Transferring these costs centrally against the grant funding received leaves an expected small staffing saving of £0.022m.

Transport & Highways

4.4.26 This area is forecasting Covid-19 related lost income from car parks, reduced engineering fees, streetworks fees and road permit income of £1.867m. Previously reported income losses on cart parks are expected to be further impacted by the November lockdown. Transferring out these costs to the Covid-19 central cost centres leaves a small forecast operating saving of £0.022m.

General Fund Housing

4.4.27 The planning service is expecting to carry £0.050m 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 £0.192m at November 2020, an improvement of £0.017m since September, 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 Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Regeneration	0.000	0.055	0.055	0.055	Estimated lost rental income at Swan Hunters site

4.5.3 As previously reported to Cabinet, the pressures in Regeneration result mainly from a forecasted inability to achieve staff capitalisation & recharge income targets and income generation shortfalls at both Swans-related sites.

4.5.4 **Table 15: Forecast Variation for Regeneration and Economic Development**

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
Business & Enterprise	0.751	0.739	(0.012)	0.000	(0.012)	(0.001)	(0.011)
Regeneration	0.438	0.636	0.198	0.055	0.143	0.163	(0.020)
Resources & Performance	0.203	0.264	0.061	0.000	0.061	0.047	0.014
Total	**1.392**	**1.639**	**0.247**	**0.055**	**0.192**	**0.209**	**(0.017)**

4.5.5 Forecasts still assume the sale of the Swans site will occur in the third quarter of the year, though the impact of the recent fire on the site has yet to be fully assessed.

4.6 **Corporate Strategy**

4.6.1 Corporate Strategy is forecasting a pressure of £0.089m 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 £0.008m since the last Cabinet reported position.

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

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Marketing	0.000	0.080	0.080	0.080	Marketing income lost
Marketing	0.012	0.000	0.012	0.012	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**	**0.093**	

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

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
Children's Participation & Advocacy	0.258	0.246	(0.012)	0.000	(0.012)	(0.003)	(0.009)
Corporate Strategy Management	0.006	0.165	0.159	0.000	0.159	0.108	0.051
Elected Mayor & Executive Support	0.018	0.015	(0.003)	0.000	(0.003)	0.006	(0.009)
Marketing	0.289	0.332	0.043	0.092	(0.049)	(0.011)	(0.038)
Policy Performance and Research	0.130	0.125	(0.005)	0.001	(0.006)	(0.003)	(0.003)
Total	**0.701**	**0.883**	**0.182**	**0.093**	**0.089**	**0.097**	**(0.008)**

4.6.4 The remaining pressures in the service are due to shortfalls against income targets, plus small staffing and operational pressures across the service. The improvement from the previous report reflects reduced operational expenditure and small improvements to income forecasts

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast surplus of (£0.018m) within Resources and Chief Executive Office, is after an adjustment of £1.152m 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 increased staffing pressure in HR, 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 Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Corporate ICT	0.103	0.000	0.103	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	0.076	Additional costs of homelessness

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Corporate Finance (Revenues)	0.000	0.968	0.968	0.968	Lost enforcement income due to courts being closed
Total	**0.184**	**0.968**	**1.152**	**1.052**	

4.7.3 **Table 19: Forecast Variation Resources**

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
ICT	2.851	2.961	0.110	0.103	0.007	0.191	(0.184)
Finance	0.013	1.007	0.994	1.044	(0.050)	(0.056)	0.006
HR & Organisational Development	0.013	0.112	0.099	0.005	0.094	0.094	0.000
Chief Executive	(0.078)	(0.147)	(0.069)	0.000	(0.069)	(0.075)	0.006
Total	**2.799**	**3.933**	**1.134**	**1.152**	**(0.018)**	**0.154**	**(0.172)**

4.7.4 Previous Cabinet reports have identified the main areas impacting the finance area forecast are within Revenues & Benefits. For this area the position being reported in November is relatively unchanged from the September Cabinet report.

4.7.5 Forecasts in November did show a potential improvement in the subsidy position, however we have been made aware of a known software issue by the Revenue & Benefit system software supplier which is currently being rectified. Resources did not therefore wish to forecast an improvement until the software error was rectified and the exact position known.

4.7.6 ICT previously reported pressures due additional licence costs within ICT Retained Services and the IT Customer Journey costs, which has now been corrected by budget realignments.

4.7.7 Previous Cabinet reports have identified the main areas impacting the forecast for Human Resources & Organisational Development. For this area the position being reported in November is unchanged from the September Cabinet report.

4.7.8 The Chief Executive's office is showing a saving of £0.069m. The saving is due to an underspend on staffing (£0.023m) and reduced spend on supplies and services (£0.046m).

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a net pressure of £0.265m, a movement of £0.014m since the September report. The pressure reported is after transfer of £0.342m 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 Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
Customer, Governance and Registration	0.000	0.170	0.170	0.170	Registrars – lost income due to reduction in numbers of weddings / civil ceremonies / citizenship ceremonies / duplicate certificate requests (April – Dec 2020)
	0.000	0.025	0.025	0.025	Registrars – lost income due to reduction in venue usage for weddings (April – Dec 2020)
Legal Services	0.000	0.070	0.070	0.070	Legal Services (Non-Contract) lost income due to lower property/business transactions
Information Governance	0.000	0.077	0.077	0.092	Land Charges - lost income due to lower property transactions in conjunction with market forces
Democratic and Electoral Services	(0.120)	0.000	(0.120)	(0.120)	Election Expenses - Expenditure underspend forecast due to no elections taking place
Total	**(0.120)**	**0.342**	**0.222**	**0.237**	

