

North Tyneside Council

Report to Cabinet

6 April 2021

Title: 2020/21 Financial Management Report to 31 January 2021

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Ray Glindon
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Report from:	Finance	
Responsible Officer:	Janice Gillespie, Head of Resources	Tel: 643 5701
Wards affected:	All	

PART 1

1.1 Executive Summary:

This report is the fifth 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 latest indication of the potential revenue and capital position of the Authority at 31 March 2021.

Like all local authorities, North Tyneside Council has felt the impact of the ongoing Covid-19 pandemic. However, when “business as usual” is considered services are performing favourably when compared to this stage in previous financial years. The forecast overall pressure is estimated at £3.041m against the approved net budget. This is made up of forecasted pressures of £0.053m on normal activities and £2.988m relating to the impact of Covid-19. The Authority continues to face financial pressures across areas of Social Care and demand-led services that have been reported over a number of years.

This report necessarily reflects these known pressures the Services will be required to manage during the approach to year end . As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority.

The financial impact of the pandemic continues to have a significant effect on the projected 2020/21 outturn position. The report sets out details of grant funding received during the year in respect of direct support for additional costs and loss of income as a result of the pandemic, but also the grants and associated costs of new burdens and responsibilities the authority has been required to undertake as part of the response to the pandemic.

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

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

The update on the 2020/21 Investment Plan sets out delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval as well as an update on Treasury Management and the cash flow position.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Collection Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 31 January 2021 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £4.930m new revenue grants (as outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £33.536m to 31 January 2021 and the financing of the Plan to the end of the year (Annex Section 8); and
- (d) approves variations of £0.853m and reprogramming of £8.299m for 2020/21 within the 2020 – 2025 Investment Plan (Annex Section 8).

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 11 December 2020.

1.4 Authority plan and policy framework:

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

1.5 Information:

1.5.1 Financial Position

This report is the fifth monitoring report presented to Members on the Authority's 2020/21 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2021. The reported position is expected to change over the coming months as the response and recovery to Covid-19 continues.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget

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

1.5.2 General Fund Revenue Account

The budget for 2020/21 was approved by full Council at its meeting on the 20 February 2020. The net General Fund revenue budget was set at £161.361m. This included £3.622m of savings to be achieved (£0.805m relating to 2020/21).

The forecast overall pressure is estimated at £3.041m against the approved net budget. This is made up of forecasted pressures of £0.053m on normal activities and £2.988m relating to the impact of Covid-19. This is after a forecasted transfer to reserves of a £13.527m surplus relating to Section 31 grants. An additional £1.841m is also forecast to be transferred to reserves relating to growth received from the North of Tyne Combined Authority following the Authority'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.

The £0.053m pressure in the services is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £5.647m and Adult Services of £0.756m. This is before inclusion of the contingency based budgets, which are held and reported with Central Items, that were created by Cabinet as part of the 2018/19 budget setting process to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £4.942m of pressures in Corporate Parenting and Placements, £1.454m in Wellbeing and Assessment and £0.962m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2019/20 and arise from:

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

It is still anticipated that the Authority will deliver a balanced position for normal activities by the end of 2020/21.

The financial impact of the pandemic continues to have a significant effect on the projected 2020/21 outturn position. The Authority has received four payments of Local Authority Support Grant funding from the Government (total of £16.369m), of which £0.733m was allocated due to Covid-19 pressures arising in March 2020.

On 2 July 2020, the Government also announced support will be provided in relation to pressures on sales, fees and charges. The Authority has now received its initial payment, covering the period April 2020 – July 2020, to the value of £2.463m and has submitted the second claim covering August 2020 – November 2020 to a value of £1.786m. This second amount has not yet been received but is included in the forecasted position reported. The Cabinet Member for Finance and Resources is being kept up to date with the impact of all grant funding relating to Covid-19 and any further grant funding will be reported to Cabinet in the next report.

The impact of pressures arising from Covid-19 in 2020/21 are forecasted to be significant and the January position contains Covid-19 pressures over and above the level of grant funding received to date. Due to the level of uncertainty of how service delivery will continue to be impacted by Covid-19, it is expected the reported position will change over the remaining months to year end as the response and recovery continue. Like all authorities North Tyneside is seeing a clear financial impact as a result of the pandemic and current indications are that the Covid-19 funding received to date does not cover all anticipated costs/loss of income. Discussions are on-going at both local and national level around the financing of the residual pressures expected as a result of Covid-19.

Further measures were outlined by the Chancellor in his Spending Review announced on 25 November 2020. Further details of these measures can be found in the 2021-2025 Financial Planning and Budget Process: Cabinet's Initial Budget proposals report presented to Cabinet on 30 November 2020.

With regards to the impact of Covid-19, the main drivers behind the £2.988m shortfall are also within Health, Education, Care and Safeguarding where £14.586m is for increased costs to the Authority of supporting the market (£7.600m), impact on savings targets (£1.626m), increased costs for children in care (£1.708m), costs associated with rapid testing (£1.058m), lost income within School Improvement (£0.625m), Public Health (£0.597m), additional demand (£0.494m), additional staffing costs, PPE, and supplies and services within Integrated Services (£0.643m) and other miscellaneous losses (£0.235m).

Significant Covid-19 related pressures exist in Environment, Housing and Leisure, (£7.844m) due to loss of income in areas such as Sport & Leisure and Highways & Transport and in Commissioning & Asset Management through income lost within Catering (£4.768m).

