

2020/21 Financial Management Report Annex

INDEX

Section	Page
1. Executive Summary	3
2. Delivery of Budget Savings Proposals	5
3. New Revenue Grants	7
4. Service Commentaries	9
5. The Collection Fund	41
6. Schools Finance	44
7. Housing Revenue Account	48
8. Investment Plan	54
9. Treasury Management & Cash Position Update	61

SECTION 1 – EXECUTIVE SUMMARY

General Fund Summary

- 1.1 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 fifth 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.
- 1.2 The Authority's approved net revenue budget of £161.361m is forecast to outturn with a pressure of £3.041m. The budget includes £0.805m of savings as agreed at Council on 20 February 2020. Table 1 in paragraph 1.8 below sets out the variation summary across the General Fund.
- 1.3 After receipt of grant funding of £26.721m, there remains a pressure of £2.988m in the General Fund in relation to Covid-19; this represents an increase of £1.605m since November, highlighting the impact of the extended lockdown period. In addition, there is a pressure of £0.053m relating to normal business activities, an improvement of £0.074m since November, a position which compares favourably with this stage of recent financial years.
- 1.4 The Authority has also received and/or been notified of further 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.
- 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. Work is also underway to understand the longer-term financial implication and what that means for the longer-term financial plan.

Housing Revenue Account

- 1.6 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.
- 1.7 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.

1.8 Table: 1 2020/21 General Fund Revenue Forecast Outturn as at 31 January 2021

Services	Budget	Forecast Jan	Variance Jan	Variance Nov	Variance Change since Nov		Of which - Covid-19	Of which - Business as Usual	Business as Usual Nov Variance	Business as Usual Change since Nov
	£m	£m	£m	£m	£m		£m	£m	£m	£m
Health, Education, Care and Safeguarding	71.542	92.531	20.989	19.636	1.353		14.586	6.403	6.529	(0.126)
Commissioning and Asset Management	7.429	12.495	5.066	3.765	1.301		4.768	0.298	0.361	(0.063)
Environment, Housing and Leisure	43.460	51.117	7.657	7.952	(0.295)		7.844	(0.187)	(0.256)	0.069
Regeneration and Economic Development	1.392	1.617	0.225	0.247	(0.022)		0.055	0.170	0.192	(0.022)
Corporate Strategy	0.701	0.787	0.086	0.182	(0.096)		0.149	(0.063)	0.089	(0.152)
Chief Executive's Office	(0.078)	(0.169)	(0.091)	(0.069)	(0.022)		0.000	(0.091)	(0.069)	(0.022)
Resources	2.877	4.206	1.329	1.203	0.126		1.202	0.127	0.051	0.076
Law and Governance	0.133	0.626	0.493	0.487	0.006		0.273	0.220	0.265	(0.045)
Central Items	13.892	(18.821)	(32.713)	(31.893)	(0.820)		(25.889)	(6.824)	(7.035)	0.211
Support Services	20.013	20.013	0.000	0.000	0.000		0.000	0.000	0.000	0.000
Total Authority	161.361	164.402	3.041	1.510	1.531		2.988	0.053	0.127	(0.074)

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 has been significantly impacted by the Covid-19 pandemic especially within HECS and Commissioning & Asset Management.

2.5 **Table 3: Efficiency Savings by Service at January 2021**

Service	2020/21 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
HECS	3.069	1.067	0.350	1.652
Commissioning & Asset Management	0.249	0.167	0.000	0.082
Environment Housing & Leisure	0.125	0.125	0.000	0.000
Central Items	0.179	0.179	0.000	0.000
TOTAL	3.622	1.538	0.350	1.734

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 £1.652m, with £1.417m achieved to date, made up of £1.682m 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 £0.350m has been identified through management actions of retaining vacancies of which £0.220m has been identified since the November report.
- 2.8 This service has been significantly impacted by the Covid-19 pandemic and due to the level of response required through each phase as the Pandemic unfolded. 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 £0.225m compared to the value reported to Cabinet in the November 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 and this activity will continue into 2021/22.

Commissioning and Asset Management

- 2.10 Within Commissioning and Asset Management in the November report, the only savings target forecasted to be partially met related to the target for an increase in school meals fees of £0.082m of which £0.014m was assumed as not likely to be achieved. Due to the further school closures in the last quarter of the year, this target is now assumed not to be achievable. The value of £0.082m has been adjusted out of the service's position and has been shown within Central Items as Covid-19 related costs. All other targets have been achieved.

SECTION 3 – NEW REVENUE GRANTS

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

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

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

Service	Grant Provider	Grant	Purpose	2020/21 value £m
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
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

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 quarters one to three have taken place 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 £6.403m at January which is an improvement of £0.126m compared to the forecast variance of £6.529m reported in November. The improved variance relates mainly to children’s services with the largest improvement being within the Integrated Disability and Additional Needs service. This position is after adjusting for a total of £14.586m of Covid-19 related cost and income pressures which are now shown within Central Items. In November, a total of £13.107m 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 Adult Social Care Rapid Testing Fund (£0.543m) and the Workforce Capacity Fund (£0.516m) to support care homes and other care providers within the Borough; income from grants in respect of these items is shown in Central Items. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children’s Services of £2.616m.
- 4.2.2 The HECS service continues to be heavily impacted by the Covid-19 Pandemic and has put in place a range of responses to support existing clients and other residents directly affected by the virus who have required new support packages to be put in place on discharge from hospital or to prevent an admission. Work has also been ongoing to support social care providers to maintain their vital services. In addition to cost pressures, income losses directly related to Covid-19 disruption are forecasted amounting to £0.735m. 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 Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Mainly Wellbeing & Assessment	0.000	0.017	0.017	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 Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Mainly Wellbeing & Assessment	7.600	0.000	7.600	7.195	Supporting the care market (including Infection Control Grant payments rounds 1 and 2)
Mainly Wellbeing & Assessment	1.058	0.000	1.058	0.000	Costs associated with the ASC Rapid Testing and Workforce Capacity Grant
Mainly Integrated Services	0.643	0.000	0.643	0.346	Additional staff costs, supplies and services incl. PPE, costs associated with the Emergency Assistance Grant
Across the Service	0.700	0.000	0.700	0.920	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adults Total	10.495	0.017	10.512	9.065	
Employment & Skills	0.022	0.042	0.064	0.060	Lost course fee income and equipment costs
School Improvement	0.000	0.625	0.625	0.830	Lost income from the Langdale Centre, High Borrans and school development work
Mainly Corporate Parenting & Placements	1.708	0.000	1.708	1.496	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	0.926	0.000	0.926	0.957	Savings targets at significant risk of non-delivery due to Covid-19 issues
Adoptions	0.103	0.000	0.103	0.051	Costs relating to adoptions
Children's Total	2.759	0.718	3.477	3.445	
Public Health	0.597	0.000	0.597	0.597	Measures to prevent infection and promote compliance with local and national regulations
Total	13.851	0.735	14.586	13.107	

- 4.2.4 The financial impact of the Covid-19 crisis began in the last month of 2019/20 and continued 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. These costs were met by contributions from the Government paid via the North Tyneside Clinical Commissioning Group (NTCCG). The end date for these arrangements, was 31 August 2020. At this date there were 332 clients with services commenced under these Covid rules who needed to be assessed to establish their ongoing needs. At the end of January 2021 all of these clients had been reassessed and the costs of these clients, from the point of reassessment 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 for any care package which commences by 31 March 2021. To the end of January 2021, 689 clients were 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 £7.600m (November, £7.195m) 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 and Round 2 of £2.207m. The income for the grant is held within Central Items. 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 and it is an increase in forecasts for this area of spend which explains the movement in costs since November. There are operational cost pressures for in-house services totalling £0.643m of which £0.194m 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. This also includes expenditure relating to an Emergency Assistance Grant to support residents with food and other essential supplies.

- 4.2.8 A loss of income within School Improvement of £0.625m 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 £1.708m 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. This has increased since the November report due to the further lockdown period. 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 4.2.40.

4.2.12 Table 6: Forecast Variation for HECS at January 2021

	Budget £m	Forecast Jan £m	Variance Jan £m	Of which- Covid- 19 related £m	Of which- Business as Usual £m	Business as Usual Variance Jan £m	Business as Usual Change Since Nov £m
Corporate Parenting & Placements	16.952	23.994	7.042	2.100	4.942	4.862	0.080
RHELAC Service	0.008	0.008	0.000	0.000	0.000	0.000	0.000
Child Protection, Independent Assurance and Review	0.695	0.721	0.026	0.000	0.026	0.022	0.004

	Budget £m	Forecast Jan £m	Variance Jan £m	Of which- Covid- 19 related £m	Of which- Business as Usual £m	Business as Usual Variance Jan £m	Business as Usual Change Since Nov £m
Early Help & Vulnerable Families	1.150	1.056	(0.094)	0.122	(0.216)	(0.187)	(0.029)
Employment & Skills	0.591	0.628	0.037	0.064	(0.027)	(0.042)	0.015
Integrated Disability & Additional Needs Service	2.366	3.791	1.425	0.463	0.962	1.135	(0.173)
School Improvement	0.145	0.730	0.585	0.625	(0.040)	(0.029)	(0.011)
Regional Adoption Agency	0.000	0.103	0.103	0.103	0.000	0.000	0.000
Children's Services Sub-total	21.907	31.031	9.124	3.477	5.647	5.761	(0.114)
Wellbeing, Governance & Transformation	2.305	2.334	0.029	0.000	0.029	0.040	(0.011)
Disability & Mental Health	32.082	33.419	1.337	1.553	(0.216)	(0.131)	(0.085)
Wellbeing & Assessment	11.875	22.184	10.309	8.855	1.454	1.311	0.143
Integrated Services	2.844	2.428	(0.416)	0.104	(0.520)	(0.465)	(0.055)
Business Assurance	0.288	0.297	0.009	0.000	0.009	0.013	(0.004)
Adult Services Sub-total	49.394	60.662	11.268	10.512	0.756	0.768	(0.012)
Public Health	0.241	0.838	0.597	0.597	0.000	0.000	0.000
Total HECS	71.542	92.531	20.989	14.586	6.403	6.529	(0.126)

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. This pressure has 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. There are pressures within the Integrated Disability and Additional Needs service 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 £0.756m which represents a £0.012m improvement on the November budget position.