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

Service Area	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sep £m	BAU Change Since Sep £m
Customer, Governance and Registration	(0.071)	0.164	0.235	0.195	0.040	0.032	0.008
Democratic and Electoral Services	(0.044)	(0.196)	(0.152)	(0.120)	(0.032)	(0.037)	0.005
Information Governance	0.059	0.082	0.023	0.077	(0.054)	(0.029)	(0.025)
Legal Services	(0.105)	0.180	0.285	0.070	0.215	0.184	0.031
North Tyneside Coroner	0.294	0.390	0.096	0.000	0.096	0.101	(0.005)
Total	**0.133**	**0.620**	**0.487**	**0.222**	**0.265**	**0.251**	**0.014**

4.8.4 Cabinet will recall from previous reports that the main pressures in Law & Governance relate to legal staffing pressures and additional coroner costs, plus 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 November 2020 business as usual forecast for Central Items is a surplus of £7.035m, an improvement of £0.770m from the September report. This position is after the following forecasted transfers to reserves;

- a £12.719m transfer 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.
- and, new in November, a transfer of £1.841m relating to pooled growth funding from the North of Tyne Combined Authority.

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 £26.241m 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	13.107
Commissioning and Asset Management	3.404
Environment, Housing and Leisure	8.208
Regeneration and Economic Development	0.055
Corporate Strategy	0.093
Chief Executive's Office	0.000
Resources	1.152
Law and Governance	0.222
Total Covid-19 pressures transferred to Central Items	**26.241**
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	0.144
Total Covid-19 pressures recorded	**27.072**
Allocation of Local Authority Support Grant and specific grants (see table 23)	(25.689)
Central Items Covid-19 Pressure	**1.383**

4.9.4 The total of grants available to offset Covid pressures is £25.689m as broken down in Table 23 below. This value is being applied against the forecast pressures leaving an amount of £1.383m over and above current grant funding. This compares favourably with a gap of £4.259m at September. This pressure is being partially offset by underspends within Central Items outlined in paragraph 4.9.7 below. Table 24 summarises the position within Central Items.

4.9.5 **Table 23: Grants Forecasted to Offset Covid Pressures in 2020/21**

Grant	£m
Local Authority Support Grant – Tranche 1 balance carried forward into 2020/21	6.089
Local Authority Support Grant – Tranche 2	5.709
Local Authority Support Grant – Tranche 3	1.777
Local Authority Support Grant – Tranche 4	2.061
Test Track and Trace Grant	1.140
Infection Control Fund Round 1	2.205
Infection Control Fund Round 2	2.207
Clinically Extremely Vulnerable	0.142
Home to School Transport	0.110
Sales Fees and Charges – April to July (Received)	2.463
Sales Fees and Charges – August to November (Submitted)	1.786
Total	**25.689**

4.9.6 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 now been confirmed.

4.9.7 **Table 24: Outturn Variation Central Budgets and Contingencies**

	Budget £m	Forecast Nov £m	Variance Nov £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Sept £m	Change in BAU since Sept £m
Corporate & Democratic Core	1.729	1.715	(0.014)	0.000	(0.014)	0.005	(0.019)
Other Central Items	12.188	(34.251)	(46.439)	(24.858)	(21.581)	(18.989)	(2.592)
Central Items Sub Total	**13.917**	**(32.536)**	**(46.453)**	**(24.858)**	**(21.595)**	**(18.984)**	**(2.611)**
S31 – Transfer to Reserves	0.000	12.719	12.719	0.000	12.719	12.719	0.000
NoTCA Pooled Growth – Transfer to Reserves	0.000	1.841	1.841	0.000	1.841	0.000	1.841
Total Central Items	**13.917**	**(17.976)**	**(31.893)**	**(24.858)**	**(7.035)**	**(6.265)**	**(0.770)**

4.9.8 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 £1.936m due to interest savings resulting from higher than forecasted cash balances, reduced interest rates and Investment Plan reprogramming which is an improvement of £0.622m from the September position. In addition, reprogramming is also forecasted to deliver a credit against Minimum Revenue Provision of £0.279m and there is a forecasted procurement rebate of £0.227m. An additional £1.841m receipt for the Authority's share of the growth element from the 2019/20 Business Rates pool has been included. This income has been forecast to move to reserve at year end. The remaining improvement relates mainly to increased interest received of £0.128m due to higher than anticipated cash balances.

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 1.05% reduction by October 2020 and 0.64% drop by November 2020) and increase in LCTS. Recovery action was restarted, although with a softer approach in August so this position is expected to improve. Table 25 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 November 2020, following the impact of Covid-19, the tax base figure is 61,853 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 26 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 November position in 2020/21, where the Authority has had an additional 372 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 25: 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 Nov
No of Domestic Properties	95,059	95,563	96,243	96,752	97,698	98,626	99,558	99,407	99,889
Council Tax Base	53,034	55,400	56,424	56,948	58,202	59,048	60,167	61,870	61,853
Net Collectable Debit £m	81.404	82.842	84.868	89.961	97.737	104.048	110.511	114.558	113.991
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 26: 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 Nov	9,923	7,621	17,544

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 £1.700m.

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 November 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 November 2020, these reliefs totalled £27.983m 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 27 below.

