2020/21 Provisional Finance Outturn Report

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Section 1 – EXECUTIVE SUMMARY

1.1. Summary

1.1.1. The Authority's audited Statement of Accounts (the Accounts) for 2020/21 will be presented to the Audit Committee for approval in September 2021. This will be later than in other financial years as a result of the Covid-19 pandemic. The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that came into force on 31 March 2021. The Accounts and Audit (Amendment) regulations 2021 extend the statutory audit deadlines for 2020/21 and 2021/22 for all local authorities. These changes have resulted in the deadline for the Chief Finance Officer to "certify" the draft accounts by 1 August 2021 and therefore the approval of the accounts by Audit Committee will not take place until September 2021. The Audit Committee have been briefed on these changes at its meeting on 26 May 2021. The figures contained in this report are provisional until the completion of the Accounts.

1.1.2. The Accounts are a statutory document which set out the Authority's financial position and performance for the year in a series of formal accounts prepared according to a specific statutory and regulatory framework. Successive changes to local government accounting practice have made the Accounts a very technical document. As in previous years, this report sets out the Authority's financial performance in an outturn report. This reflects the Authority's structure and is set out on a similar basis to the financial management reports presented to Cabinet throughout the year.

1.1.3. The financial year has seen the Authority continue to manage its finances despite on-going funding reductions and continuing cost pressures in respect of social care services. The Authority has also faced significant financial impact form the Covid-19 pandemic. Despite these challenges the proactive management of the General Fund Budget throughout the year has led to a year-end surplus of £2.500m.

1.1.4. It is proposed to deal with this surplus by a transfer to the Change Reserve (£1.000m) to recognise the plans that are needed to be put in place as planning begins for the exit of key Partnership contracts. The Insurance Reserve will be increased by (£0.500m) in recognition of potential investment required to manage health and safety risks of the council's estate, and finally a new reserve of £1.094m, with (£1.000m) being a transfer from the surplus balance, to support the changing needs of education provision across the borough. After the final transfers, the General Fund Revenue Account shows spend on Budget for 2020/21, with an unchanged closing balance on the Strategic Reserve of £14.504m and General Fund balances of £7.000m. Retaining these levels of balances is important for managing the financial resilience of the Authority through 2021/22 and beyond.

1.1.5. School balances have increased from £0.165m at the start of the financial year to £3.721m at 31 March 2021. Whilst some schools have seen their individual balances decrease, the value of individual school deficits overall has decreased which contributes to the £3.556m increase in balances.

Overall, the position improved by £10.476m from initial projected overall deficit balances of £6.755m. Further details are contained in Section 7 of this Annex.

1.1.6. The Housing Revenue Account balances have decreased from £7.803m to £5.001m, an in-year decrease of £2.802m. A reduction to balances of £2.589m was planned and the outturn represents a further £0.213m in-year movement against Budget. Further details are given in Section 8 of this Annex**.**

1.1.7. The initial approved Investment Plan for 2020/21 was £67.307m. Variations and reprogramming of (£5.937m) were approved by Cabinet during 2020/21 to give a revised Investment Plan of £61.370m. Capital expenditure for the year was £53.830m (87.71% of the revised plan), a variation of £7.540m. This outturn includes further reprogramming of £10.101m as shown in Section 9.

1.2. Strategic Management of the Authority's Budget

1.2.1. Whilst statutorily the Authority's Budget and Statement of Accounts must be prepared annually, the pressures and opportunities that the Authority faces often extend across several accounting years. Decisions taken in one year may be felt in subsequent periods. One of the benefits of the Authority's regular Budget monitoring process is that issues can be identified early in the year and action taken to address them. The outcomes of these actions can then inform both Budget-setting and preparation of the Financial Statements. Budget-setting, Budget management and the Financial Statements can therefore be seen as related parts of a continuous process of financial management by the Authority. This part of the report sets out some of the key strategic issues managed by the Authority during 2020/21.

1.3. General Fund

1.3.1. The Budget for 2020/21 was approved by full Council at its meeting of 20 February 2020. The net General Fund Budget was set at £161.361m including efficiency savings of £3.622m (£0.805m new to 2020/21 and £2.817m of prior year savings requiring a permanent solution in 2020/21).

1.3.2. The Monitoring report up to 31 January 2020 projected a pressure of £0.053m and the final position is an underspend of £2.500m.

1.4. Budget Savings Programme

1.4.1. The Efficiency Programme for 2020/21 included new savings of £0.805m and £2.817m of savings targets carried forward from 2019/20, totalling £3.622m, for the delivery of projects/actions included as part of the previous Creating A Brighter Future Programme. The delivery of savings in 2020/21 has been significantly impacted by the Covid-19 pandemic especially within HECS and Commissioning & Asset Management. The scale of the financial challenge for the year meant that during 2020/21 £1.754m of the savings target was achieved with a further £0.470m handled through a range of alternative management activities. The remaining £1.398m of the savings target was supported through the Covid-19 Local Authority Support grant reflecting the impact the pandemic had on the opportunity to achieve these savings. The Efficiency Programme is monitored as part of the overall financial position of the Authority, and regular updates of progress is shared with the Mayor and Cabinet members and also reported to Cabinet as part of the bi-monthly Financial Management reports. Further details of the Efficiency Programme outcomes are detailed in section 3.

1.5. Treasury Management

1.5.1. There has been a decrease in the level of actual external borrowing (excluding PFI) from £466.913m at 31 March 2020 to £417.443m at 31 March 2021. The level of internal funding remains high at £95.166m at 31 March 2021 (£57.655m at 31 March 2020), subsequently this avoids interest charges. During 2020/21 the sustained approach to maximising the use of internal borrowing, using short-term borrowing at lower rates and the impact of reprogramming within the Investment Plan resulted in interest savings of £3.078m in-year (General Fund and HRA).

1.6. Reserves and Outlook

1.6.1. The end of the financial year 2019/20 saw the beginning of the Covid-19 Pandemic and the impact has continued throughout 2020/21. Cabinet and all Members have been kept up to date in terms of the response and approach to recovery the Authority has implemented throughout the various stages of the pandemic and what that meant for essential services being maintained for the most vulnerable residents of the borough. The authority has been required to provide a sustained and varied response to the pandemic, with all services impacted one way or another. There have been periods when restrictions meant a range of services had to be suspended or limited, such as the leisure and culture offer and as a result there has been a significant financial impact on the Authority arising from additional costs and lost income in 2020/21. There has been sustained support to the Social Care Sector for both Adults and Children’s and this is expected to continue into 2021/22. The authority has been responsible for acting as agent for several grants to support the businesses in the borough and again this has continued into 2021/22.