4.2.16 There are on-going pressures in third party payments for care provision which is £4.028m above budget levels. There are also smaller pressures relating to premises costs, £0.165m and supplies and services, £0.165m. These are partially offset by increased client contributions and contributions from the NHS (£2.870m). There is an underspend against transport budgets of (£0.129m) and within staffing budgets of (£0.603m). 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 £4.028m 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	Jan £m	Nov £m
Residential and Nursing Care	2.344	2.217
Homecare and Extra Care	1.595	1.390
Other Community-Based Care	0.089	0.033
Total	4.028	3.640

Residential and Nursing Care

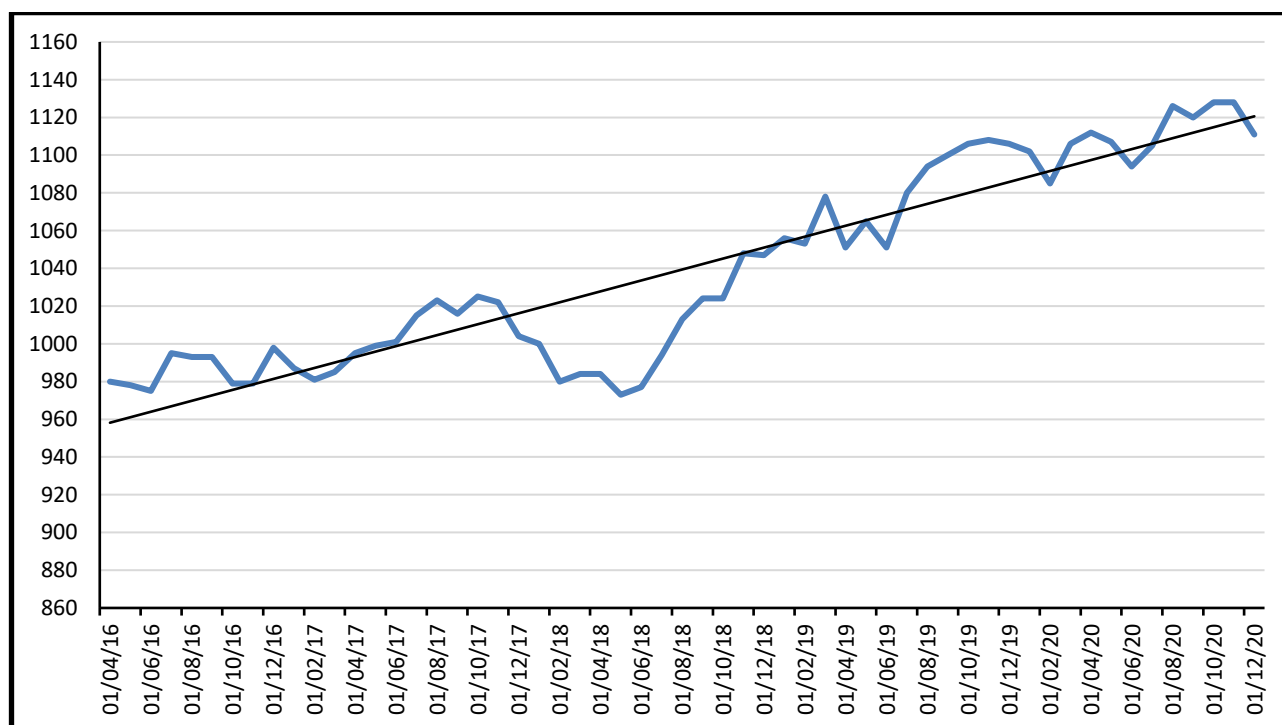
4.2.18 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066 by the end of that financial year. Internal processes to monitor the use of short-term placements were strengthened and numbers of placements 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 and remaining fairly steady in January at 1095. There is an increase in variance to £2.344m as shown in Table 7 above resulting from clients continuing to transfer back to Adult Social Care 'business as usual' from the CCG recharging arrangements brought in under Covid-19 to facilitate rapid hospital discharges.

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

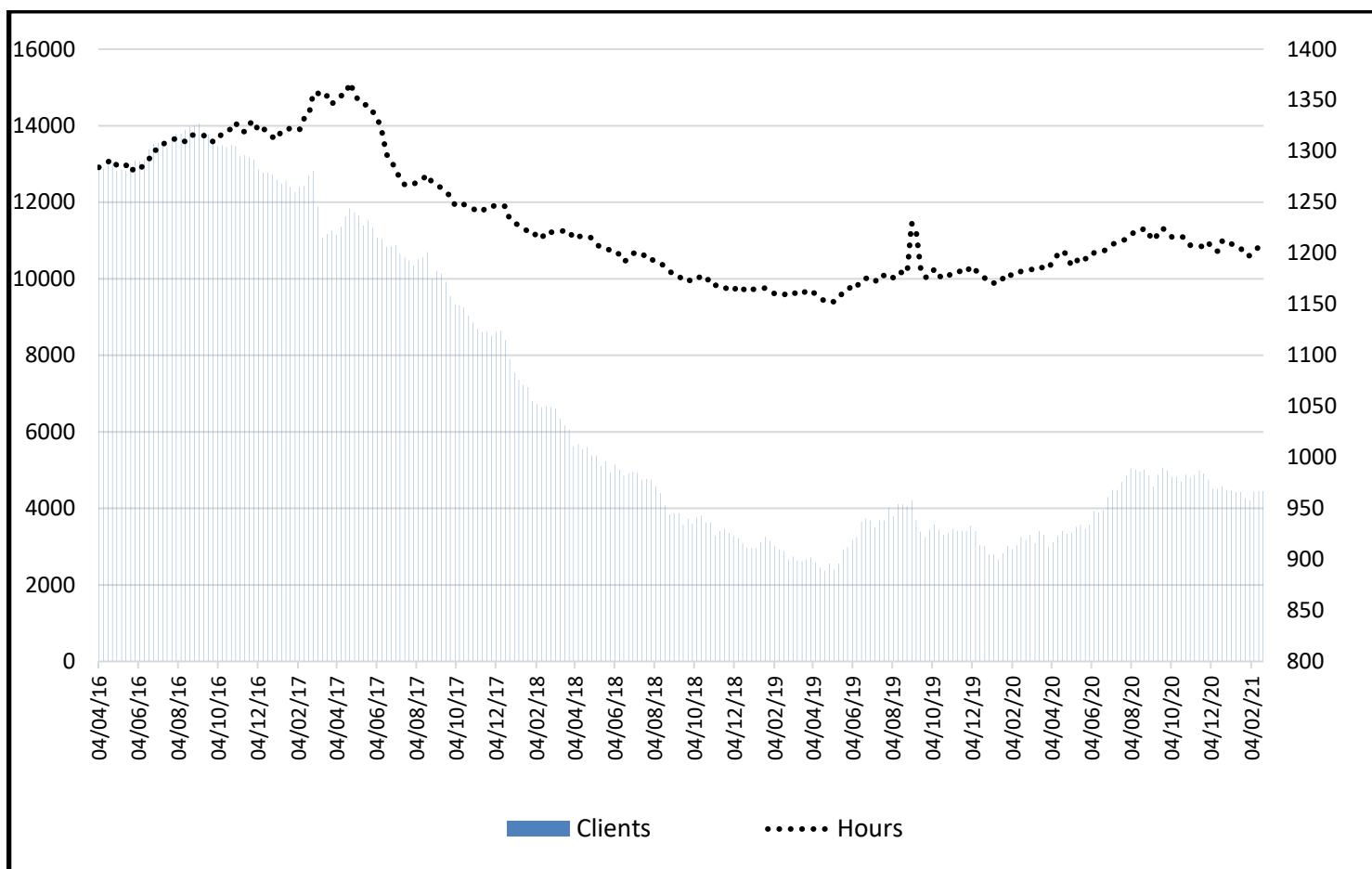


Homecare and Extra Care

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 and has been holding fairly steady during December and January. There has been an increase in the overall pressure for homecare due to additional payments owed to providers relating to the early months of the Pandemic when average payments were made to support cashflow. Further work continues with a number of providers who

received average payments over the levels of services actually provided to establish whether any payments should be reclaimed.

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.

Client Related Income

4.2.24 There is a forecasted pressure in NTCCG contributions for shared care of £0.926m 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 £0.542m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £2.328m, partially offsetting the pressures within payments for externally provided care.

Staffing

- 4.2.25 There is an improved staffing position since the previous report with an underspend of £0.603m (November, underspend of £0.479) due to ongoing vacancies across several teams. The service continues to actively recruit. This in year saving is partially mitigating the delivery of savings targets of £0.350m.

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 £5.647m forecast position (down from £5.761m in November) relates mainly to demand pressures of £4.942m in Corporate Parenting and Placements and £0.962m 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 £3.477m 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

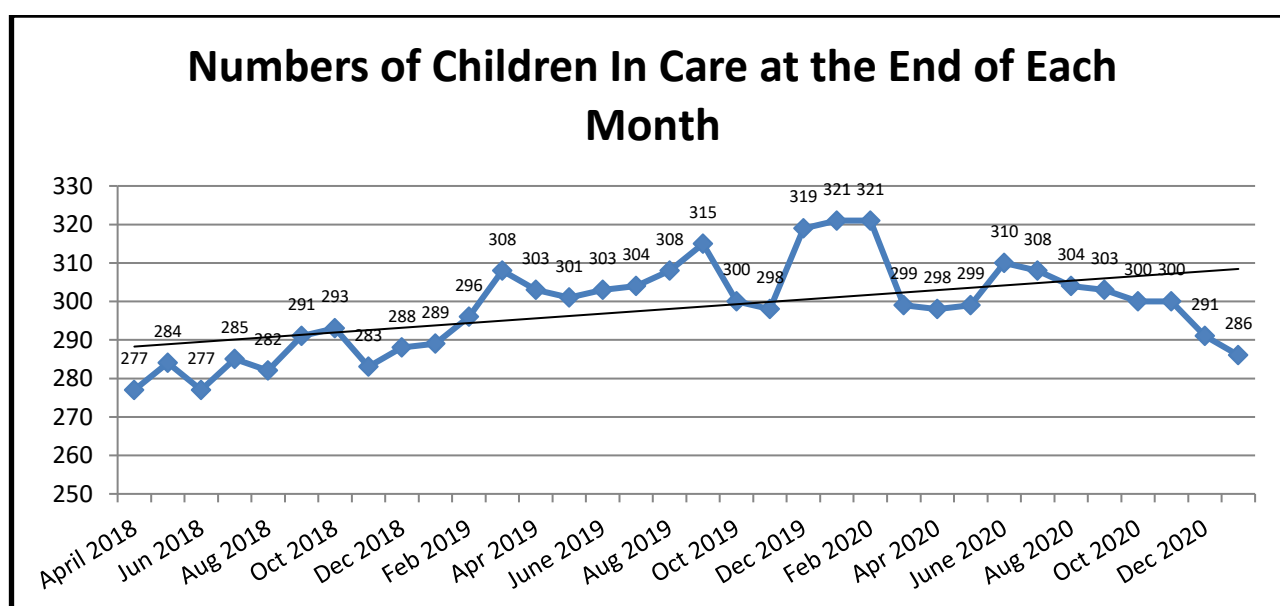
Type of Service	Budget 2020/21 £m	Variance Jan £m	Variance Nov £m	Change Since Nov £m
Care provision – children in care	9.448	2.901	2.829	0.072
Care provision – other children	3.247	0.891	0.803	0.088
Management & Legal Fees	(0.348)	0.475	0.454	0.021
Social Work	4.559	0.671	0.771	(0.100)
Safeguarding Operations	0.046	0.004	0.005	(0.001)
Total	16.952	4.942	4.862	0.080

4.2.29 The forecast has been developed based on the children in care as at the end of January 2021. The number in care at the end of January 2021 was 286, a net decrease of 14 since the November report with 22 children being discharged from care in total since the end of November. It should be noted however, that the Authority will continue to incur costs for many of these children through for example, supported accommodation or Special Guardianship arrangements.