Table 27: Section 31 grants in 2020/21

	Budget £m	**Nov 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 28: Rateable Value and Net Rates Payable by Business Type (November)**

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 29: 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 30: 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

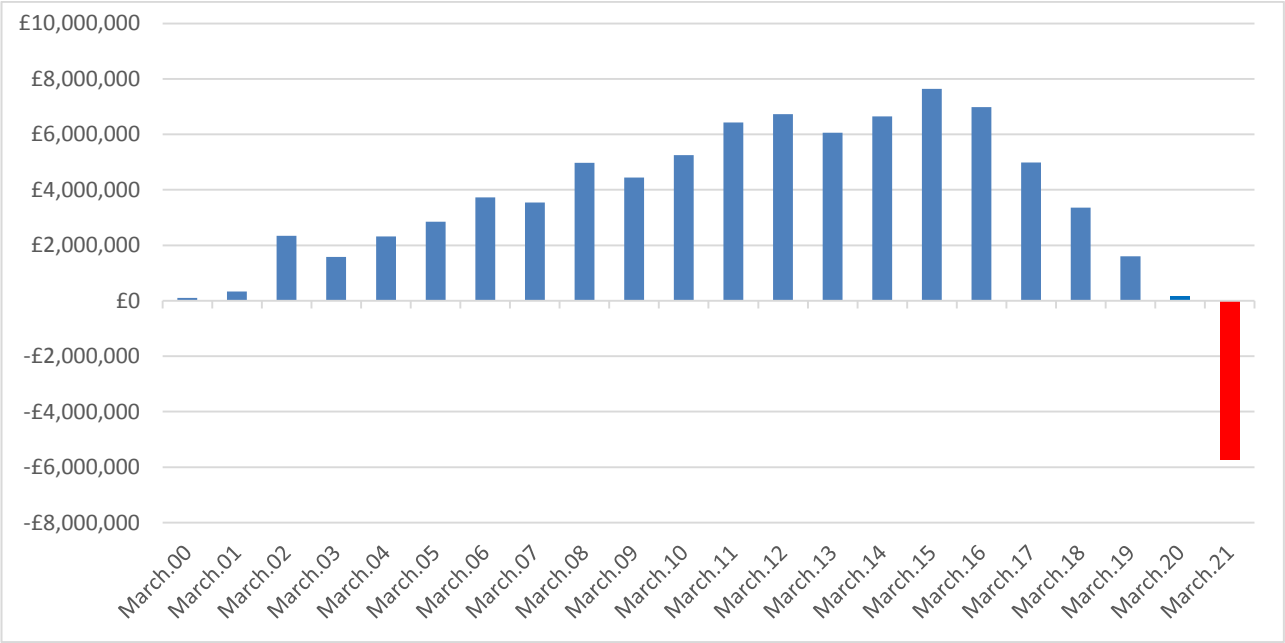
6.1 Cabinet will recall that in September schools completed their first monitoring reports of the year, with the results across all school phases reflecting a forecast deficit of £5.734m, which is an improvement against the £6.681m planned deficit budget of £0.947m. The next monitoring reports will be prepared with finance in January / February 2021 and will be reported to Cabinet in March.

6.2 **Table 31: 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	0.033
First	0.412	0.746	0.665	0.624	(0.041)
Primary	2.346	3.497	2.271	2.630	0.359
Middle	0.369	0.437	0.276	0.338	0.062
Secondary	(8.028)	(5.549)	(9.679)	(9.765)	(0.086)
Special/PRU	0.238	0.907	(0.267)	0.353	0.620
TOTAL	**(4.661)**	**0.165**	**(6.681)**	**(5.734)**	**0.947**

6.3 The forecast outurn and budgeted outturns for both 2019/20 and 2020/21 contain commitments carried from previous years into the school accounts. The actual outturn position for 2019/20 is the cumulative balances held by the schools and does not contain the commitments.

6.4 **Chart 10: School Balances Since March 2000**



School Finance Plan

6.5 The Authority has continued working with Schools Forum to review the modelling of the conversion of the Authority's Local Funding Formula (LFF) towards the National Funding Formula. In November, following consultation with schools, Schools Forum recommended a LFF which moves to 100% to the National Funding Formula for 2021/22. In addition, the consultation asked for schools if they would support a transfer of up to 0.5% from the Schools block to the High Needs block in 2021/22. The response from schools was 58% were against a transfer and 48% were for. Schools Forum endorced this recommendation on 26 November and would not be supportive of a transfer for 2021/22. The final decision will be made at Schools Forum on 13 January 2021 and Cabinet will be updated at the next available opportunityalso rejected transfer of funds between blocks to support pressures within the High Needs block.

Schools Forum was also asked to consider the impact of reduced funding for centrally provided School Services and 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). The process will continue in line with the key milestones outlined in Table 32 below:

6.6 **Table 32: Timetable for School Finance in 2020/21**

Date	Activity
October 2020	First tranche of North Tyneside Catholic schools move to diocese multi academy trust (St. Thomas Moore).
20 November 2020	Consultation returns received and reviewed
26 November 2020	Schools Forum agrees recommendations to Cabinet for the 2021/22 Local Funding Formula to individual schools.
8 December 2020	Schools Forum considers proposals to 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	Schools Forum meeting to consider growth funding and outcome of finance settlement
21 January 2021	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
February 2021	Schools to complete monitoring 2 reporting and begin budget planning 3 year budget plan 2021/22 to 2023/24.
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)
April 2021	Second tranche North Tyneside Catholic schools move to diocese Multi Academy Trust

High Needs Block Update

6.7 Cabinet will recall as reported in the September position, that the High Needs block reported an expected in-year pressure of £3.625m, and a cumulative pressure of £8.167m. 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.