1.6.2. There have been a range of financial interventions introduced by the Government, these are set out in section 5. The Authority had received its share of the Government’s Local Support Grant of £16.370m. £0.733m of this was allocated to additional costs and income lost in March 2020, meaning £15.636m was available to support council services in 2020/21. Of this, £13.466m was allocated to support revenue activities and a further £0.485m was allocated to capital. The remaining £1.685m has been carried forward to support the identified on-going impact on Covid-19 into 2021/22.

1.6.3. Cabinet is aware that Local Authorities were also compensated for losses incurred against their sales, fees, and charges budgets. North Tyneside Council received £5.757m from this grant to support services and this was fully allocated. This represented 71.25% of the fees lost, the balance being born by the authority.

1.6.4. As mentioned previously the Authority received grants to support the businesses in the borough. £66.072m was received and £54.731m was paid across to businesses. The remaining balance will be paid out during the early stages of 2021/22.

1.6.5. £11.811m of additional funding was received to support our residents, including direct financial support for our most vulnerable but also to support the Authority to put in place measures to keep residents safe whilst they continued to enjoy our coastline, town centers and the many attractions throughout the borough, when restrictions allowed. Of this funding, £4.616m was spent during 2020/21, with £7.195m carried forward to 2021/22. Of the funding carried forward, £5.302m of it related to Contain Outbreak Management and the Authority has a range of proposals to spend this funding to help contain outbreaks as the country continues to see an easing of restrictions.

1.6.6. £5.471m was provided by government to help support the Care Home market and all £5.471m was allocated in 2020/21. The Authority also received £2.264m to support its schools and £2.031m was allocated with the remaining £0.233m anticipated to be allocated in early 2021/22.

1.6.7. There were further indirect impacts of the Covid-19 pandemic, which included the delay in the 2020 Spending Review, which was scheduled to be completed by July 2020.

1.6.8. Additionally, the Fair Funding and Business Rates Retention (BRR) schemes review, scheduled for implementation in April 2021, will now not go ahead until April 2022 at the earliest. This led to further significant risk remain to the Authority's ability to update the four-year financial plan.

1.6.9. It has been highlighted previously by the Chief Finance Officer that the Authority has a relatively low level of reserves. The level of uncertainty with regard to the levels of funding for Local Government Finance beyond 2020/21 alongside the uncertain long terms implications of how the borough and indeed the country will recover from the impacts of Covid-19 is of concern when considering the financial sustainability of the authority, particularly when taken in the context of funding reductions the authority has managed since 2007/08. Appendix A sets out in detail the movement on Reserves and Balances and despite some increases the general level of Reserves available to support the Authority's Budget remains relatively low when considering the current estimated gap arising from the financial impact of Covid-19.

1.6.10. The Strategic Reserve (£14.504m) represents 4.09% of the General Fund 2021/22 gross Budget and 11.46% of the 2021/22 net Budget, with the General Fund balances (£7.000m) added, these represent 6.06% of the 2021/22 gross Budget and 16.99% of the 2021/22 net General Fund Budget. There is no prescribed level of reserves advice by finance bodies with the level being considered in light of risks the authority faces not just in the current year but looking ahead.

1.6.11. The other general fund earmarked reserves total £65.487m, which is an increase of £33.130m from the 2019/20 position of £32.357m. Of this increase £19.298m relates to Covid-19 grants with specific condition that we have to follow in spending those grants, and some of which we act as agent for the government on. These Covid-19 balances are projected to be spent over the early part of 2021/22.

1.6.12. Cabinet will recall when setting the 2021/22 budget reference was made to the impact of reliefs given to business for NNDR and residents for Council Tax on the collection fund which flows through into future years. Grant funding received in 2020/21 in respect of this relief of £15.153m is planned to be used during 2021/22 to mitigate the collection fund deficit and the impact on overall resources.

1.6.13. The net movement in HRA reserves and balances is a decrease of £2.179m. The HRA reserves have increased by £0.623m to £19.725m in 2020/21 and the HRA balances have decreased by £2.802m to a total of £5.001m. Within the HRA reserve total, £12.390m relates to PFI reserves.

1.6.14. School Balances show an increase of £3.556m as set out in section 7 of this Annex, but as stated previously this is a significant improvement of £10.476m against the planned deficit balance position of £6.755m. As at 31 March 2021, the DSG account is showing a net deficit balance of £7.932m. This compares to a deficit balance of £3.262m in 2019/20. Whilst the Authority does have some plans to recover this deficit position, there remains uncertainty as to how this is to be resolved, adding further risk for the Authority in the short to medium term.

1.6.15. In these unpresented times the importance of robust financial management across the authority remains paramount. A range of tighter spending controls have been put in place to ensure no non-essential spend is incurred during 2021/22 and to ensure any Covid-19 related expenditure is appropriately considered and approved in advance of being incurred.

SECTION 2 - GENERAL FUND INCOME AND EXPENDITURE SUMMARY

2 General Fund Revenue Provisional Outturn

2.1 This section of the report details the provisional outturn at 31 March 2021. The Authority's approved net revenue Budget of £161.361m is provisionally expected to underspend by £2.500m. This is an improvement of £2.553m on the previous position reported to Cabinet based on forecasts at January 2021 which showed a pressure of £0.053m. The Budget includes £0.805m of 2020/21 savings as agreed at full Council on 20 February 2020. Table 1 in paragraph 2.5 below sets out the variation summary across the General Fund. It is proposed that the surplus balances are transferred into the Education Change Reserve (£1.000m), the Change Reserve (£1.000m) and the Insurance Reserve (£0.500m). With these final transfers included, the General Fund will show spend on Budget for 2020/21.