Care Provision – Children in Care

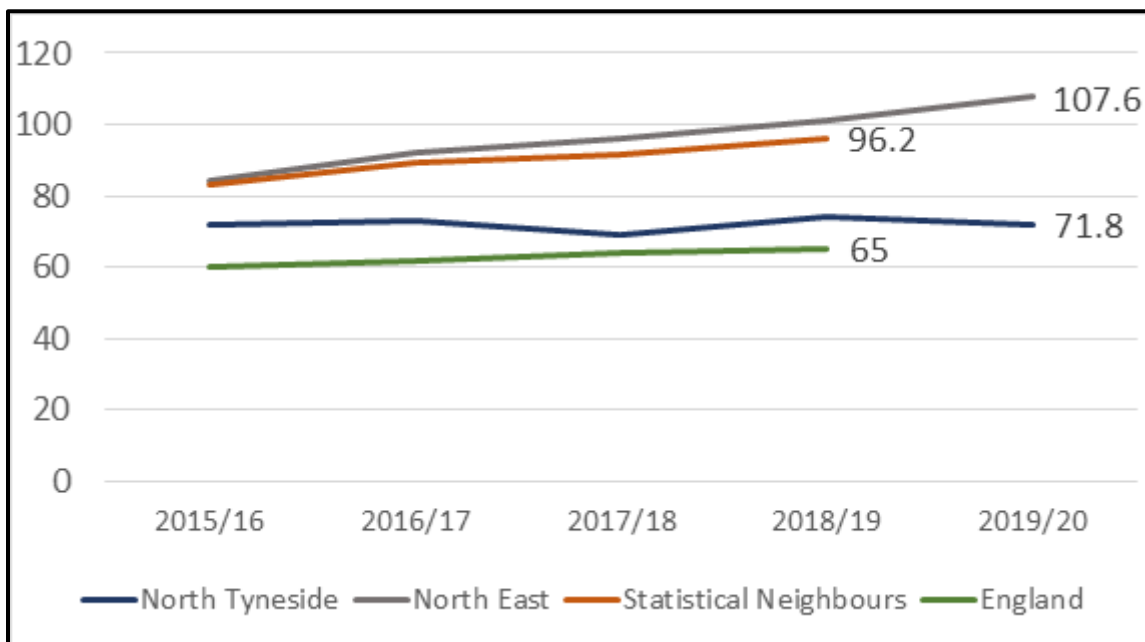
4.2.30 Over recent years, there has been an increase nationally in demand for children’s residential placements but with no corresponding increase in government-funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases being felt nationally.

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



4.2.32 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.

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



4.2.34 Despite a reduction in the number of children in care in December and January, the increased forecast in January is explained by the increased overall number of forecasted bed nights. There has been a reduction in bed nights within in house fostering which is a less costly service (reduced by 2,418 nights) and an increase in more costly service types principally Supported Accommodation (increased by 816 nights), external residential (increased by 280 nights). The number of children in care can be volatile and costs for individual children can be very high. 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.

4.2.35 Residential placements continue to be costly with a current average annual cost of £0.302m 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

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

Placement Type	Jan Var £m	Average Annual cost £m	2020/21 Forecast Bed Nights Jan	2020/21 Forecast Bed Nights Nov	2019/20 Bed Nights	Placement Mix as at Jan	No. of children Jan 21	No. of children Nov 20
External Residential Care	1.033	0.302	7,907	7,627	8,649	7%	24	27
External Fostering	0.039	0.039	12,060	12,266	11,184	11%	28	29
In-House Fostering Service	0.461	0.026	69,849	72,267	76,731	64%	181	198
External Supported Accommodation	1.238	0.153	6,054	5,951	4,349	3%	15	15
Other*	0.130	various	12,530	11,714	11,709	12%	38	31
Total	2.901		108,400	109,825	112,622	100%	286	300

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

Care Provision – Children not in care

- 4.2.37 The pressure of £0.891m (November variance, £0.803m) relating to care provision for children not in the care system results predominantly from 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

- 4.2.38 This area has a forecast pressure of £0.475m (November, pressure of £0.454m). 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

- 4.2.39 Within the overall pressure of £4.942m for Corporate Parenting and Placements, there are staffing pressures of £0.671m, a reduction of £0.100m from £0.730m November as a result of leavers not forecasted to be replaced before March. 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)

- 4.2.40 IDANS is forecasting a pressure of £0.962m which is an improvement of £0.173m from the November position of £1.135m. 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 £0.418m. Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to in excess of 1,800. 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. The improvement is due to a reduced staffing forecasts for the Statutory Assessment and Review team who assess and arrange education for children with additional needs and increased CCG income. 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 £0.298m (November, pressure of £0.361m) as set out in Table 11. This is after adjusting for forecast pressures of £4.768m 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 (C&AM)**

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Catering	1.517	3.329	4.846	3.701	Lost school meals income and hospitality income and costs of providing additional free school meals services, costs of perishable stock disposal
Catering/Property	(1.555)	0.000	(1.555)	(1.570)	Savings in provisions and utilities due to non-delivery of services
Cleaning	0.242	0.000	0.242	0.207	Additional hours of cleaning and associated equipment and materials directly related to Covid-19
Other income	0.000	0.123	0.123	0.129	Lost income for parking charges at Quadrant, Procurement rebates and school absence penalty notices
Home to school Transport	0.371	0.000	0.371	0.366	Additional costs of transport under infection control

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Volunteer Scheme	0.346	0.000	0.346	0.229	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	0.087	0.095	0.042	Potential rental income reductions
Total	1.229	3.539	4.768	3.404	

- 4.3.4 In relation to paid school meals, there is an increased income loss due to the national guidelines relating to the extended closure of schools, now forecasted income loss of £2.259m. This is based on actual levels of income received to December 2020 and forecasted forward at minimal 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 forecasted as £0.445m. A pressure of £0.756m 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 £1.522m. Savings of £0.033m in electricity costs have also been included.
- 4.3.5 Additional cost pressures of £0.242m 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).
- 4.3.6 Anticipated losses of car parking income at Quadrant are forecasted to be £0.060m 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 £0.020m in rebates relating to procurement arrangements is also affected.

4.3.7 Additional costs of £0.371m in relation to Home to School Transport have been forecasted 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 £0.087m 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 (C&AM) Forecast Variation**

	Budget £m	Forecast Jan £m	Variance Jan £m	Of which – Covid- 19 £m	Of which – Business as usual £m	Variance Nov £m	Business as Usual Change since Nov £m
School Funding & Statutory Staff Costs	4.689	4.630	(0.059)	0.000	(0.059)	(0.053)	(0.006)
Commissioning Service	0.406	0.363	(0.043)	0.000	(0.043)	(0.033)	(0.010)
Facilities & Fair Access	0.637	5.261	4.624	4.120	0.504	0.521	(0.017)
Community & Voluntary Sector Liaison	0.441	0.607	0.166	0.209	(0.043)	(0.043)	0.000
Strategic Property & Investment	1.746	2.010	0.264	0.300	(0.036)	(0.036)	0.000
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property	(0.643)	(0.581)	0.062	0.062	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)	0.044	0.052	0.077	(0.025)	0.005	(0.030)
Total C&AM	7.429	12.495	5.066	4.768	0.298	0.361	(0.063)

- 4.3.10 The main 'business as usual' budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.504m (November, pressure of £0.521m) which are largely unchanged from the 2019/20 outturn. The pressures are across Catering and Cleaning (£0.008m) and Home to School Transport (£0.475m) 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 Home to School Transport pressures relate to the increase in children with complex needs attending special schools and has increased by £0.075m since November. 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. 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.
- 4.3.12 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 £0.187m against the £43.460m budget, as set out in Table 13 below. This position is after transferring centrally a further £0.346m savings relating to the latest Covid lockdown. 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. In total £0.628m Covid-19 savings have been identified to reduce the impact of the Covid-19 losses, leaving a net Covid-19 loss relating to EHL of £7.844m.
- 4.4.3 EHL carried out a full review of forecast spend in December, following the announcement of further lockdowns. This work identified further savings to offset the costs of Covid-19 but also increased the impact of lost income for EHL service areas.

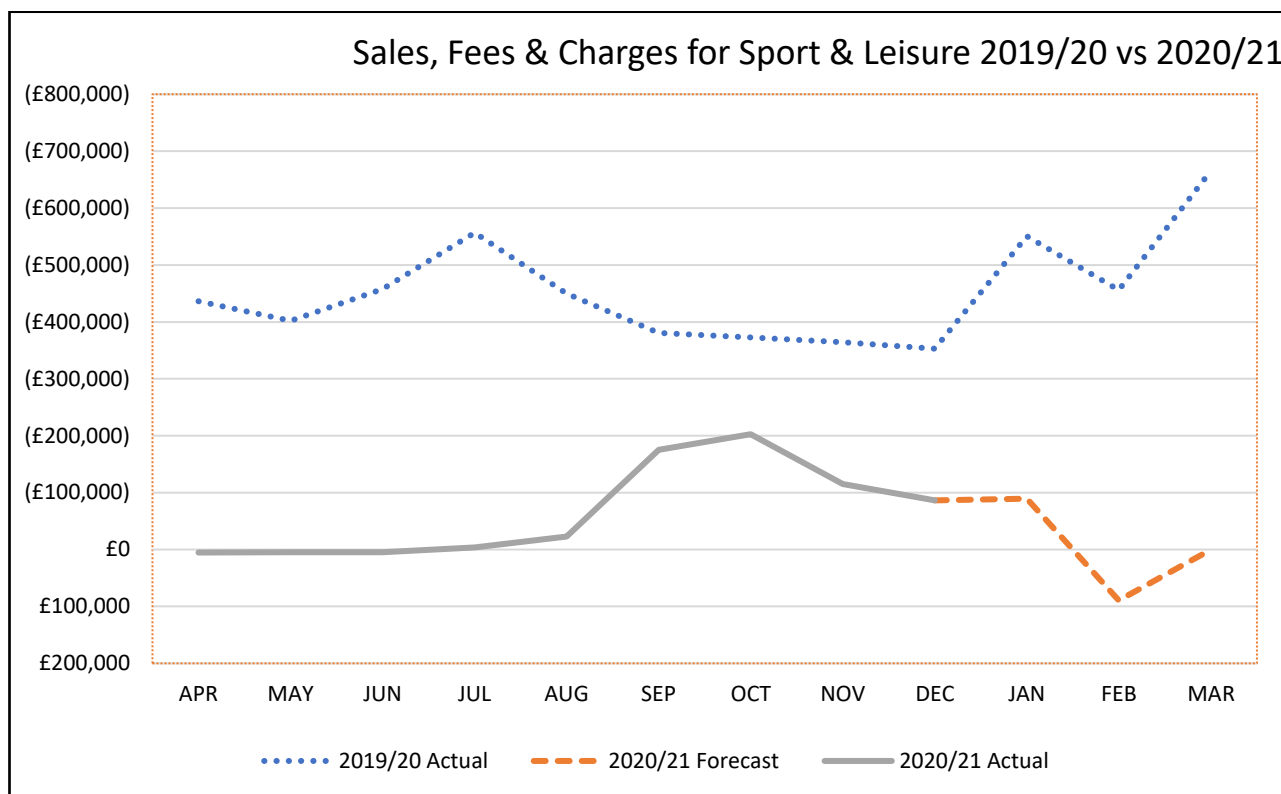
4.4.4 Table 12: Forecast Impact of Covid-19 on EHL for 2020/21 at January