6.8 The forecast for the High Needs Block is now an anticipated in-year pressure of £3.625m reflecting an upswing in numbers of children with Education Health and Care Plans (EHCP) identified when schools returned, with more children being placed in Out of Borough placements. This will give a £8.167m cumulative balance at the end of the year. A breakdown of the revised in-year pressure is shown in Table 33 below:

6.9 **Table 33: Breakdown of High Needs Pressures at November 2020**

Provision	Budget	Forecast Nov	Variance	Comment	Variance Sept
	£m	£m	£m		£m
Special schools and PRU	13.000	14.953	1.953	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder	1.866
ARPs/Top ups	4.005	4.951	0.946	Pressures in pre 16 top ups e.g. Norham ARP. Melrose transfer to Southlands represents change	0.991
Out of Borough	2.165	2.806	0.641	Increased number of children placed outside North Tyneside Schools	0.565
Commissioned services	3.957	4.042	0.085		0.035
Subtotal	**23.127**	**26.752**	**3.625**		**3.457**
2019/20 b/f			4.542		4.542
Subtotal			**8.167**		**7.999**

Special Schools and the Pupil Referral Unit (PRU)

6.10 There is a pressure of £1.953m relating to this area. The Authority has seen increasing numbers of children and young people within the education system with significant needs requiring specialist provision. This is particularly relating to Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health needs (SEMH). The Authority has increased the numbers of places within in special schools to cope with this additional demand. Number of places have increased as follows:

Table 34: Increase in Special School Places in 2020/21

Special schools and Moorbridge	Planned Places	Forecast Pupil Nos at Nov 20	Movement
Beacon Hill	180.4	190	+9.6
Benton Dene	116.6	122	+5.4
Silverdale	83	102	+19
Southlands (Main Site)	123	129	+6
Southlands (Melrose Site)	0	32	+32
Woodlawn	106.2	122	+15.8
	609.2	**697**	**+87.8**

6.11 Special schools are funded with £10,000 per place, with this increase in numbers representing an increased spend of £0.878m, plus a top-up based on a banding which is reflective of the needs of each individual child. Funding values for each banding is shown in Table 35 below. The majority of pupils attending special schools attract band 4 and band 5 top-up levels. The forecast cost of special school top-ups has risen from a planned £4.928m to £6.152m.

Table 35: Special School Top Up Values by Banding

Band	Top up value £
Band 1	0
Band 2	3,341
Band 3	6,682
Band 4	9,507
Band 4	19,221

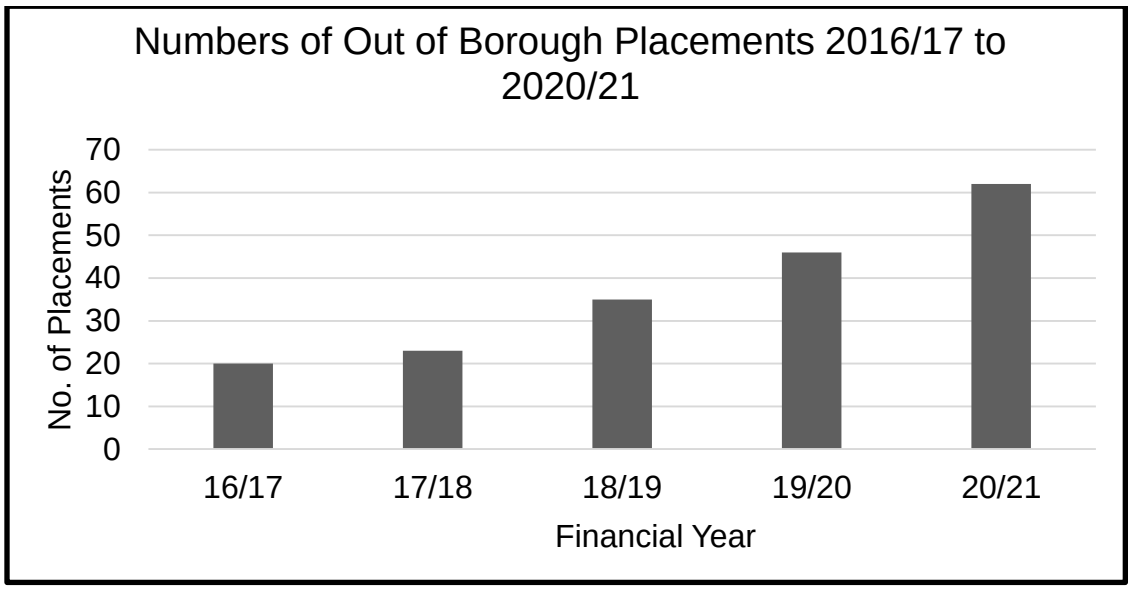
ARPS and Mainstream Top Ups (Pre 16)

6.12 There are pressures of £0.946m within Additional Resourced Provision (ARP) and top-up costs within mainstream schools due to increasing numbers of children and young people with additional needs and the rising average complexity of those needs. Top-up funding is paid to support children with additional needs in mainstream school. This is paid on the basis of an hourly rate reflecting the costs of additional staffing support outlined within the individual child's Education, Health and Care Plan (EHCP). Levels of top-up payments to mainstream schools have risen in the last four years with an overall increase in the numbers of children and a rise in larger packages of support reflecting the increasing complexity of needs.