Accounting Adjustments

2.2 As part of the statutory reporting regulations there is a requirement to ensure that there is a clear audit trail between the figures reported to Cabinet and those published in the Statement of Accounts. The outturn therefore includes a series of year-end accounting adjustments which, whilst having no impact on the final overall position against the Budget, provide a link from the outturn reported to Cabinet to the published accounts. These adjustments include:

- Adjusting both budget and actual positions for support services. This has no impact on variances.
- Adjusting the service positions for actual (rather than budgeted) capital expenditure items; and,
- Adjusting the service positions for the impact of Private Finance Initiatives (PFI) which has reduced the reported costs of the services by £5.487m and has had the opposite impact on the corporate budget lines.

2.3 As in previous years, these accounting adjustments were not included in the previously reported forecasts presented to Cabinet.

2.4 Table 1 below shows the variance between the outturn to be published in the Statement of Accounts and the Budget and shows the adjustments required to allow comparison of the provisional outturn for Cabinet to the last reported position:

2.5: Table 1: General Fund Position as at 31 March 2021

Services	Budget	Actual Outturn	Variance	Accounting Adjustments	Adjusted Variance	Business as Usual - Jan Variance	Variance Change since Jan
	£m	£m	£m	£m	£m	£m	£m
Health, Education, Care and Safeguarding	71.604	78.320	6.716	(0.313)	6.403	6.403	0.000
Commissioning and Asset Management	7.623	7.101	(0.522)	0.835	0.313	0.298	0.015
Environment, Housing and Leisure	43.439	42.651	(0.788)	0.420	(0.368)	(0.187)	(0.181)
Regeneration and Economic Development	1.437	5.270	3.833	(3.705)	0.128	0.170	(0.042)
Corporate Strategy	0.738	0.434	(0.304)	0.000	(0.304)	(0.063)	(0.241)
Chief Executive's Office	(0.078)	(0.215)	(0.137)	0.000	(0.137)	(0.091)	(0.046)
Resources	3.046	2.956	(0.090)	(0.227)	(0.317)	0.127	(0.444)
Law and Governance	0.133	0.303	0.170	0.000	0.170	0.220	(0.050)
Central Items	13.406	2.028	(11.378)	2.990	(8.388)	(6.824)	(1.564)
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	0.000
Total Authority	**161.361**	**158.861**	**(2.500)**	**0.000**	**(2.500)**	**0.053**	**(2.553)**

Main Movements from Previous Reported Forecast Variance (January Report)

2.6 Comparing the adjusted outturn variance to the previously reported January forecast outturn shows an overall improvement of £2.553m. The main reasons for these movements are itemised below with more detailed explanations of both the outturns and the changes compared to the January report being contained in Section 6 of this report.

Health Education Care and Safeguarding (HECS)

2.7 The draft outturn position for HECS remains unchanged compared to the forecast position in the January report however there are variations across the service. The unchanged position has been achieved following a downward revision to the original estimates for the impact of Covid on children's and adult services and has resulted in less Covid-19 grant being required to cover Covid-19 pressures in HECS. Within Children's Services there has been an improvement of £0.766m resulting from reduced forecast of respite provision for children with disabilities, an improved staffing position and reduced non pay costs relating to corporate parenting around legal fees and s17 assistance payments. Within adult services there has been an improvement of £0.143m due to reduced forecasts of externally commissioned care and reduced staffing expenditure partially offset by reduced client contributions.

Environment Housing and Leisure

2.8 Environment Housing and Leisure saw an improvement of £0.181m since the January report largely due to reduced operating costs within Sport and Leisure.

Corporate Strategy

2.9 There has been an improved position of £0.241m compared to the January report, mainly due to additional external income and appropriate staff recharges against Covid grants reflecting Covid-related activities undertaken in Policy Performance and Research and Marketing.

Resources

2.10 There has been an improved position of £0.444m, mainly due to an improved benefit subsidy position within the final claim compared to the mid-year interim estimate/claim.

Central Items

2.11 Central Items has improved by £1.564m since the January report. The main movements relate to a reduction in the use of the Contingency Budget of £1.044m for Adults Social Care, further savings on interest £0.210m from the Authority's continued successful Treasury Management strategy and a £0.354m improvement in Corporate & Democratic Core caused by a number of small improvements across a range of lines.

SECTION 3 - DELIVERY OF BUDGET SAVINGS PROPOSALS

3.1 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.

3.2 **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**

3.3 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 required a permanent solution in 2020/21. The total savings that needed to be achieved in 2020/21 were therefore £3.622m.

3.4 The delivery of savings in 2020/21 has been significantly impacted by the Covid-19 pandemic especially within HECS and Commissioning & Asset Management.

3.5 **Table 3: Efficiency Savings by Service at March 2021**

Service	2020/21 Target £m	Projected Delivery £m	In Year Management Actions £m	Impacted by Covid (grant funded) £m
HECS	3.069	1.283	0.470	1.316
Commissioning & Asset Management	0.249	0.167	0.000	0.082
Environment Housing & Leisure	0.360	0.360	0.000	0.000
Central Items	(0.056)	(0.056)	0.000	0.000
TOTAL	**3.622**	**1.754**	**0.470**	**1.384**

3.6 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 variations in relation to the savings where delivery has been impacted by Covid are outlined in the sections below.

Health, Education, Care and Safeguarding (HECS)

3.7 HECS has achieved savings targets totalling £1.283m relating to Sector Led Improvement income, public health contracts, NHS income for children and for adults and family gateway. There has also been a reversal of the one-year only Troubled Families saving (£0.265m) which was built into the base budget. An in-year saving of £0.470m has been identified through management actions of retaining vacancies which represents an improvement of £0.120m since the January report.

3.8 This service has been significantly impacted by the Covid-19 pandemic and 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 of £1.316m due to the non-delivery of targets 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.

3.9 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 pursue deliverability of existing schemes and to identify alternative proposals and this activity will continue into 2021/22.