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Sports & Leisure	0.068	5.081	5.149	5.046	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.
Sports & Leisure	(0.063)	0.000	(0.063)	(0.063)	Reduction in utility costs at leisure centres due to closures.
Sports & Leisure	(0.218)	0.000	(0.218)	(0.180)	Reduction in Active North Tyneside activities due to Covid restrictions. Vacancy in Active North Tyneside team not filled at this time.
Environmental Services	0.200	0.172	0.372	0.358	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	0.249	PPE costs across numerous services
Security & Community Safety	0.062	0.000	0.062	0.000	Outbreak control work
Waste Management	0.548	0.000	0.548	0.130	Suez Management Fees for health and safety marshalling costs Increased supply costs
Cultural Services	0.135	0.274	0.409	0.347	Mouth of Tyne Festival (fees paid to acts, etc.)
					Lost income in libraries
					Loss of rental income in buildings
					Reduced building control fees
Planning and Development	0.000	0.047	0.047	0.123	Reduction in planning applications
					Taxi licencing activities Enforcement Marshalls cost of additional regulatory equipment
Environmental and Regulatory Services	0.109	0.172	0.281	0.276	Impact on car parking fees

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Highways and Transport	0.000	1.284	1.284	1.867	Lost income on engineering fees, streetworks, road permits, etc Additional bed and breakfast costs to prevent homelessness
Homelessness Additional Costs	0.065	0.000	0.065	0.050	Costs to counter increased anti-social behaviour
Street-lighting PFI	0.005	0.000	0.005	0.005	Mouth of Tyne Festival (fees paid to acts, etc.)
TOTAL EHL	1.160	7.030	8.190	8.208	TOTAL BEFORE NEW SAVINGS
Sport & Leisure	(0.062)	0.000	(0.062)	0.000	Staffing savings due to latest lockdown, e.g. due to using existing staff to reduce the need for additional casual staff
Cultural Services	(0.010)	0.000	(0.010)	0.000	
Waste Management	(0.056)	0.000	(0.056)	0.000	
Local Environmental Services	(0.079)	0.000	(0.079)	0.000	
Sport & Leisure	(0.088)	0.000	(0.088)	0.000	Utility savings due to latest lockdown
Cultural Services	(0.029)	0.000	(0.029)	0.000	
Waste Management	(0.022)	0.000	(0.022)	0.000	
TOTAL EHL	0.814	7.030	7.844	8.208	

4.4.5 The impact of the Covid-19 pandemic on EHL is mainly in relation to lost income. £7.030m of the £7.844m 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 from January, 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 5: 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 £0.628m. 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 various buildings due to closures. This leaves a net Covid-19 impact for EHL of £7.844m.

4.4.8 The overall movement in business as usual forecasts since the last transfer centrally is due to services leads identifying savings as Covid related.

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

4.4.10 Table 13: Forecast Variation in Environment Housing & Leisure

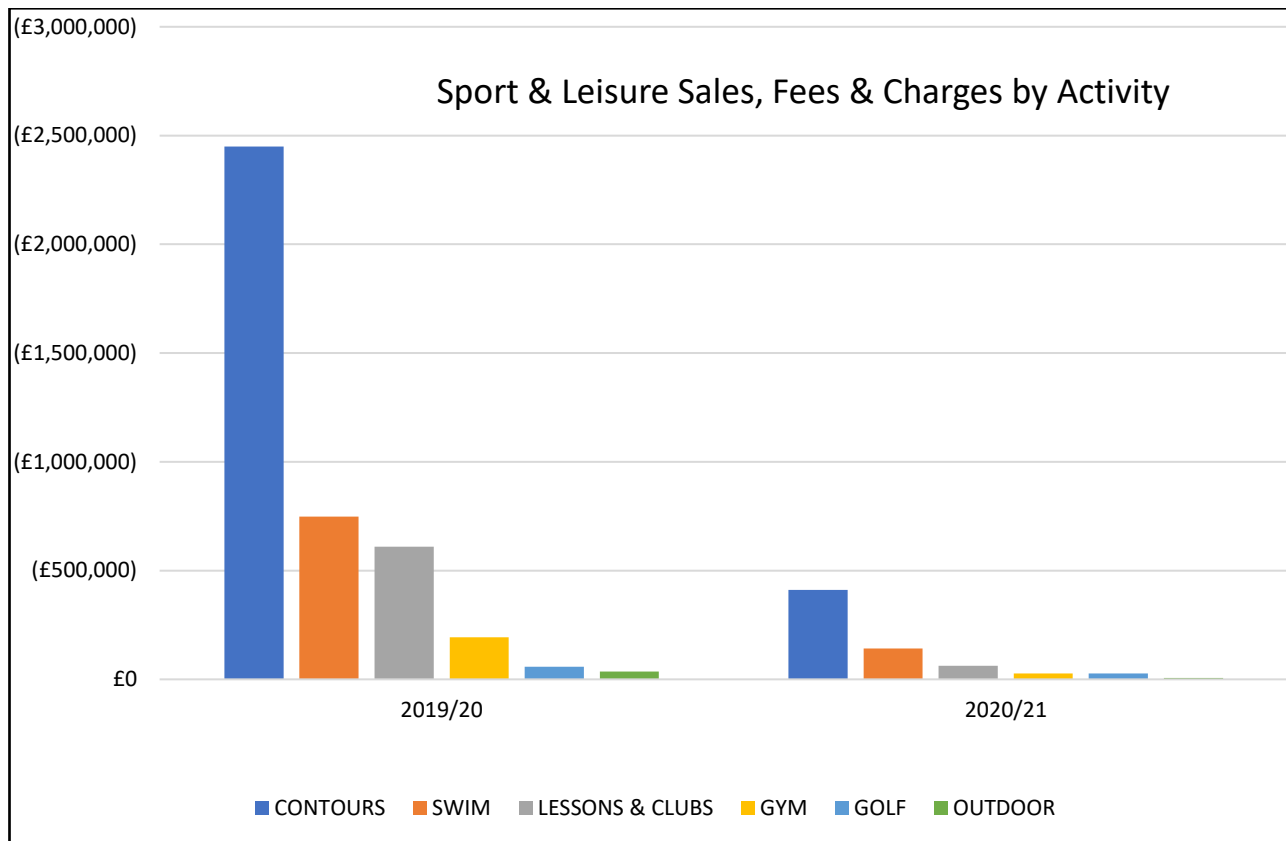
	Budget £m	Forecast Jan £m	Variance Jan £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Nov £m	BAU Change Since Nov £m
Sport & Leisure	2.975	7.792	4.817	4.717	0.100	0.084	0.016
Cultural Services	6.917	7.317	0.400	0.371	0.029	0.096	(0.067)
Security & Community Safety	0.342	0.399	0.057	0.062	(0.005)	(0.004)	(0.001)

	Budget £m	Forecast Jan £m	Variance Jan £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Nov £m	BAU Change Since Nov £m
Fleet Management	1.103	1.061	(0.042)	0.000	(0.042)	(0.020)	(0.022)
Waste and Recycling Disposal	7.587	8.079	0.492	0.546	(0.054)	(0.085)	0.031
Waste Management	3.975	3.914	(0.061)	(0.054)	(0.007)	(0.034)	0.027
Local Environmental Services	7.479	7.627	0.148	0.271	(0.123)	(0.222)	0.099
Head of Service and Resilience	0.245	0.477	0.232	0.249	(0.017)	(0.003)	(0.014)
Street Lighting PFI	4.323	4.328	0.005	0.005	0.000	0.000	0.000
Consumer Protection & Building Control	1.012	1.271	0.259	0.281	(0.022)	(0.022)	0.000
Transport and Highways	6.416	7.678	1.262	1.284	(0.022)	(0.022)	0.000
Planning	0.257	0.299	0.042	0.047	(0.005)	(0.005)	0.000
General Fund Housing	0.829	0.875	0.046	0.065	(0.019)	(0.019)	0.000
Total	43.460	51.117	7.657	7.844	(0.187)	(0.256)	0.069

Sport and Leisure

- 4.4.11 Sport and Leisure is predicting a net pressure of £0.100m. This position is after a transfer to Central Items of £5.081m lost income and £0.068m additional expenditure due to Covid-19. This is offset by £0.432m savings resulting from a reduction in Active North Tyneside activities (due to Covid restrictions), vacancies across the team not being filled at this time, additional employee savings due to the latest lockdown and a reduction in utility and PFI costs at leisure centres due to closures.
- 4.4.12 The BAU position is due to reduced income when open offset against reduced operational costs.
- 4.4.13 The Covid-19 impact on lost income has been increased due to the closure of services in January, as can be seen in Chart 5 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 6.

4.4.14 Chart 6: Impact of Income Across Main Sport & Leisure Activities



Cultural Services

4.4.15 Cultural Services within North Tyneside are predicting a forecast pressure of £0.029m, which is net of Covid-19 related forecast transfers of £0.347m. The movement from the last reported position of £0.096m in November is mainly due to reviewing the spend on operational costs.

4.4.16 Cultural Services has identified additional Covid-19 savings of £0.039m due to staff and utility savings. This leaves reduced 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. These additional costs 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, continuing to take account of the Pandemic's impact 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

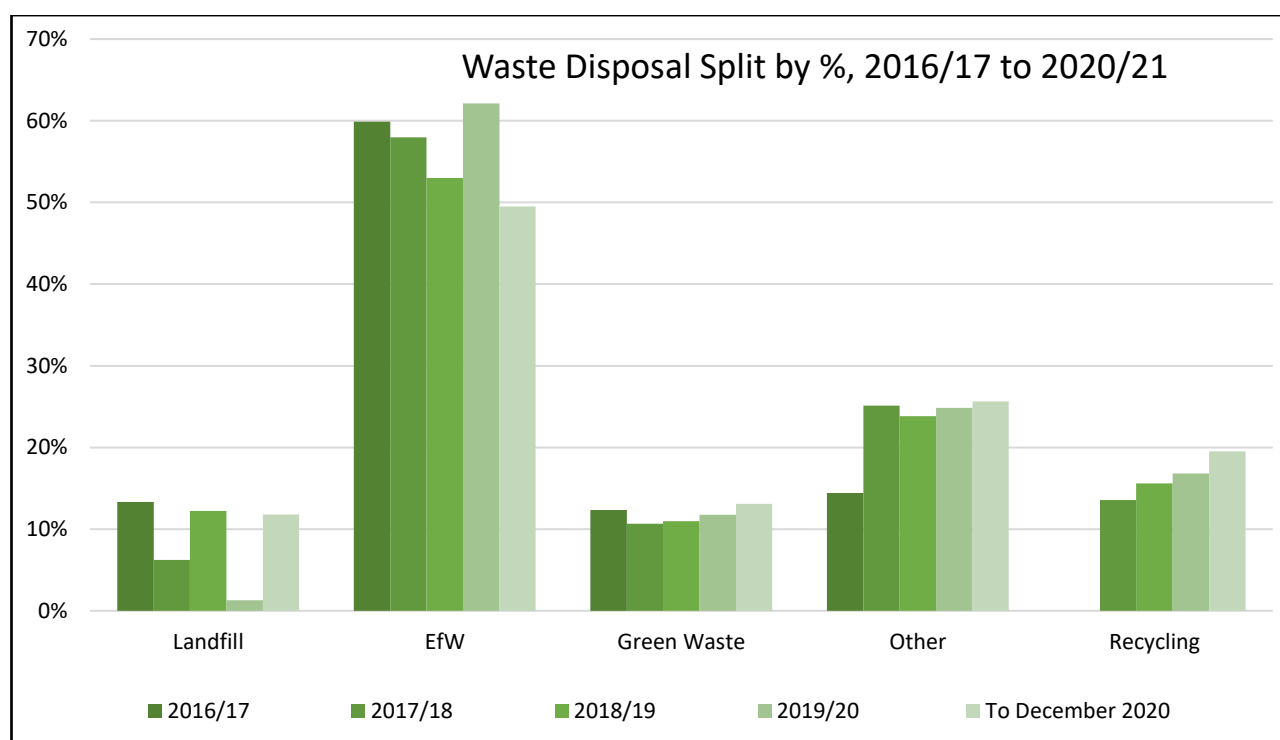
4.4.18 Fleet Management is now forecasting an improved saving of £0.042m, moving from the previously reported £0.020m saving, with further reductions in operational costs.