Out of Borough Placements

6.13 In some instances, the Authority is unable to meet the needs of an individual child or young person and an out of borough placement is made. This can be made with a local private provider. This area of expenditure is showing a pressure of £0.940m due to increasing numbers of placements made with 62 children attending out of borough providers at November 2020 compared to 35 in 2018/19 and only 20 in 2016/17. The increasing use of these placements in illustrated in Chart 11 below.

Chart 11: Numbers of Out of Borough Placements 2016/17 to 2020/21



High Needs Recovery Plan

6.14 A team of officers from Health, Education, Care and Safeguarding and Commissioning and Asset Management are working on a High Needs recovery plan in line with Department for Education requirements, with support from Finance. The plans to mitigate the pressures on High Needs include measures described in the following paragraphs.

Refusals to Assess

6.15 There is an increase in children and young people who, on receiving a request for an Education Health and Care Needs Assessment, are now determined that their needs can be met within the Local Offer. The same is true for those where, at the conclusion of the Education Health and Care Needs Assessment, we determine that they do not require an Education Health and Care Plan and that their needs can be met within the Local Offer. This has been a shift of 1% in 2019 to 20% in 2020. This will have a direct impact on spend.

Developing the North Tyneside Inclusion Strategy

6.16 A new North Tyneside Inclusion Strategy is currently being developed to strengthen our capacity to meet the needs of children with SEND in line with our North Tyneside Children's Services Pledges to:

- Intervene early with evidence based, family focussed services;
- Work in partnership to keep children in school;
- Keep children safe at home and connected to their local communities.

6.17 The Authority, schools and partner agencies will ensure a whole system approach to inclusion across education, health and social care. The new strategy will:

- seek to clarify our vision for inclusion and build consensus around our shared expectations and consistency of approach across the borough;
- describe our shared purpose, principles and priorities across education, social care and health;
- provide the framework and direction to ensure that the right provision is in place to meet the changing needs of children with SEND;
- enable us to identify the actions we will take to improve the lived experience of our children and young people with SEND.

Strengthening the 'Graduated Response' in Mainstream Schools

6.18 Children with SEND in mainstream schools should be supported through a four-stage cycle of assess, plan, do and review, known as the graduated approach. Schools are expected to make reasonable adjustments and use their best endeavours to meet the needs of children and young people, before seeking statutory assessment or requesting High Needs top-up funding.
The graduated response work will be a key component of the new Inclusion Strategy.

6.19 The development of the graduated response work also seeks to strengthen the gatekeeping around access to High Needs top-up funding, to ensure greater equity and value for money in the way funding is allocated and used.

Managing demand for out of borough placements

6.20 There has been an increase in requests from parents for placements in independent, non-maintained special schools and colleges. Our priority is to support as many children as possible to be educated in borough and, for that reason, we continue to fund additional places in North Tyneside special schools. Alongside that, further resources have been agreed to strengthen the therapy offer into our local special schools. This includes a SEND Project Lead employed by Northumbria NHS Foundation Trust who will co-ordinate this joint working, plus additional capacity for the NHS therapy teams working directly with school staff and with children.

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 36 below is based on the results to November 2020. Currently the HRA is forecasting an overspend of £1.258m against budget including the impact of all identified HRA and HPC-related Covid-19 costs and a £0.259m pressure, after excluding those Covid-19 costs which are rechargeable to the general fund and eligible to be set against government Covid grants. 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 changes in the forecast position.

7.2 **Table 36: Forecast Variance Housing Revenue Account**

	Budget £m	**Current Forecast £m**	**Current Variance £m**	**Last cabinet report £m**
HRA Management Costs	10.226	10.116	(0.110)	(0.110)
HRA Repairs	12.247	13.920	1.673	1.673
HRA – Capital Charges	13.832	13.832	0.000	0.000
HRA – PFI Contract Costs	9.690	9.940	0.250	0.250
HRA – Capital Financing	23.296	23.296	0.000	0.000
HRA Other Costs	1.340	1.340	0.000	0.000
HRA – Other Income	(7.743)	(7.743)	0.000	0.000
HRA - Rental Income	(60.299)	(60.854)	(0.555)	(0.555)
Total including all Covid-19 pressures	**2.589**	**3.847**	**1.258**	**1.258**
HRA Covid-19 pressures mitigated	0.000	(0.999)	(0.999)	(0.999)
Total after HRA Covid-19 pressures mitigated	**2.589**	**2.848**	**0.259**	**0.259**

7.3 The total Covid-19 costs attributed to the HRA and HPC is £2.523m, which is a combination of unproductive workforce costs resulting from restrictions during lockdown (£1.423m), the costs of procuring and distributing PPE locally and regionally (£0.730m), and in addition unproductive time in relation to works HPC would have delivered to the General Fund but for lockdown (£0.330m). The level of identified Covid-19 pressures has remained fairly consistent at circa £2.500m. Indications are that only the PPE-related costs and the general-fund related costs can be considered as eligible to be covered by government covid grant (£0.999m).

7.4 **Table 37: Forecast Impact of Covid-19 on HRA for 2020/21**

Service Area	Covid Cost Impact Nov £m	Covid Income Impact Nov £m	Total Covid Impact Nov £m	Total Covid Impact Sept £m	Description
HRA – PPE	0.082	0.000	0.082	0.033	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	1.423	0.000	1.423	1.587	Costs of carrying unproductive staff resource and related support costs during downtime, for staff delivering HRA-related work
HRA - Overtime	0.019	0.000	0.019	0.000	Additional overtime for community protection co-ordinating with Northumbria Police
HRA – Other	0.000	0.000	0.000	0.000	No longer reflecting increased Bad Debt Provision
Total	**1.524**	**0.000**	**1.524**	**1.620**	

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, and garage rental income is also forecast to come in better than budget (£0.039m). There had been a 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 been largely caught up and empty homes numbers are now trending at or around the pre-covid levels. This may lead to further small improvements in the current rental forecasts by year-end. 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, and this position may yet improve again. 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 issues continue to be closely monitored throughout the year.