Commissioning and Asset Management

3.10 Within Commissioning and Asset Management in the January report, the only savings target forecasted to be unmet related to the target for an increase in school meals fees of £0.082m. Due to the further school closures in the last quarter of the year, this target was not achieved and has been set against the Covid Support Grant. 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 4 – NEW REVENUE GRANTS

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

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

Service	Grant Provider	Grant	Purpose	2020/21 value £m
Regeneration and Economic Development	North of Tyne Combined Authority	Brownfield Housing Fund (Revenue)	To support funding applications to the NoTCA Brownfield Housing Fund paying for site appraisals and surveys across the Borough	0.092
Environment Housing and Leisure	Ministry of Housing Communities and Local Government	Protect Plus	To provide additional support in relation to preventing rough sleeping	0.005
Resources	Department for Work and Pensions	Housing Benefit Administration Subsidy	To support costs of implementing changes to Housing Benefit	0.048
Schools	Education and Skills Funding Agency	Covid-19 Mass Testing for Schools and Colleges	To support costs associated with mass testing in schools	0.233
Total				**0.378**

SECTION 5 – IMPACT OF COVID-19

5.1 The Authority has played a key role in supporting businesses, residents, care homes and schools with financial support and additional Covid-19 related services throughout the Pandemic with over £107m of grants being managed. The Authority has also suffered financial impacts due to loss of income because of closures and restrictions on facilities it operates and additional costs resulting from Covid-19 in relation to its business as usual activities. The Authority has received a range of grants from Government to fund this additional activity and the financial impact on the Authority's normal services. The tables below outline the grants received, spend in year and the outcomes related to each grant.

5.2 The Authority has managed over £66m of grant funding aimed at supporting businesses across the Borough. During 2020/21, £55m of grant funding was awarded and paid out to over 5,500 businesses within North Tyneside. A further £11m is expected to be paid to businesses in 2021/22.

Table 5: Supporting Our Businesses

Grant	Value Awarded 20/21 £m	Value Spent 01.04.20-31.03.21 £m	Value C/Fwd 31.03.21 £m	Value Spent/Committed 01.04.21-31.05.21 £m
Business Support	34.481	34.481	0.000	0.000
Business Support Top-Up	9.153	5.846	3.307	3.307
Local Restrictions Support 'Closed'	13.663	9.003	4.660	4.660
Local Restrictions Support 'Open'	1.033	1.033	0.000	0.000
Additional Restrictions Grant	6.082	3.344	2.738	2.738
Christmas Support 'Wet-Pubs'	0.130	0.130	0.000	0.000
Capacity Fund	1.500	0.864	0.636	0.636
Travel Demand Management	0.030	0.030	0.000	0.000
Total	**66.072**	**54.731**	**11.341**	**11.341**

5.3 The Authority was awarded just under £12m to support its residents during the pandemic. This ranged from ensuring our most vulnerable were protected, individuals that needed to self-isolated still had access to the services they required and ensuring residents could visit our coastline and other attractions safely, when guidelines allowed, through the employment of Covid Marshalls and other such safety measures.

The Authority was awarded just under £6m for Contain Outbreak Management, with funding being provided in instalments over the last half of the financial year. £5m of this grant has been carried forward into 2021/22 and the Authority's Recovery co-ordination Group, in conjunction with the Senior Leadership Team have plans in place to spend the remaining balance in 2021/22 to ensure the containment of any outbreaks as we continue to see an easing of restrictions.

Table 6: Supporting Our Residents

Grant	Value Awarded 20/21 £m	Value Spent 01.04.20-31.03.21 £m	Value C/Fwd 31.03.21 £m	Value Spent/Committed 01.04.21-31.05.21 £m
Test & Trace Support Grant	1.140	0.358	0.782	0.782
Hardship Fund	2.023	1.733	0.290	0.290
Emergency Assistance Grant	0.256	0.176	0.080	0.015
Contain Outbreak Management Fund	5.953	0.651	5.302	5.302
Test & Trace Support Payments	0.902	0.464	0.438	0.438
Compliance & Enforcement	0.108	0.108	0.000	0.000
Clinically Extremely Vulnerable	0.470	0.167	0.303	0.018
Rough Sleepers Additional Grant	0.006	0.006	0.000	0.000
Winter Grant	0.832	0.832	0.000	0.000
Rapid Testing in the Community	0.121	0.121	0.000	0.000
Total	**11.811**	**4.616**	**7.195**	**6.845**

5.4 The Authority was awarded over £5m to support the care homes within the Borough. The majority of this funding was passed over directly to the care homes. The remaining funding has been used to support the Authority's adult social care services for infection control and testing activities.

Table 7: Supporting Our Care Homes

Grant	Value Awarded 20/21 £m	Value Spent 01.04.20-31.03.21 £m	Value C/Fwd 31.03.21 £m	Value Spent/Committed 01.04.21-31.05.21 £m
Infection Control 1 & 2	4.412	4.412	0.000	0.000
Workforce Capacity Grant	0.516	0.516	0.000	0.000
Rapid Testing – Care Homes	0.543	0.543	0.000	0.000
Total	**5.471**	**5.471**	**0.000**	**0.000**

5.5 Over £2m of grant funding was passed over to our maintained schools during 2020/21. This funding helped secure equipment necessary for children to continue to learn from home when schools were closed and supported schools to be able to offer a Covid-safe environment when government guidance allowed children to return to school.

Table 8: Supporting Our Schools

Grant	Value Awarded 20/21 £m	Value Spent 01.04.20-31.03.21 £m	Value C/Fwd 31.03.21 £m	Value Spent/Committed 01.04.21-31.05.21 £m
Digital Inclusion	0.076	0.076	0.000	0.000
Schools Catch-up Premium	1.232	1.232	0.000	0.000
Mental Health in Schools	0.027	0.027	0.000	0.000
Additional Home to School Transport	0.383	0.383	0.000	0.000
Mass Testing for Schools	0.233	0.000	0.233	0.233
Schools Fund 1 & 2	0.313	0.313	0.000	0.000
Total	**2.264**	**2.031**	**0.233**	**0.233**

5.6 The Authority's services have been heavily impacted by the Covid-19 pandemic. These services were supported in 2020/21 by just under £16m of Local Authority Support Grant and just under £6m of compensation for losses incurred against income due from sales, fees, and charges. Services such as catering (including school meals), sport & leisure and adults social care were the most impacted. The tables below show how the grant received has been used to support services across the Authority.