Waste Management including Recycling and Disposal

4.4.19 Waste Management is showing a £0.061m saving, worse by £0.058m 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, including savings identified as pandemic-related. 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. At December the changing cost volume profile shown in Chart 7 below now reflects an increased cost across types of disposal, with these increased supply costs now flagged as Covid-19 impact. This has increased the Covid-19 related cost impact for Waste and Recycling from £0.130m to £0.548m.

4.4.21 **Chart 7: Waste Disposal Volume Comparison 16/17 to 20/21 (at December)**



Local Environmental Services

4.4.22 Local Environmental Services is forecasting a saving of £0.123m. In part this is due to staffing vacancies, with the remaining business as usual savings are 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 gross cost impact of Covid-19 as £0.372m, 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. This is slightly mitigated by the £0.079m savings identified by management as Covid-related, due to using existing Authority staff rather than employing casual staff to carry out duties.

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 forecasting Covid-19 related costs of £0.281m, 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 £1.284m. Previously reported income losses on cart parks are expected to be further impacted by the January 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 £0.065m 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 (RED)

- 4.5.1 Regeneration and Economic Development (RED) is forecasting a pressure of £0.170m at January 2021, an improvement of £0.022m since November, 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 Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Regeneration	0.000	0.055	0.055	0.055	Lost rental income at Swan Hunters

4.5.3 As previously reported to Cabinet, the budget variances in RED result mainly from a forecasted inability to achieve staff capitalisation & recharge income targets and income generation shortfalls at both Swans-related sites, plus changes to the service structure.

4.5.4 Whilst the sale of the Swans site just before Christmas will improve the budgeted position moving into 2021/22, a fire on the site just before the sale has had an impact which is reflected in the worsening position for Regeneration.

4.5.5 Two new management roles have been added to the structure of the team to enhance capacity and ensure the Council's objectives around regeneration and inclusive economic growth are delivered. Whilst these posts are expected to be self-financing once fully established, the revised Resources & Performance position now reflects the costs of bringing these posts in. These costs are being offset by increased service savings in Business & Enterprise.

4.5.6 Table 15: Forecast Variation for Regeneration and Economic Development

Service Area	Budget £m	Forecast Jan £m	Variance Jan £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Nov £m	BAU Change £m
Business & Enterprise	0.751	0.630	(0.121)	0.000	(0.121)	(0.012)	(0.109)
Regeneration	0.438	0.667	0.229	0.055	0.174	0.143	0.031
Resources & Performance	0.203	0.320	0.117	0.000	0.117	0.061	0.056
Total	1.392	1.617	0.225	0.055	0.170	0.192	(0.022)

4.5.7 Recharging staff to capital projects has become an issue for the service due to the change in mix of regeneration projects in the capital plan. A working group lead by RED and C&AM senior management is reviewing the capital plan with the intention of optimising recharging practices across the whole Authority and mitigating any pressures in 2021/22.

4.6 Corporate Strategy

4.6.1 Corporate Strategy is forecasting a saving of £0.063m as set out in Table 17 below, after transferring out Covid-19 related costs totalling £0.149m (Table 16).

4.6.2 The improved position mainly reflects costs which are being now funded from grants specific to the Pandemic, which have been agreed since the last Cabinet reported position.

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

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Marketing	0.050	0.020	0.070	0.080	Marketing income lost & Staff Time Recharged
	0.013	0.000	0.013	0.012	Production of Covid-19 leaflets and guidance
Policy, Performance & Research	0.066	0.000	0.066	0.001	SMAP report, Staff Time Recharged & performance reporting on impact of Covid-19
Total	0.129	0.020	0.149	0.093	

4.6.4 The remaining BAU variances in the service are due to shortfalls against income targets, plus some staffing pressures across the service being offset by increased funding for pandemic related activities and operational savings.

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

Service Area	Budget £m	Forecast Jan £m	Variance Jan £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Nov £m	BAU Change Since Nov £m
Children's Participation & Advocacy	0.258	0.232	(0.026)	0.000	(0.026)	(0.012)	(0.014)
Corporate Strategy Management	0.006	0.169	0.163	0.000	0.163	0.159	0.004
Elected Mayor & Executive Support	0.018	0.014	(0.004)	0.000	(0.004)	(0.003)	(0.001)
Marketing	0.289	0.260	(0.029)	0.083	(0.112)	(0.049)	(0.063)
Policy Performance and Research	0.130	0.112	(0.018)	0.066	(0.084)	(0.006)	(0.078)
Total	0.701	0.787	0.086	0.149	(0.063)	0.089	(0.152)

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast pressure of £0.036m within Resources and Chief Executive Office, is after an adjustment of £1.202m 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 operational pressures in Finance (Revenues & Benefits), mitigated by savings in 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 Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Corporate ICT	0.153	0.000	0.153	0.103	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
Corporate Finance (Revenues)	0.000	0.968	0.968	0.968	Lost enforcement income due to courts being closed
Total	0.234	0.968	1.202	1.152	

4.7.3 **Table 19: Forecast Variation Resources**

Service Area	Budget £m	Forecast Jan £m	Variance Jan £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Nov £m	BAU Change Since Nov £m
ICT	2.851	3.018	0.167	0.153	0.014	0.007	0.007
Finance	0.013	1.155	1.142	1.044	0.098	(0.050)	0.148
HR & Organisational Development	0.013	0.033	0.020	0.005	0.015	0.094	(0.079)
Chief Executive	(0.078)	(0.169)	(0.091)	0.000	(0.091)	(0.069)	(0.022)
Total	2.799	4.037	1.238	1.202	0.036	(0.018)	0.054

4.7.4 Previous Cabinet reports have identified the main areas impacting the finance area forecast are within Revenues & Benefits.

4.7.5 Within the Finance service, Revenues & Benefits is showing an overall pressure of £0.077m, which is made up of these factors:

- Enforcement cost and income are no longer showing a pressure of due to lost enforcement income as it has been identified that the pressure is in relation to Covid-19, with this now being forecast in the central Covid-19 cost centre;
- Bank Charges are expected to be £0.030m over budget due to increased costs;

- Overpayments income is forecasting a pressure of £0.214m. Improvement since the last report is due to the restarting of overpayment recovery during this period and also work has been started to review current claimants. The number of overpayments generated during the lockdown periods was extremely low as there were reduced changes in circumstances and moves. There have been less fluctuations in wages as people either in employment or on fixed furlough amounts.
- Subsidy is showing a surplus of £0.113m. The improvement since the last report is due mainly to the changes in the LHA level for the year which has increased the amount of overall benefit that is repaid to the authority from DWP.
- Bad debt showing a surplus of £0.053m. The Bad Debt position has got worse since the last report, which is partly due to the start-up of debt passing to PDP and some debt returning since it was suspended earlier in the year. Also, the previous forecasted position extrapolated a worsening position in overpayments which has now been removed as it is not proving to be the case.

4.7.6 Previous Cabinet reports have identified staffing pressures as the main areas impacting the forecast for Human Resources & Organisational Development, though these have been corrected by realignments which is the reason for the movement since the last Cabinet report.

4.7.7 The Chief Executive's office is showing a saving of £0.091m. The saving is due to an underspend on staffing of £0.014m and reduced spend on supplies and services of £0.077m.

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a net pressure of £0.220m, an improvement of £0.045m since the November report. The pressure reported is after transfer of £0.273m identified Covid-19 costs and income losses net of £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 Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
Customer, Governance and Registration	0.000	0.170	0.170	0.170	Registrars – estimated reduced income due to reduction in numbers of weddings / civil ceremonies / citizenship ceremonies / duplicate certificate requests during the period April - July 2020

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
	0.000	0.025	0.025	0.025	Registrars – estimated reduced income due to reduction in numbers of weddings venue usage during the period April - July 2020
Legal Services	0.000	0.070	0.070	0.070	Legal Services (Non Contract) estimated reduction in income due to lower property/business transactions
Information Governance	0.000	0.077	0.077	0.092	Land Charges estimated reduction in income due to lower property transactions in conjunction with market forces
North Tyneside Coroner	0.051	0.000	0.051	0.000	Additional costs of body storage at regional centre
Democratic and Electoral Services	(0.120)	0.000	(0.120)	(0.120)	Election Expenses - Expenditure underspend forecast due to no elections taking place
Total	(0.069)	0.342	0.273	0.237	

4.8.3 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.

4.8.4 Table 21: Forecast Variation for Law and Governance

Service Area	Budget (£m)	Current Forecast (£m)	Variance (£m)	Of Which Covid-19 (£m)	Of Which BAU (£m)	Last Cabinet Report (£m)	Movement £m
Customer, Governance and Registration	(0.071)	0.132	0.203	0.195	0.008	0.040	(0.032)
Democratic and Electoral Services	(0.044)	(0.185)	(0.141)	(0.120)	(0.021)	(0.032)	0.011
Information Governance	0.059	0.073	0.014	0.077	(0.063)	(0.054)	(0.009)
Legal Services	(0.105)	0.175	0.280	0.070	0.210	0.216	(0.006)
North Tyneside Coroner	0.294	0.431	0.137	0.051	0.086	0.095	(0.009)
Total	0.133	0.626	0.493	0.273	0.220	0.265	(0.045)

4.8.5 The £0.045m improvement from the previous reported position is mainly due to an increased forecast in income in Customer, Governance and Registration.