1.5.3 New Revenue Grants

The following revenue grants have been received during December 2020 and January 2021:

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Commissioning and Asset Management	Education and Skills Funding Agency	National Tutoring Programme Academic Mentors – Churchill College	Funding to support an academic mentor as part of the National Tutoring Programme	0.017
Commissioning and Asset Management	Department for Education	Additional Funding for Home to School Transport (second half of Autumn term)	To provide additional journeys while social distancing is required	0.074
Commissioning and Asset Management	Department for Education	Free School Meals Supplementary Grant	Provides funding for schools to help them meet the extra costs of providing free school meals until lagged funding catches up	0.502
Commissioning and Asset Management	Ministry of Housing, Communities and Local Government	Clinically Extremely Vulnerable Individuals Advised to Shield Tranche 2	To support the activities and outcomes outlined in the Shielding Framework	0.136
Health Education Care & Safeguarding	Culture Bridge North East	North Tyneside Cultural Education Programme – Cultural Social Prescribing	To connect children and young people with art and cultural opportunities	0.025
Environment Housing and Leisure	The Reading Agency	Reading Friend Project	Commitment to end loneliness and support mental health through reading	0.009
Central Items	Department of Health and Social Care	Covid-19 Infection Control Grant Round 2	To support adult social care providers to reduce the rate of transmission	2.207

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Central Items	Department for Education	Schools Catch Up Premium – Spring Term	To provide assistance to local authorities for their maintained schools and for pupils that local authorities place in independent settings to catch up on lost learning due to Covid-19	0.719
Central Items	Department for Education	Covid-19 Schools Fund – Tranche 3	To support schools facing additional costs as a result of Covid-19	0.122
Central Items	Department for Transport	Funding for Travel Demand Management	To support the Authority with travel demand management activities linked to Covid-19 regulations	0.030
Central Items	North of Tyne Combined Authority	Armed Forces Grant Funding – Supporting Homeless Veterans	To provide emergency and temporary support services for veterans	0.030
Central Items	Department of Health and Social Care	Adult Social Care Rapid Testing Fund	To support rapid testing of staff in care homes, to support visiting professionals and safe close contact visiting	0.543
Central Items	Department of Health and Social Care	Adult Social Care Workforce Capacity Fund	To provide additional capacity in the social care workforce	0.516
Total				4.930

1.5.4 School Funding

Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2020/21 was £6.689m. These budgets were revised, mainly following discussions with schools showing deficit balances, to an expected deficit of £6.755m. After the second monitoring period of the year, this position was forecast to be £2.900m, a total improvement of £3.855m against the budget plan and an improvement of £2.777m since the first monitoring period. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2019/20 was the fifth year of balances decreasing following a long-term trend of rising balances in North Tyneside and the overall projected balances for 2020/21 continues this trend.

Cabinet will recall that the High Needs Block ended 2019/20 with a pressure of £4.542m. The forecast of the budget position for 2020/21 indicates an anticipated in-year pressure of £3.809m reflecting a further rise in demand for special school places.

1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2021 of £4.911m, assuming that all identified Covid-19 related PPE costs and General Fund-related services delivered through the HRA are covered. These balances are £0.092m lower than budget which was set at £5.003m. The lower than forecast balances relate to a combination of factors: firstly, there were higher opening balances being brought forward due to the impact of the previous year's financial performance (£0.211m); this was off-set by an in-year overspend against budget of £0.303m, again due to a number of factors: an additional in-year contribution to the PFI Reserve of £0.350m to mitigate the risks attached to delegated use of reserves decisions, a range of Covid-related costs mainly across the in-house Construction service that are not eligible to be set against Government grants (totalling £1.624m), which when set against an underspend in business-as-usual costs result in a forecast overspend of £0.973m against the Repairs budget. This has been mainly offset by increased forecast rent and service charge income (£0.841m) and forecast vacancy savings of (£0.179m) due to delays in vacant posts being filled.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. At 31 January 2021, there were 3,241 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.831m. This is up by 667 and £0.621m from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m, and up from the end of November when there were 3,199 tenants on Universal Credit (increase of 42 tenants) with related arrears of £2.683m (increase of £0.148m). A team is working proactively with tenants to minimise arrears and this position will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

1.5.6 Investment Plan

The approved 2020-2025 Investment Plan totals £257.918m (£68.816m 2020/21) and is detailed in table 38 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2020/21, reprogramming and other variations identified through the Investment Programme Governance process.

Regular monthly monitoring of the Investment Plan has resulted in proposals for reprogramming of £8.299m in 2020/21 and variations of £7.189m across the life of the plan, of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £61.370m for 2020/21 and to the end of January 2021 spend of £33.536m had been incurred which represents 54.65% of the revised plan.

1.5.7 Performance against Council Plan

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

Our People will:

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

Our Places will:

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

Our Economy will:

- Benefit, along with our people and places, from our ambitious vision which we created with partners in in the North of Tyne Combined Authority. We will have a

dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.

- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

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

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

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

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

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

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

Option 2

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

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Cabinet is recommended to agree the proposals set out in section 1.2 of this report as it is important that Cabinet continues to monitor performance against the Budget, especially given the current level of financial pressures faced by the public sector.

1.8 Appendices:

Annex : Financial Management Report to 31 January 2021
Appendix 1: 2020 – 2025 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance and School matters – Tel. (0191) 643 8109
David Dunford – General Fund and Collection Fund matters – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters – Tel. (0191) 643 5727
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052
Amar Hassan – Treasury Management matters – Tel. (0191) 643 5747

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Revenue budget 2020/21
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>
- (b) Investment Plan 2020-25
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix D(i))
- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=136&MId=238&Ver=4> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s2657/Our%20North%20Tyneside%20Performance%20Report%20Cover%20March%202020.pdf>
- (e) Quarter 2 Efficiency Savings Programme Report
<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=138&MId=525&Ver=4>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 13 July 2021.

2.2 Legal

The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation / Engagement

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

2.4 Human rights

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

2.5 Equalities and diversity

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

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

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