Table 9: Supporting Our Council Services

Service Area/Category	Main Grant £m	Sales, Fees & Charges £m	Other Specific Covid Grant £m	Total Claimed £m
Commissioning & Asset Management				
Free School Meals	2.319	0.948	0.072	3.339
Volunteer Scheme	0.071	0.000	0.042	0.113
Redeployed Employees	0.000	0.000	0.015	0.015

Service Area/Category	Main Grant £m	Sales, Fees & Charges £m	Other Specific Covid Grant £m	Total Claimed £m
Building Compliance	0.101	0.000	0.023	0.124
Property/Asset Management	0.096	0.000	0.140	0.236
PPE	0.066	0.000	0.000	0.066
Cleaning	0.175	0.000	0.045	0.220
Catering	0.112	0.205	0.000	0.317
Procurement	0.003	0.001	0.000	0.004
Absence from Schools	0.012	0.000	0.000	0.012
Car Parking – QE	0.025	0.072	0.000	0.097
Sub Total	**2.980**	**1.226**	**0.337**	**4.543**
Environment, Housing & Leisure				
Homelessness	0.060	0.000	0.064	0.124
Environmental Services	(0.226)	0.000	0.000	(0.226)
Waste Management	0.228	0.000	0.058	0.286
Cultural Services	0.030	0.046	0.000	0.076
Sport & Leisure	1.239	2.977	0.000	4.216
Highways & Transport	0.718	0.684	0.000	1.402
Planning & Development	0.050	0.204	0.007	0.261
Security	0.000	0.000	0.015	0.015
Street Lighting	0.005	0.000	0.000	0.005

Service Area/Category	Main Grant £m	Sales, Fees & Charges £m	Other Specific Covid Grant £m	Total Claimed £m
Sub Total	**2.104**	**3.911**	**0.144**	**6.159**
Health, Education, Care and Safeguarding				
CYPL – Front Door & Safe and Support	(0.349)	0.000	0.000	(0.349)
CYPL – Residential	1.585	(0.006)	0.000	1.579
CYPL – Placement Costs	0.669	0.006	0.000	0.675
CYPL – Adoption Services	0.063	0.038	0.144	0.245
CYPL – School Improvement	0.122	0.351	0.000	0.473
Adults Social Care	3.384	0.000	7.240	10.624
PH – Vaccinations	0.000	0.000	0.021	0.021
Sub Total	**5.474**	**0.389**	**7.405**	**13.268**
Corporate Strategy				
Corporate Strategy Management	0.074	0.000	0.146	0.220
Policy, Performance and Research	0.051	0.000	0.000	0.051
Marketing & Communication	0.121	0.000	0.000	0.121
Sub Total	**0.246**	**0.000**	**0.146**	**0.392**

Service Area/Category	Main Grant £m	Sales, Fees & Charges £m	Other Specific Covid Grant £m	Total Claimed £m
Law & Governance				
Information Governance	0.001	0.051	0.000	0.052
Legal	0.000	0.046	0.000	0.046
Registrars	0.061	0.134	0.000	0.195
Coroner	0.051	0.000	0.000	0.051
Sub Total	**0.113**	**0.231**	**0.000**	**0.344**
Regeneration & Economic Development				
Regeneration	0.055	0.000	0.000	0.055
Sub Total	**0.055**	**0.000**	**0.000**	**0.055**
Resources & Central Items				
ICT	0.145	0.000	0.000	0.145
Human Resources	0.007	0.000	0.000	0.007
Finance	0.094	0.000	0.011	0.105
Revenues, Benefits & Customer Services	0.644	0.000	0.000	0.644
Bad Debts	0.405	0.000	0.000	0.405
Cross Cutting	0.281	0.000	0.000	0.281
GF Recharge From HPC	0.918	0.000	0.000	0.918
Capital	0.485	0.000	0.000	0.485
Sub Total	**2.979**	**0.000**	**0.011**	**2.990**
Grand Total	**13.951**	**5.757**	**8.043**	**27.751**

Service Area/Category	Main Grant £m	Sales, Fees & Charges £m	Other Specific Covid Grant £m	Total Claimed £m
Local Authority Support Grant	(15.636)	0.000	0.000	(15.636)
Sales, Fees & Charges	0.000	(5.757)	0.000	(5.757)
Allocated to specific Covid grants	0.000	0.000	(8.043)	(8.043)
Unallocated to Reserve	**(1.685)**	**0.000**	**0.000**	**(1.685)**

SECTION 6 – SERVICE COMMENTARIES - BUSINESS AS USUAL

6.1 This section outlines the outturn variances resulting from the normal business of the Authority excluding the impacts of Covid-19 which are outlined in Section 5. Meetings have been held throughout the year between Finance officers and budget managers to review the forecast positions for 2020/21, with forecasts being prepared on a prudent basis during the year. Meetings have taken place to review the quarter one, two and three positions with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members to discuss the in-year finance and performance position. Heads of Service and their senior teams also attend these challenge sessions during the year to discuss plans in progress to mitigate any pressures.

6.2 Health, Education, Care & Safeguarding (HECS)

6.2.1 HECS is reporting a draft outturn overspend of £6.403m which is in line with the position reported to Cabinet in January. Improvements across the service of £0.909m were identified in February and March relating to a downward revision to the original estimates for the impact of Covid on children's and adult services and has resulted in less Covid-19 grant being applied to this area. The improvements of £0.909m related mainly to children's services with the largest improvement being within the Integrated Disability and Additional Needs service (£0.394m). There were also improvements in staffing costs within Children's services (£0.189m), reduced legal fees and s17 payments to safeguard or promote the welfare of vulnerable children (£0.109m) and increased grant and health income (£0.147m). Within adult social care the main Covid related improvements since the January forecast position were reduced care fee costs and an improved staffing position but these were partially offset by a worsening in client contributions.

6.2.2 This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in HECS totalling £4.416m. The full £2.616m contingency for Children's Services was required but only £0.756m of the £1.800m set aside for Adults was required. The HECS outturn variance after the application of these contingencies is an overspend of £3.031m.

6.2.3 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. Part of this pressure was supported by £5.110m from the North Tyneside Clinical Commissioning Group (NTCCG). Work has also been ongoing to support social care providers to maintain their vital services. The impact of Covid-19 on HECS is outlined in section 5 with the business as usual budget variances outlined below.