4.9 **Central Items**

4.9.1 The January 2021 business as usual forecast for Central Items is a surplus of £6.824m, an adverse movement of £0.211m from the November report. This position is after the following forecasted transfers to reserves;

- a £13.527m 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,
- And 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 £28.876m 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	14.586
Commissioning and Asset Management	4.768
Environment, Housing and Leisure	7.844
Regeneration and Economic Development	0.055
Corporate Strategy	0.149
Chief Executive's Office	0.000
Resources	1.202
Law and Governance	0.273
Total Covid-19 pressures transferred to Central Items	28.877
Covid-19 Pressure within Central Items – bad debts	0.300
Covid-19 Pressure within Central Items – items normally recharged to General Fund from HRA	0.388
Covid-19 Pressure within Central Items - PPE	0.144
Total Covid-19 pressures recorded	29.709
Allocation of Local Authority Support Grant and specific grants (see table 23)	(26.721)
Central Items Covid-19 Pressure	2.988

4.9.4 The total of grants available to offset Covid pressures is £26.721m as broken down in Table 23 below. This value is being applied against the forecast pressures leaving an amount of £2.988m over and above current grant funding. This compares with a gap of £1.383m at November. 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	0.591
Infection Control Fund Round 1	2.205
Infection Control Fund Round 2	2.207
Clinically Extremely Vulnerable	0.142
Home to School Transport	0.185
Sales Fees and Charges – April to July (Received)	2.463
Sales Fees and Charges – August to November (Submitted)	1.786
Covid-19 Compliance	0.108
Emergency Assistance	0.239
Re-opening the High Street Fund	0.100
Workforce Capacity Fund	0.516
ASC Rapid Testing Fund	0.543
Total	26.721

4.9.6 Table 24: Outturn Variation Central Budgets and Contingencies

	Budget £m	Forecast Jan £m	Variance Jan £m	Of Which Covid-19 £m	Of Which BAU £m	BAU Variance Nov £m	Change in BAU since Nov £m
Corporate & Democratic Core	1.704	1.714	0.010	0.000	0.010	(0.014)	0.024
Other Central Items	12.188	(35.903)	(48.091)	(25.889)	(22.202)	(21.581)	(0.621)
Central Items Sub Total	13.892	(34.189)	(48.081)	(25.889)	(22.192)	(21.595)	(0.597)
S31 – Transfer to Reserves	0.000	13.527	13.527	0.000	13.527	12.719	0.808
NoTCA Pooled Growth – Transfer to Reserves	0.000	1.841	1.841	0.000	1.841	1.841	0.000
Total Central Items	13.892	(18.821)	(32.713)	(25.889)	(6.824)	(7.035)	0.211

4.9.7 Within Other Central Items there are several budget areas which are partially offsetting the Covid-19 pressures. Continuing from 2019/20, there are contingency budgets totalling £4.416m held for adult and children's social care. Continued savings have been identified in 2020/21 resulting from the application of the Authority's Treasury Management Strategy. There is a forecasted underspend of £2.359m due to interest savings resulting from higher than forecasted cash balances, reduced interest rates and Investment Plan reprogramming. In addition, reprogramming is also forecasted to deliver a credit against Minimum Revenue Provision of £0.279m 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. A further benefit relates to increased interest received of £0.128m due to higher than anticipated cash balances. These benefits are partially offset by increases in provisions for the potential settlement of Office 365 (£0.100m), delapidations in respect of properties at Camden House and Pow Dene (£0.150m) and Bad Debts (£0.150m).

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.
- 5.2 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

- 5.3 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.
- 5.4 The Covid-19 pandemic has already begun to have a number of impacts on the Council Tax position, most notably through the levels of collection (a 0.45% reduction by December 2020 and 0.40% drop by January 2021) 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 January 2021, following the impact of Covid-19, the tax base figure is 61,576 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 5.5 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.
- 5.5 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 January position in 2020/21, where the Authority has had an additional 363 claims overall, with working age caseload increasing by 619 as pensionable age claims reduced over the year; further increases in claims are 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 Jan
No of Domestic Properties	95,059	95,563	96,243	96,752	97,698	98,626	99,558	99,407	99,899
Council Tax Base	53,034	55,400	56,424	56,948	58,202	59,048	60,167	61,870	61,576
Net Collectable Debit £m	81.404	82.842	84.868	89.961	97.737	104.048	110.511	114.558	113.905
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 Jan	9,991	7,544	17,535

- 5.6 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.
- 5.7 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. A hardship discount

has been paid to over 12,000 LCTS recipients with other vulnerable residents also receiving support from this grant at a cost to date of £1.700m.

- 5.8 The guidance from Government states that any new claimants that are awarded LCTS during 2020/21 should also be entitled to up to £150 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.
- 5.9 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 £0.300m 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

- 5.10 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 January 2021, the Authority had made payments to 2,849 (94.53%) of the eligible businesses, totalling £32.825m.
- 5.11 Two further discretionary reliefs were introduced, as a response to Covid-19, for Retail Discount and Nursery Discount. At the end of January 2021, these reliefs totalled £27.983m and £0.219m respectively for North Tyneside.
- 5.12 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	Jan Forecast £m	Difference £m
S31 Grant	(4.916)	(18.444)	(13.528)

5.13 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.

5.14 **Table 28: Rateable Value and Net Rates Payable by Business Type**

Type	Current Rateable Value £m	Nets Rate Payable (100%) £m	Nets Rates Payable (90%) £m
Shop/Retail	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

5.15 **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

5.16 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 30 below.

Table 30: Summary position for Business Rates

	Difference £m
Additional S31 Grant (table 27)	(13.528)
North Tyneside Projected Deficit	14.561
Additional Deficit	1.033

SECTION 6 - SCHOOLS FINANCE

Update on the Overall School Position from Second Monitoring

- 6.1 Cabinet will recall that in 2019/20 school balances at year end were £0.165m which was an improvement of £4.826m against the initial forecast deficit balance of £4.661m. The first monitoring of 2020/21 finally reported a £5.677m deficit against a budgeted deficit of £6.755m, which was an improvement against budget of £1.078m. The monitoring position improved by £0.057m over the initial forecast as schools updated queries and issues following the monitoring process.
- 6.2 The second budget monitoring for the 2020/21 financial year has recently been completed for the majority of schools. Revised forecasts have been submitted by schools across all school phases (as shown in table 31 below). Based on the information provided to date by schools the forecast deficit for 2020/21 is now estimated to be £2.900m, which is an improvement since the first monitoring of £2.777m. This also reflects an overall improvement against budget of £3.855m.
- 6.3 Cabinet will recall that in 2019/20 school balances at year end were £0.165m which was an improvement of £4.826m against the initial forecast deficit balance of £4.661m. The first monitoring of 2020/21 reported a £5.677m deficit against a budgeted deficit of £6.755m, which was an improvement against budget of £1.078m.
- 6.4 The second budget monitoring for the 2020/21 financial year has recently been completed for the majority of schools. Revised forecasts have been submitted by schools across all school phases (as shown in table 31 below). Based on the information provided to date by schools the forecast deficit for 2020/21 is now estimated to be £2.900m, which is an improvement since the first monitoring of £2.777m. This also reflects an overall improvement against budget of £3.855m.

6.5 Table 31: Second Monitoring Results for Schools - 2020/21

Phase	Outturn 2019/20 £m	Budget Plan 2020/21 £m	Monitoring 1 2020/21 £m	Monitoring 2 2020/21 £m	Variance To Budget £m
Nursery	0.127	0.053	0.086	0.099	0.046
First	0.746	0.665	0.619	0.910	0.245
Primary	3.497	2.271	2.692	3.232	0.961
Middle	0.437	0.276	0.338	0.523	0.247
Secondary	(5.549)	(9.679)	(9.765)	(8.056)	1.623
Special / PRU	0.907	(0.341)	0.353	0.392	0.733
Total	0.165	(6.755)	(5.677)	(2.900)	3.855

- 6.6 The change in forecast is despite the impact of Covid-19 on schools and shows that most schools are managing to control the impact of the pandemic with reduced costs of their current opening situations. There are some schools which have struggled with the additional costs of Covid.

6.7 The improvement in forecast outturns for schools includes one additional school which is now forecasting unauthorised deficits over £5,000 in 2020/21. This school is currently showing a forecast that is £0.028m worse than budget at the second monitoring, as shown in table 32 below.

6.8 **Table 32: Emerging Deficit Schools in 2020/21**

School	Budget Plan 2020/21 £m	Monitoring 1 2020/21 £m	Monitoring 2 2020/21 £m	Variance To Budget £m
Burradon Primary	0.003	(0.006)	(0.025)	(0.028)

6.9 There were twelve schools requiring a Licenced Deficit Agreement in 2020/21 with deficits identified at budget setting and their current forecasted positions are shown in Table 33 below. Eight of these schools were in deficit in 2019/20, with two identified as structural deficits. Of the twelve schools eleven are showing improvements reflecting plans put in place to mitigate their deficit position. There has been an overall improvement of £1.229m against budget and a favourable movement of £0.876m since the first monitoring. The schools still showing adverse variances are working to mitigate the causes of further unforeseen pressures.

6.10 **Table 33: Existing Deficit Schools in 2020/21**

School	Budget Plan 2020/21 £m	Monitoring 1 2020/21 £m	Monitoring 2 2020/21 £m	Variance To Budget £m
Benton Dene Primary	(0.022)	(0.010)	0.018	0.040
Forest Hall Primary	(0.014)	(0.015)	(0.005)	0.009
Greenfields Primary	(0.120)	(0.178)	(0.181)	(0.061)
Holystone Primary	(0.032)	0.020	0.010	0.042
Ivy Road Primary	(0.300)	(0.243)	(0.211)	0.089
St Mary's R C Primary N/S	(0.033)	(0.039)	(0.001)	0.032
Marden Bridge Middle	(0.067)	(0.042)	0.032	0.099
Marden High	(0.494)	(0.475)	(0.074)	0.420
Norham High	(3.193)	(3.189)	(3.141)	0.052
Longbenton High	(2.610)	(2.610)	(2.510)	0.100
Monkseaton High	(5.164)	(5.090)	(4.958)	0.206
Beacon Hill	(0.773)	(0.598)	(0.572)	0.201
TOTAL	(12.822)	(12.469)	(11.593)	1.229

6.11 Additional governance arrangements and monitoring meetings have been put in place with the twelve deficit schools. School Improvement, HR and Finance officers will continue to meet with Head Teachers and Governing Body representatives for all schools in deficit to monitor the specific requirements of each individual school's deficit and recovery plans to support bringing them back into balance.

High Needs Block

- 6.12 The High Needs block ended 2019/20 with a pressure of £4.542m. 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. This overall pressure in the High Needs block is in line with the national and regional picture and Members will be aware of the high level of interest in special needs provision and associated funding issues in the national media.
- 6.13 The forecast pressure on High Needs has increased since the previous report to Cabinet in November 2020. The anticipated in-year pressure of £3.809m (November, £3.457m) reflects a rise in demand for special school places within the Authority and a general increase in complexity of children supported in special schools and within mainstream schools. A breakdown of the in-year pressure is shown in Table 34 below.
- 6.14 **Table 34: Breakdown of High Needs in Year Pressures at January 2021**

Provision	Budget	Forecast	Variance	Comment	Variance Nov
	£m	£m	£m		£m
Special schools and PRU	12.797	14.851	2.054	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	3.655	4.598	0.943	Pressures in pre 16 top ups e.g. Norham ARP. Melrose transfer to Southlands represents change	0.991
Out of Borough	2.515	3.242	0.727	Increased number of children placed outside North Tyneside Schools	0.565
Commissioned services	3.956	4.041	0.085	Additional staff and commissioned service	0.035
Subtotal	22.923	26.732	3.809		3.457
2019/20 b/f			4.542		4.542
Subtotal			8.351		7.999

SECTION 7 - HOUSING REVENUE ACCOUNT

Forecast Outturn

7.1 The forecast set out in Table 35 below is based on the results to January 2021. Currently the HRA is forecasting a pressure of £1.244m against budget including the impact of all identified HRA and in-house construction service-related Covid-19 costs and a £0.303m 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 35: Forecast Variance Housing Revenue Account

	Budget £m	Current Forecast £m	Current Variance £m	Last cabinet report £m
HRA Management Costs	10.226	10.047	(0.179)	(0.110)
HRA Repairs	12.247	14.161	1.914	1.673
HRA – Capital Charges	13.832	13.832	0.000	0.000
HRA – PFI Contract Costs	9.690	10.040	0.350	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)	(61.140)	(0.841)	(0.555)
Total including all Covid-19 pressures	2.589	3.833	1.244	1.258
HRA Covid-19 pressures mitigated	0.000	(0.941)	(0.941)	(0.999)
Total after HRA Covid-19 pressures mitigated	2.589	2.892	0.303	0.259

7.3 The total Covid-19 costs attributed to the HRA and in-house construction service is £2.545m, which is a combination of unproductive workforce costs resulting from restrictions during lockdown (£1.504m), the costs of procuring and distributing PPE locally and regionally (£0.666m), and in addition unproductive time in relation to works the in-house construction service would have delivered to the General Fund but for lockdown (£0.356m). 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 (£0.941m).