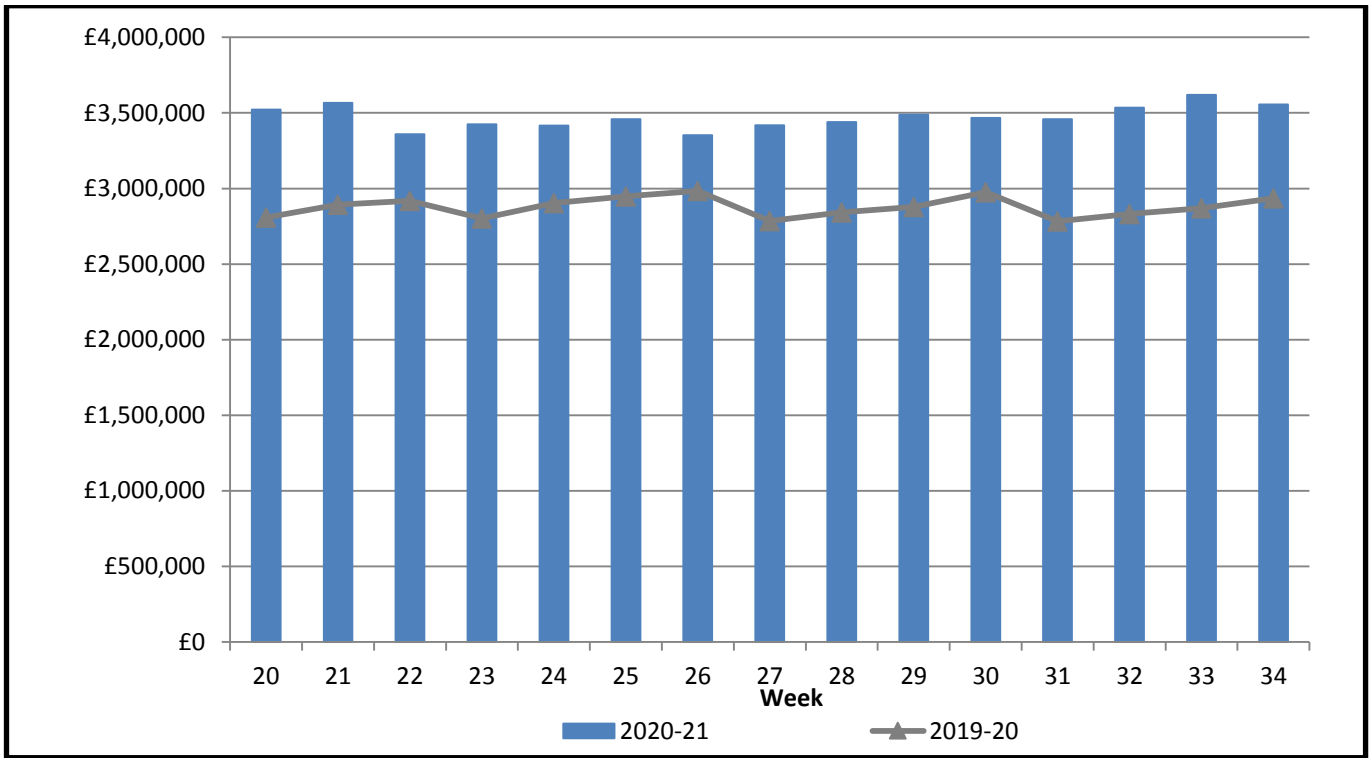
7.6 It is anticipated that savings in management costs will be realised due to delays in recruitment to several vacancies as a result of the Covid-19 pandemic (£0.129m). The recruitment to these vacancies could result in further savings if posts are recruited internally within the HRA. The Repairs budget is showing an over-spend of £0.694m 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, had 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 10 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, and may continue to improve in-year.

7.8 **Chart 12: Rent Arrears in Weeks 20-34 (Sept-Nov) 2020/21 compared to 2019/20**