6.2.4 **Table 10: Draft Outturn Variation for HECS at March 2021**

	Budget £m	Outturn March £m	Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change Since Jan £m
Corporate Parenting & Placements	16.426	21.461	5.035	4.942	0.093
RHELAC Service	0.008	(0.005)	(0.013)	0.000	(0.013)
Child Protection, Independent Assurance and Review	0.695	0.724	0.029	0.026	0.003
Early Help & Vulnerable Families	1.676	1.335	(0.341)	(0.216)	(0.125)
Employment & Skills	0.591	0.591	0.000	(0.027)	0.027
Integrated Disability & Additional Needs Service	2.366	3.336	0.970	0.962	0.008
School Improvement	0.207	0.174	(0.033)	(0.040)	0.007
Regional Adoption Agency	0.000	0.000	0.000	0.000	0.000
Children's Services Sub-total	**21.969**	**27.616**	**5.647**	**5.647**	**0.000**
Wellbeing, Governance & Transformation	2.305	2.334	0.029	0.029	0.000
Disability & Mental Health	31.964	31.748	(0.216)	(0.216)	0.000
Wellbeing & Assessment	11.993	13.447	1.454	1.454	0.000
Integrated Services	2.844	2.324	(0.520)	(0.520)	0.000
Business Assurance	0.288	0.297	0.009	0.009	0.000
Adult Services Sub-total	**49.394**	**50.150**	**0.756**	**0.756**	**0.000**
Public Health	0.241	0.241	0.000	0.000	0.000
Total HECS	**71.604**	**78.007**	**6.403**	**6.403**	**0.000**

Main budget pressures across HECS

6.2.5 In addition to its response to the Covid-19 Pandemic described in section 5, HECS has continued, throughout 2020/21 to manage a complex budget and has been 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 which will continue to impact in 2021/22. 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. Work also continues into 2021/22 to ensure that appropriate levels of funding contributions from the NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.

6.2.6 The main factor behind the overall outturn position is the significant overspend 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, there are also overspends in workforce costs arising from staff retention and recruitment issues. Within adult services, overspends remain in relation to third party care provision especially in relation to older people.

<u>Adult Services</u>

6.2.7 In Adult Services, there is a draft outturn overspend of £0.756m which is unchanged from the January budget position. An underlying improvement of £0.143m since the January forecasted has been the result of a downward revision to the original estimates for the impact of Covid on adult services and has resulted in less Covid-19 grant being required.

6.2.8 There have been on-going pressures in third party payments for care provision in 2020/21 which ended the year £3.583m above budget levels. There are also smaller overspends relating to premises costs, £0.149m and supplies and services, £0.064m. These are partially offset by client contributions and contributions from the NHS which are above budgeted levels (£2.255m). There is an underspend against transport budgets of (£0.169m) 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 was held centrally in 2020/21. £0.756m of this contingency was allocated at year end.

6.2.9 Overspends within external payments for care provision total £3.583m above budget. Table 11 below shows external payments for care overspends analysed into service types.

Table 11: Analysis of Adult Services Care Provision Overspend by Service Type

Type of Service	Jan £m	Mar £m
Residential and Nursing Care	2.344	1.748
Homecare and Extra Care	1.595	1.611
Other Community-Based Care	0.089	0.224
Total	**4.028**	**3.583**

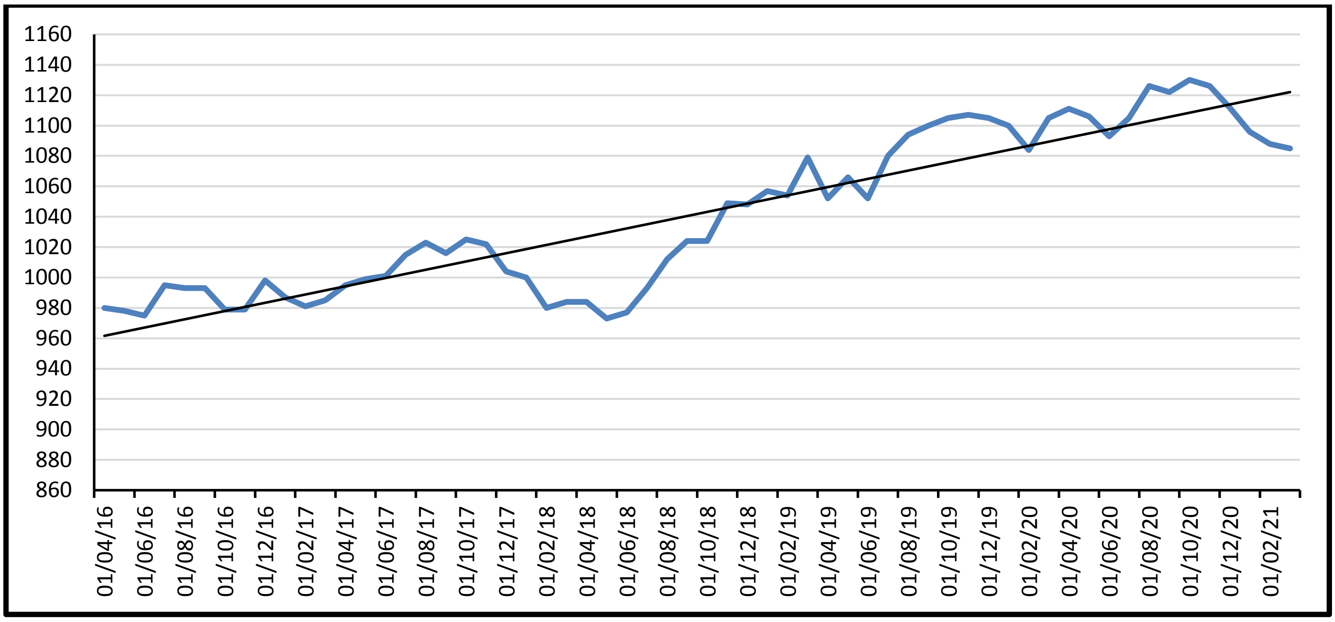
Residential and Nursing Care

6.2.10 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.

6.2.11 Sadly, the initial phase of the Covid-19 pandemic saw a higher number of deaths than would be normally seen and this, combined with a slower rate of new admissions, had a significant impact on the numbers in residential and nursing care. However, numbers increased over the summer to a peak in October 2020 of 1,130. Since October, total numbers in residential and nursing care have been trending downwards to 1,085 at the end of March 2021. This drop is reflected in the reduced variance for residential and nursing care shown in Table 11 above.