7.4 **Table 36: Forecast Impact of Covid-19 on HRA for 2020/21**

Service Area	Covid Cost Impact Jan £m	Covid Income Impact Jan £m	Total Covid Impact Jan £m	Total Covid Impact Nov £m	Description
HRA – PPE	0.101	0.000	0.101	0.082	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 – in-house construction service Stores staff, Procurement staff and staff driving vans for delivery.
HRA – Workforce	1.504	0.000	1.504	1.423	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	0.019	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	1.624	0.000	1.624	1.524	

7.5 Rental income is currently performing well ahead of target (£0.841m). This is made up of a number of different elements: Dwellings rent figures are forecasted to perform ahead of budget (£0.453m) due to an improvement in the empty homes position across both general needs and sheltered accommodation; Temporary and Dispersed Accommodation continues to sustain well above budgeted levels of income (£0.189m); service charge income is currently forecasted to also perform ahead of budget (£0.130m) due to the improved income in Sheltered

Accommodation resulting from the lower than forecast empty homes position; Other rents from commercial properties on estates and accommodation provided to HECS client groups are again performing well and generating above budgeted levels of income (£0.031m), and garage rental income is also forecast to come in better than budget (£0.038m). 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 just above pre-covid levels. Although the Authority strives to try and minimise the continuing impact of the implementation of Universal Credit, the actual level of arrears has increased significantly, but does not appear to be growing any faster than last year. Which is why the forecast impact on the in-year Bad Debt Provision budget was moved back in line with budget. This is explained further in the section on rent arrears below. Council Tax Empty Homes costs have risen partially due to the initial rise in empty properties caused by the pandemic (£0.021m). 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 (£0.198m). A number of appointments were made internally which further increased the forecast savings from previous months. The Repairs budget is showing a pressure of £0.993m currently; this represents the difference between the current variance of £1.914m shown in Table 35 above and the HPC element of the costs to be mitigated by Covid grant (ie £0.921m of the £0.941m identified). The level of pressure is mainly because all of the anticipated Covid-19 impact within the in-house 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 £0.350m has now 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 and Bad Debt Provision

- 7.7 Arrears are made up of two elements:

- Current Tenant Arrears &
- Former Tenant Arrears

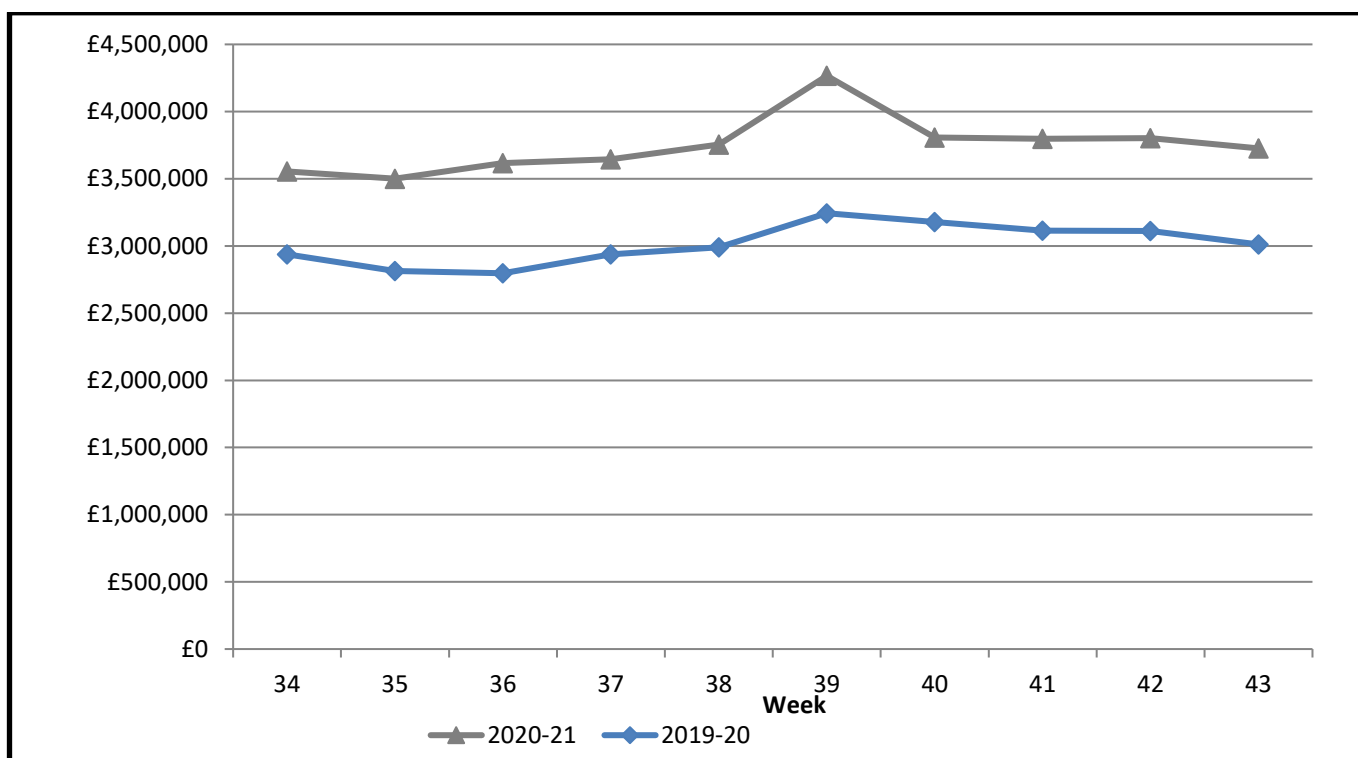
7.8 **Table 37: Rent Arrears**

Date	Former Arrears	Current Arrears	Total Arrears	Change
	£	£	£	£
31/03/2019	2,649,474	1,726,269	4,375,743	627,000
31/03/2020	3,162,030	2,137,477	5,299,507	923,764
31/01/2021 (to-date)	3,727,125	2,143,982	5,871,107	571,600

7.9 Arrears have risen significantly over the last two years as illustrated in the table below. Initially it was feared that the increase in arrears in the current year due to the pandemic would be even higher than last year, but despite an initial spike the in-year position looks on course to be certainly no higher than last year. Total arrears as at the end of January 2021 stands at £5.871m, and has increased by

7.10 £2.122m since March 2018 which represents a 56.6% increase in the last three years. Chart 10 below shows the value of current 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.

7.11 **Chart 12: Current Arrears - Dec-Feb 2020/21 compared to 2019/20**



7.12 The main mechanism for helping to manage arrears is the Bad Debt Provision (BDP), which currently stands at £4.286m on the HRA Balance Sheet, and the budget for the 2020-21 contribution is £0.980m, currently we are now predicting that in-year bad debt contribution will be contained within budget. The actual calculation as to how much of the in-year Bad Debt is required is based on three elements:

- 1) Former Arrears – we assume that 95% of these will eventually be written off,
- 2) Current Arrears - a calculation is done which approximates to the size and age of the date and for instance last year this worked out at just over 71% of current arrears. The sum of these two calculations are added and that is compared to the opening sum on the Balance Sheet to calculate the required contribution
- 3) A further adjustment is made to reduce the figure by any debt written off in-year. Below gives a simple example to illustrate using last year's figures.

Bad Debt Provision and In-Year Contribution (2019-20)

Opening BDP B/Fwd 1 April 2019	£3.451m
Bad Debt written off during 2019-20	£(0.185)m
Revised Balance 2019-20	£3.266m

BDP required at 31 March 2020:	
Former Arrears £2.137m x 95%	£2.031m
Current Arrears £3.162m x 71%	£2.255m
Total BDP requirement	£4.286m
Less revised Balance B/Fwd	£3.266m

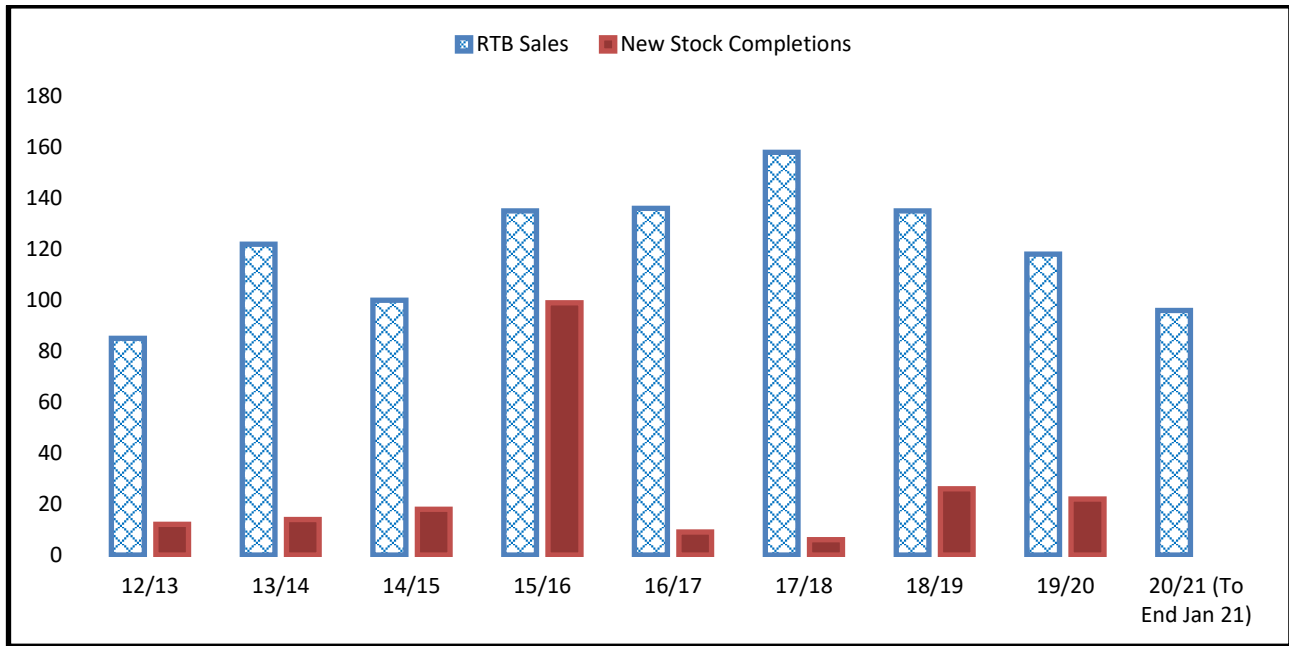
In-year contribution required 2019-20 £1.020m

- 7.13 The same calculation will be done at year-end to finalise the 2020-21 contribution required, but as stated above forecast now assumes this will not be above the £0.980m budgeted for.
- 7.14 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 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 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).

Right to Buy (RTB) Trends

- 7.15 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.

7.16 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 8.9 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. The North Shields masterplan was approved by Cabinet on 25 January 2021.