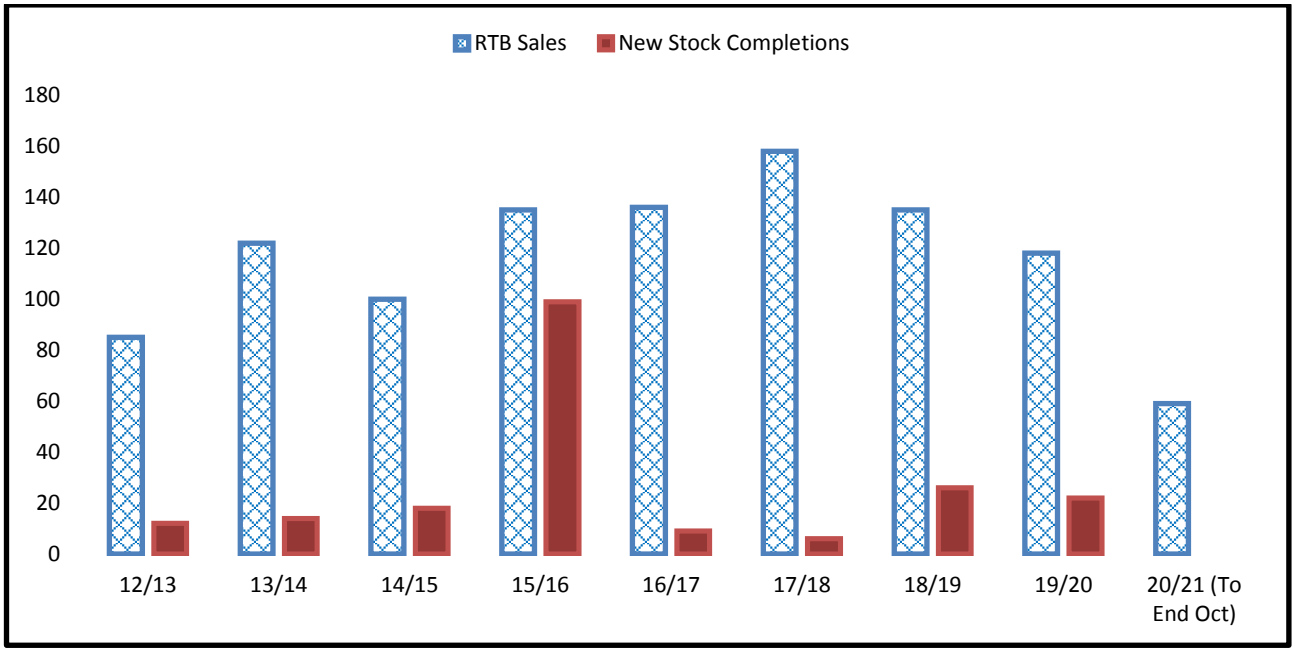


7.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 30 November 2020, there were 3,199 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.683m. This is up by 625 and £0.473m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, and up from from the end of September when there were 2,972 tenants on Universal Credit (increase of 227 tenants) with related arrears of £2.524m (increase of £0.159m).

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

7.11 **Chart 13: 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;
- 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 – completed; 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 has a total project value of £1.900m. Public Engagement was concluded on 16 October 2020 with approximately 200 responses received.

Variations to the 2020-2025 Investment Plan

8.8 As part of budget monitoring for October and November, variations of £6.239m credit to the Investment Plan and reprogramming of £3.000m from 2020/21 have been identified and are included in tables 38 and 39 below. Further details are provided in paragraph 8.9.

8.8.1 **Table 38: 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
November 20 Cabinet	(1.920)	(4.169)	(0.460)	(0.374)	(6.923)
Approved Investment Plan	**74.875**	**62.782**	**41.609**	**84.891**	**264.157**
Oct/Nov 20 Monitoring					
Variations	(3.059)	(3.590)	0.410	0.000	(6.239)
Reprogramming	(3.000)	1.500	1.500	0.000	0.000
Total Variations	**(6.059)**	**(2.090)**	**1.910**	**0.000**	**(6.239)**
Revised Investment Plan	**68.816**	**60.692**	**43.519**	**84.891**	**257.918**

8.9 Details of the variations and reprogramming are shown below:

(a) **BS026 Asset Planned Maintenance £0.233m** – There are three variations to this project to report. The first is a transfer of £0.080m from contingencies to provide toilet facilities within North Shields Town Centre as part of North Shields Masterplanning. Secondly, the addition of £0.015m Section 106 funding to finance Internal improvements to White Swan Surgery at the White Swan Centre and finally £0.145m of ringfenced capital receipts from the sale of Holy Cross Cemetry lodge to fund improvements to support investment across the cemeteries portfolio;

(b) **CO079 Playsites £0.015m** – The Investment Programme Board (IPB) has approved the use of £0.015m Section 106 funding to improvement the play site within Killingworth Lake Park;

(c) **DV075 Town & Neighbourhood Centres £0.026m credit** – This adjustment is required to reflect split between capital only element (£0.075m) and the revenue element of the ERDF grant awarded;

(d) **EV034 Local Transport Plan (LTP) £0.103m credit** – Transfer of LTP grant to fund highway improvement works at Tanners Bank £0.051m 2021/22 and £0.052m 2022/23. See (e) below;

(e) **EV096 Tanners Bank £3.722m** – The project involves the replacement of Tanners Bank Metro rail bridge (Nexus asset) and improvements to nearby roads and junctions. The work will complement the North Shields Masterplan and

includes the increase of headroom of the Tanners Bank bridge to improve accessibility to the Fish Quay. Working in partnership with Nexus a successful bid was made to the Department for Transport Highway Maintenance Challenge fund and £3.619m was paid to the Authority in August 2020. Each party committed to a match funding contribution, these totalled 10% of bid value. The Authority's contribution £0.103m, will be allocated from future Local Transport Plan budgets (See (d) above;

(f) **GEN03 Contingencies £3.080m credit –** There has been an allocation to Project BS026 Asset Planned Maintenance to provide toilet facilities in North Shields £0.080m and a request to reprogramme £3.000m to future years (£1.500m each to 2021/22 and 2022/23); and,

(g) **HS052 Killingworth Moor Infrastructure £10.000m credit –** The Killingworth Moor Development Consortia are unable to agree to necessary legal commitments and delivery agreements to enable available Housing Infrastructure funding to be drawn down and project to commence. Therefore a Gateway 4 has been presented to IPB to remove the project from the Investment Plan.