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

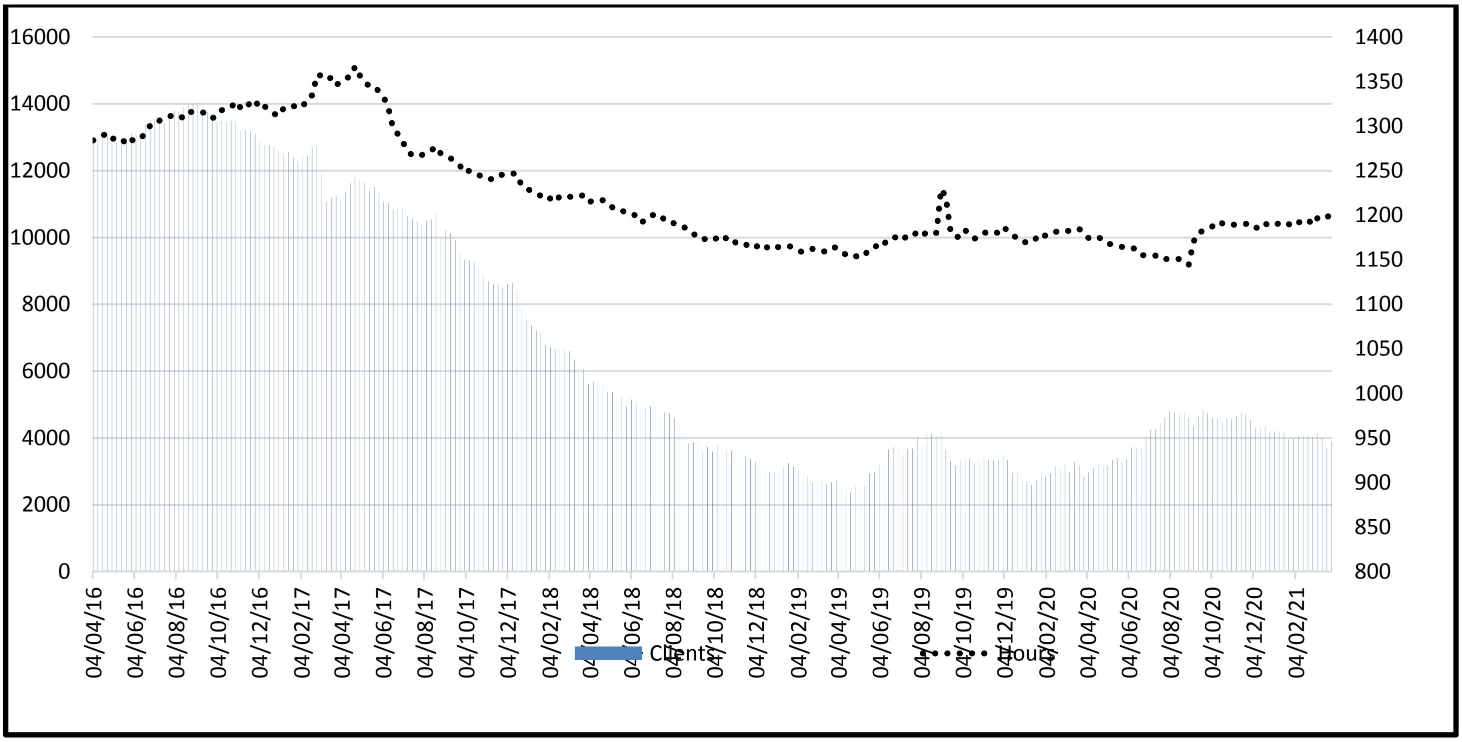
Chart 1: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



<u>Homecare and Extra Care</u>

6.2.13 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 has continued in February and March with a further increase of 516 hours per week. The increase in the overspend for these services has however been mitigated by a total of £0.362m which is due to be reclaimed from providers relating to the average payments made to support providers' cashflow in the early stages of the Pandemic.

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



6.2.15 HECS continues to work hard 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 ensuring that positive changes are retained in future practice.

<u>Client Related Income</u>

6.2.16 There is an under-recovery in NTCCG contributions for shared care of £0.958m 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 clinical commissioning groups. This form of funding has been reducing since 2015/16 and there has been a further reduction in 2020/21 of £0.339m 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 outturn surplus of £0.622m. Contributions from clients and associated income are forecasted to be significantly above budget with a surplus of £1.633m, partially offsetting the pressures within payments for externally provided care. The draft outturn position for client contributions is net of a provision of £0.814m in relation to potential adjustments in 2021/22 following a consultation exercise and Cabinet approval of a revised contributions policy.

Staffing

6.2.17 There is an improved staffing position since the previous report with an underspend of £0.758m (January, underspend of £0.603) 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

6.2.18 There is an overspend of £0.149m 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

6.2.19 In Children's Services the draft outturn variance is in line with the January forecast position of an overspend of £5.647m. This relates mainly to an overspend in placement costs for children of £5.035m in Corporate Parenting and Placements and £0.970m in Integrated Disability and Additional Needs. These overspends are partially offset by underspends in Early Help and Vulnerable Families and School Improvement. The pressures were foreseen by Cabinet and a contingency based budget of £2.616m was created and continues to be held centrally. An improvement in the position was identified in February and March relating to a downward revision to the original estimates for the impact of Covid on children's services and has resulted in less Covid-19 grant being required to cover Covid-19 pressures in HECS. £0.766m less Covid-19 funding has been required. These savings mainly related to respite costs for children with disabilities where placements did not take place as a result of Covid (£0.394m). In addition there has been savings in relation to staffing costs within Children's services (£0.189m), reduced legal fees and s17 payments to safeguard or promote the welfare of vulnerable children (£0.109m) and increased grant and health income (£0.147m).