Variations to the 2020-2025 Investment Plan

- 8.8 As part of budget monitoring for December and January, variations of £7.189m to the Investment Plan and reprogramming of £8.299m 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)
January 21 Cabinet	(6.059)	(2.090)	1.910	0.000	(6.239)
Approved Investment Plan	68.816	60.692	43.519	84.891	257.918
Dec 20/Jan 21 Monitoring Variations					
Reprogramming	0.853	6.336	0.000	0.000	7.189
	(8.299)	8.299	0.000	0.000	0.000
Total Variations	(7.446)	14.635	0.000	0.000	7.189
Revised Investment Plan	61.370	75.327	43.519	84.891	265.107

8.9 Details of the variations and reprogramming are shown below:

- (a) **BS029 Wallsend Customer First Centre £0.250m** – Inclusion of £0.250m revenue contribution from Public Health grant to support works at the centre and hubs;
- (b) **BS030 Low Carbon Skills £3.237m (2021/22)** – Salix grant funding has been awarded for energy efficiency and the heat decarbonisation works at Tynemouth Pool, Waves, The Lakeside Centre and Hadrian Leisure Centre that will help the Authority meet it's Climate change targets;
- (c) **EV055 Surface Water Improvements £0.290m (2021/22) and £0.050m reprogramming** – £0.290m of new grant funding is to be added to the project in 2021/22, which was allocated by the Environment Agency (EA) during 2020. The funding is to be spent on projects identified in the Authority's Medium Term Plan (the rolling list of flooding and coastal schemes submitted each year to the EA). There is also a requirement to reprogramme £0.050m of the 2020/21 budget to match works that will be delivered in 2021/22;
- (d) **HS004 Disabled Facilities Grant (DFG) £0.222m** – An additional £0.222m DFG grant has been awarded by the Ministry of Housing, Communities & Local Government (MHCLG) for 2020/21;
- (e) **HS053 Green Homes Grant/ HS015 HRA Refurbishment £3.189m** – On the 27th January 2021 the Secretary of State for Business, Energy and Industrial Strategy (BEIS) confirmed that the Council had been awarded the funding of £3.189m.

This project will use grant funding provided by BEIS to support the installation of qualifying measures to improve the energy efficiency of homes in North Tyneside, reduce carbon emissions and provide a catalyst for improving residential energy efficiency in the borough. £1.027m of the grant will be used for Council Dwellings and £2.162m for private homes;

- (f) **HS015 HRA Decent Homes Refurbishment £2.910m reprogramming** – due to the lockdown requirements announced in January it has not been possible to carry out the replacement kitchen and bathroom programmes scheduled for January 2021. In addition, the recent period of sub-zero temperatures, snow and rain has hampered progress on all of the external works programmes. Inclement weather will have a bigger impact this year due to the number of external work projects we have programmed due to Covid. This has resulted in reprogramming of the works and budget into 2021/22;
- (g) **CO082 Sport and Leisure Facility Improvements £0.016m reprogramming** - whilst an assessment is made of the most appropriate solution for upgrading the leisure management systems. This element of the project will be delivered in 2021/22;
- (h) **DV064 Council Property Investment £0.825m reprogramming** - demolition work at Unicorn House is on hold to allow additional funding opportunities to be explored through North of Tyne Brownfield funding meaning that there is a requirement to reprogramme £0.825m to 2021/22;
- (i) **DV066 Investment in North Tyneside Trading Company £0.875m reprogramming** - The Authority will invest further debt and equity in Aurora Properties (Sale) Limited to enable the Company to develop the sites currently in progress but Covid 19 has delayed the purchasing of further homes in 2020/21;
- (j) **DV068 Southern Promenade Work £0.050m reprogramming** - recent poor weather has delayed the final elements of the project. Final completion is expected to take place in April and therefore reprogramming of £0.050m to 2021/22 is requested;
- (k) **DV073 Ambition for North Tyneside £1.200m reprogramming** – to reflect the delivery of the programme;
- (l) **DV075 Town & Neighbourhood Centres £0.065m reprogramming** - Temporary public realm changes to ensure that reopening of local economies can be managed successfully and safely will now be delivered in 2021/22;
- (m) **ED075 Devolved Formula Capital £0.700m reprogramming** - Due to the current challenges across all schools in delivery of key educational activities it has not been possible for individual schools to take forward those local priority projects within the current financial year. It is therefore proposed to reprogramme £0.700m into 2021/22;
- (n) **ED189 School Nursery Capital Fund £0.102m reprogramming** - New York Primary school are currently awaiting a formal response from the Department for Education on the next stages of delivery. Officers have confirmed that no planned

works will be delivered this financial year, therefore the grant of £0.102m to be reprogrammed into 2021/22;

- (o) **EV034 Local Transport Plan £0.772m reprogramming** - Due to Covid-19 the works to Pier Road Bridge, Integrated Transport and Section 106 funded works have been delayed and also the Borough Road Bridge scheme has been postponed until Summer 2021;
- (p) **EV069 Vehicle Replacement £0.281m reprogramming** - The electric vehicles are currently in the process of being tendered and will not be delivered until 2021/22 and the remaining budget is to be carried forward to support the 2021/22 planned programme;
- (q) **EV091 Other Initiatives Climate Change £0.048m reprogramming** -A report from structural engineers is expected in mid February on three sites under investigation for the introduction of Solar Voltaic Panels. The structural reports will be an integral part of the specification for a design and install procurement exercise. This will be initiated early March following consultation with the Climate Emergency Board. The delivery of a project is likely to begin in the early part of the 2021/22;
- (r) **EV094 Transforming Cities Tranche 2 £0.075m reprogramming** - Progression of site investigation survey work for NT02 Improvements to North Shields Transport Hub to be undertaken in 2021/22;
- (s) **EV096 Tanners Bank £0.060m reprogramming** - Site investigation works are now to be commissioned in April 2021 resulting in the request to reprogramme £0.060m to 2021/22; and,
- (t) **HS051 Private Sector Empty Homes £0.270m reprogramming** – It has been requested to reprogramme £0.270m funding within this project whilst officers investigate how best to support the North Shields Master Plan outcomes in future years.

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	68.816	60.692	43.519	84.891	257.918
Council Contribution	(2.633)	2.633	0.000	0.000	0.000
Capital Receipts	(0.073)	0.073	0.000	0.000	0.000
Grants and Contributions	(1.487)	7.399	0.000	0.000	5.912
Contribution from Reserves	(0.016)	0.016	0.000	0.000	0.000
Contribution from Revenue	(0.327)	0.577	0.000	0.000	0.250
HRA Capital Receipts	0.383	(0.383)	0.000	0.000	0.000
HRA Major Repairs Reserve	(3.293)	3.293	0.000	0.000	0.000

	2020/21 £m	2021/22 £m	2022/23 £m	2023-25 £m	Total £m
HRA Grants and Contributions	0.000	1.027	0.000	0.000	1.027
Total Financing Variations	(7.446)	14.635	0.000	0.000	7.189
Revised Investment Plan	61.370	75.327	43.519	84.891	265.107

Capital Receipts – General Fund

8.11 General Fund Capital Receipts brought forward at 1 April 2020 were £1.771m. The capital receipts requirement for 2020/21, approved by Cabinet on 25 January 2021, was £0.568m (2020-25 £1.245m). To date, £3.500m capital receipts have been received in 2020/21, of which £0.524m will be used to repay capital loans and borrowing. In addition £2.020m of receipts from the sale Swan Hunters site has been set aside to repay Homes England as part of the joint arrangement for the funding of the site. 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 reported January 21 Cabinet	0.145	0.000	0.000	0.000	0.145
Variation to be Report March 21 Cabinet	(0.073)	0.073	0.000	0.000	0.000
Revised Requirement	0.495	0.496	0.254	0.000	1.245
Receipts Brought Forward	(1.771)	(2.232)	(1.736)	(1.482)	(1.771)
Total Receipts received 2020/21	(3.500)	0.000	0.000	0.000	(3.500)
Receipts used to repay capital loans	0.356	0.000	0.000	0.000	0.356
Receipts used to repay borrowing	0.168	0.000	0.000	0.000	0.168
Receipts set aside to repay Homes England	2.020	0.000	0.000	0.000	2.020
Net Useable Receipts	(0.956)	0.000	0.000	0.000	(0.956)
Surplus Receipts	(2.232)	(1.736)	(1.482)	(1.482)	(1.482)

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 £1.110m. To date, receipts of £4.714m have been received in 2020/21 of which £1.406m has been pooled as part of the

quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £10.511m 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	(1.319)	1.319	0.000	0.000	0.000
Variation 2020/21	(0.855)	(0.855)	(0.855)	0.000	(2.565)
Revised Requirement	1.110	3.793	2.115	6.990	14.008
Receipts Brought Forward	(8.313)	(10.511)	(6.718)	(4.603)	(8.313)
Receipts Received 2020/21	(4.714)	0.000	0.000	0.000	(4.714)
Receipts Pooled Central Government	1.406	0.000	0.000	0.000	1.406
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	(10.511)	(6.718)	(4.603)	2.387	2.387

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

Investment Plan Monitoring Position to 31 January 2021

8.13 Actual expenditure for 2020/21 in the General Ledger was £33.536m; 54.65% of the total revised Investment Plan at 31 January 2021. This is after adjusting for £0.069m of accruals relating to 2019/20 expenditure.

8.13.1 Table 42: Total Investment Plan Budget & Expenditure to 31 January 2021

	2020/21 Revised Investment Plan £m	Actual Spend to 31 Jan 2021 £m	Spend as % of revised Investment Plan %
General Fund	39.053	21.782	55.78%
Housing	22.317	11.754	52.67%
TOTAL	61.370	33.536	54.65%

SECTION 9 – TREASURY MANAGEMENT & CASH POSITION UPDATE

Current Cash Position

9.1 As at 31 January 2021 the Authority had £25.200m placed with the DMO, and £5.000m invested on an instant access basis with Lloyds Bank and with £27.500m invested externally with other UK Local Authorities.

9.2 Table 43: Investment Position as at 31/01/2021

Counterparty	Type	Amount (£m)	Maturity
DMO	Term	25.200	n/a
Lloyds Bank	Call	5.000	Call
Barclays Bank	Current	2.549	n/a
Inter – LA	Fixed	27.500	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 As new investment maturities now fall into the financial year 2021/22, it is anticipated investment returns will be lower as markets looks to slowly recover interest rate levels.

9.5 The approach of maintaining low cash balances has been part of the strategy for several years and has generated substantial savings year on year.

9.6 The government's Debt Management Office (DMO) and other deposit investment rates are at all-time lows; considering 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.

9.7 Table 44: Summary of Borrowing Levels

Temporary Market		PWLB	
Tenor	Level	Tenor	Level *
1 week	0.01%	2 years	0.91%
1 month	0.01%	5 years	1.03%
3 months	0.03%	10 years	1.37%
6 months	0.10%	20 years	1.86%
9 months	0.10%	30 years	1.91%
12 months	0.15%+	50 years	1.73%

**this does not include any Certainty discount of 0.20%*

- 9.8 Any shortfalls in cashflow will be covered by in year temporary borrowing, this remains a quick and cost-effective method of cash management in the current environment.

Borrowing Position

- 9.9 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

- 9.10 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.
- 9.11 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

- 9.12 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%.
- 9.13 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.

- 9.14 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 several 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 several financial institutions.
- 9.15 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.
- 9.16 Any shortfalls in cashflow will be covered by in year temporary borrowing, this remains a quick and cost-effective method of cash management in the current environment.

Borrowing Position

- 9.17 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

- 9.18 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.

- 9.19 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

- 9.20 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%.
- 9.21 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.
- 9.22 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 several 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 several financial institutions.
- 9.23 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.