8.10 The impact of the changes detailed above on capital financing is shown in table 39 below.

8.10.1 **Table 39: Impact of variations on Capital financing**

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
Approved Investment Plan	**74.875**	**62.782**	**41.609**	**84.891**	**264.157**
Council Contribution	(3.000)	1.500	1.500	0.000	0.000
Capital Receipts	0.145	0.000	0.000	0.000	0.145
Grants and Contributions	(3.204)	(3.590)	0.410	0.000	(6.384)
Total Financing Variations	**(6.059)**	**(2.090)**	**1.910**	**0.000**	**(6.239)**
Revised Investment Plan	**68.816**	**60.692**	**43.519**	**84.891**	**257.918**

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). It is requested to ringfence the receipt for the sale of Holy Cross Lodge £0.145m to fund improvements to cemeteries. To date, £0.684m 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 40 below.

8.11.1 **Table 40: 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
Variation to be reported January 20 Cabinet	0.145	0.000	0.000	0.000	0.145
Revised Requirement	**0.568**	**0.423**	**0.254**	**0.000**	**1.245**
Receipts Brought Forward	(1.773)	(1.533)	(1.110)	(0.856)	(1.773)
Total Receipts received 2020/21	(0.684)	0.000	0.000	0.000	(0.684)
Receipts used to repay capital loans	0.356	0.000	0.000	0.000	0.356
Net Useable Receipts	**(0.328)**	**0.000**	**0.000**	**0.000**	**(0.328)**
Surplus Receipts	**(1.533)**	**(1.110)**	**(0.856)**	**(0.856)**	**(0.856)**

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 £3.424m have been received in 2020/21 of which £0.937m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £10.073m to be carried forward to fund future years.

8.12.1 Table 41: 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)	(10.073)	(5.897)	(3.782)	(8.313)
Receipts Received 2020/21	(3.424)	0.000	0.000	0.000	(3.424)
Receipts Pooled Central Government	0.937	0.000	0.000	0.000	0.937
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(10.073)**	**(5.897)**	**(3.782)**	**3.208**	**3.208**

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 November 2020

8.13 Actual expenditure for 2020/21 in the General Ledger was £24.505m; 35.61% of the total revised Investment Plan at 30 November 2020. This is after adjusting for £0.194m of accruals relating to 2019/20 expenditure.

8.13.1 Table 42: Total Investment Plan Budget & Expenditure to 30 November 2020

	2020/21 Revised Investment Plan £m	Actual Spend to 30 Nov 2020 £m	Spend as % of revised Investment Plan %
General Fund	43.589	16.677	38.26%
Housing	25.227	7.828	31.03%
TOTAL	**68.816**	**24.505**	**35.61%**

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION UPDATE

Current Cash Position

9.1 As at 30 November 2020 the Authority had £20.000m placed with the DMO, and £5.000m invested on an instant access basis with Lloyds Bank and with £45.500m invested externally with other UK Local Authorities.

9.2 **Table 43: Investment Position as at 30/11/2020**

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	20.000	n/a
Lloyds Bank	Call	5.000	Call
Barclays Bank	Current	2.103	n/a
Inter – LA	Fixed	45.500	13 August 2021*

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

9.3 Short-term cash investment rates remain at all time lows witnessed through the majority of 2020 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 44 below. PWLB rates also continue to remain low due to low Gilt yields, which they are tracked against.

9.5 **Table 44: Summary of Borrowing Levels**

Temporary Market		PWLB	
Tenor	Level	Tenor	Level
1 week	0.02%	2 years	0.97%
1 month	0.02%	5 years	1.03%
3 months	0.03%	10 years	1.33%
6 months	0.10%	20 years	1.81%
9 months	0.18%	30 years	1.85%
12 months	0.20%+	50 years	1.69%

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

Table 45: Debt Position 2020/21

	PWLB (£m)	LOBO (£m)	Temp (£m)	Total (£m)
Total Outstanding Borrowing Debt	358.443	20.000	68.610	447.053
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.

Negative Debt Management Office (DMO) investment rates

9.9 At the end of September 2020 the DMO reduced the interest on investments negative, -0.03% for one week, then moving to -0.02% for eight weeks. More recently the DMO investment rates have moved to 0.00%.

9.10 While the Bank of England has said that it is unlikely to introduce a negative Bank Base 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.

9.11 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.

9.12 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.

PWLB Consultation

9.13 In October 2019, Her Majesty's Treasury (HMT), without notice, increased the margin on PWLB borrowing to be 200 basis points (bps) over gilt yields, previously 100bps over gilt yields. This resulted in a significant increase in borrowing cost to applicable Authorities.

9.14 The increase in margin and catalyst for the consultation was driven by a report by the National Audit Office (NAO) highlighting that a minority of local authorities have started using low-cost loans from the PWLB, to buy investment property primarily for rental income. Whilst this type of borrowing can be compelling for individual local authorities, the government view 'debt for yield' as an activity that introduces risks locally and nationally.

9.15 Following lobbying of the above, HMT announced in March 2020 a consultation to take place to address the issue and look to review potential overhaul of the PWLB terms at the time.
At the same time HMT took the opportunity to reduce the margin over gilts to 100bps for specific housing and regeneration borrowing.

9.16 The consultation was completed by the end of November 2020 and the aim of this consultation was to develop a proportionate and equitable way prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.

9.17 Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans.

9.18 Should any Local Authority wish to borrow PWLB effective from 26 November 2020 the Authority must provide additional detail on their capital plans as well as confirmation by the S151 officer that the Authority is not looking to purchase assets primarily for yield.