Corporate Parenting and Placements

6.2.20 The budget variances within Corporate Parenting and Placements can be broken down as follows:

Table 12: Analysis of Overspends in Corporate Parenting and Placements

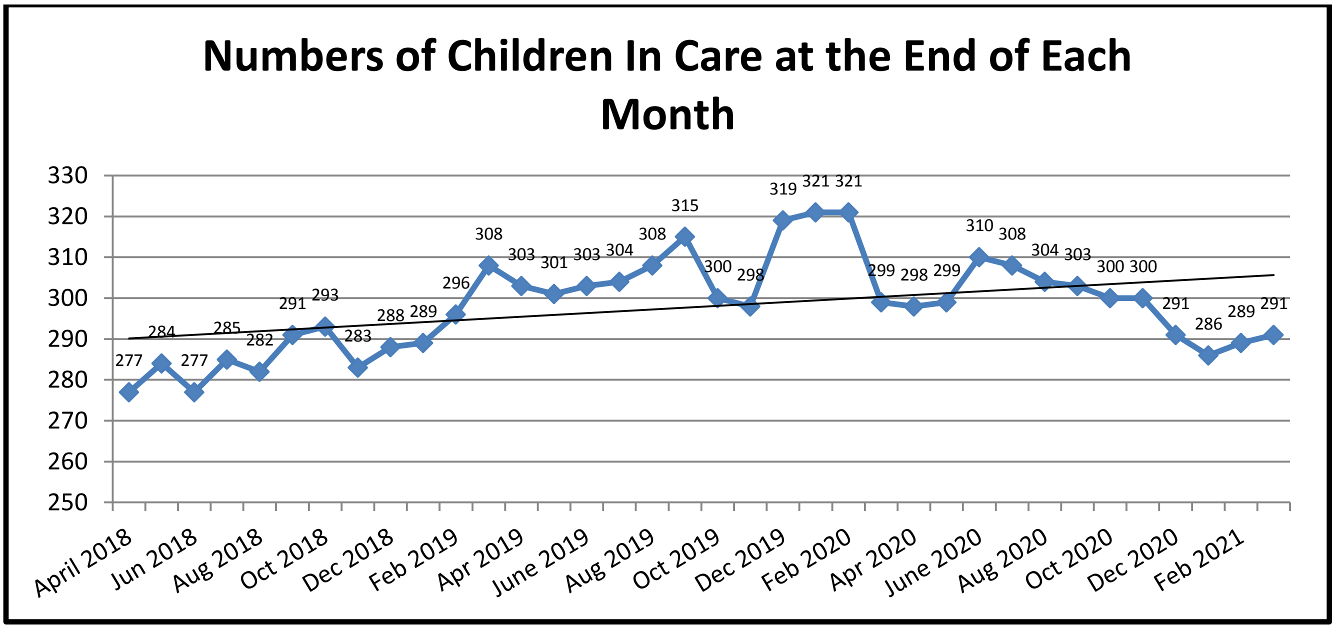
Type of Service	Budget 2020/21 £m	Variance Mar £m	Variance Jan £m	Change Since Jan £m
Care provision – children in care	9.449	2.957	2.901	0.056
Care provision – other children	3.180	0.950	0.891	0.059
Management & Legal Fees	(0.648)	0.571	0.475	0.096
Social Work	4.399	0.553	0.671	(0.118)
Safeguarding Operations	0.046	0.004	0.004	0.000
Total	**16.426**	**5.035**	**4.942**	**0.093**

6.2.21 The number of children in care at the end of January 2021 was 286, a net increase of 5 since the January report. The Authority also continues to incur costs for children not in care through for example, supported accommodation or Special Guardianship arrangements.

Care Provision – Children in Care

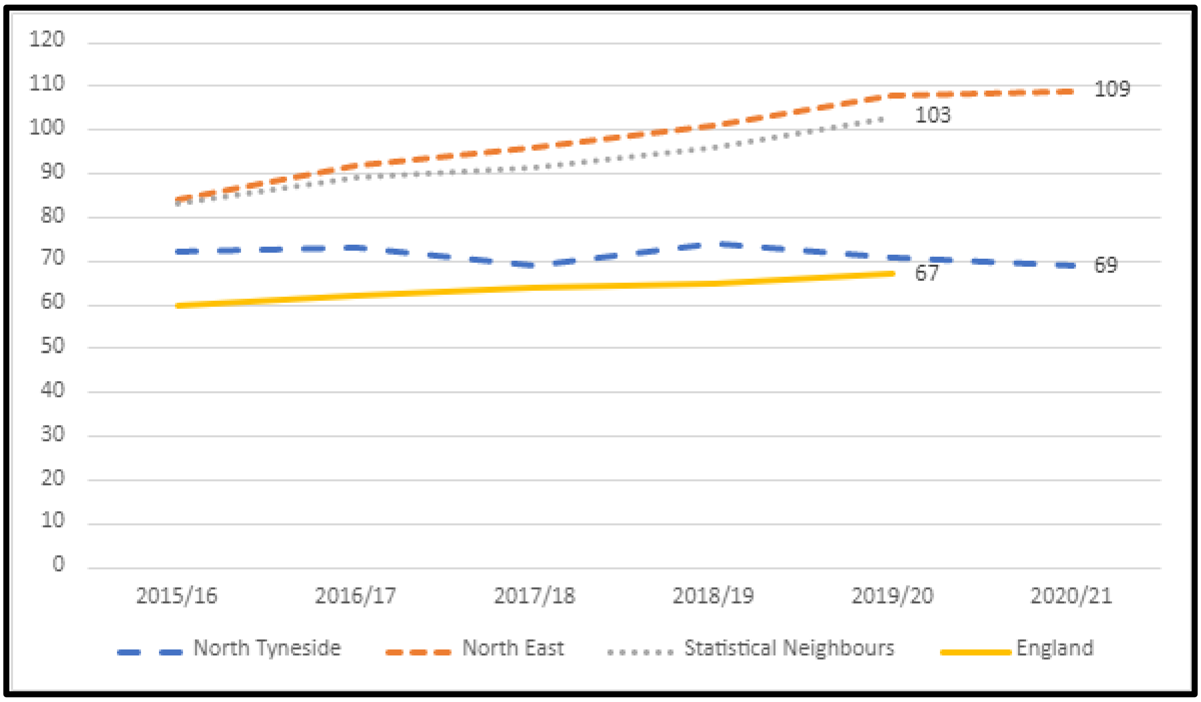
6.2.22 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in government-funded provision. In North Tyneside over the last few years the overall number of children in care has been relatively stable but the overall trend is increasing mirroring the increases being felt nationally.

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



6.2.24 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.

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



6.2.26 The draft outturn overspend for children in care costs is £2.957m which is an increase of £0.056m on the January forecast. The number of bed nights provided was broadly in line with the January forecast at 108,745 which is a 3.4% reduction on the 2019/20 level. 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 13.

6.2.27 Residential placements continue to be costly with a current average annual cost of £0.306m but this 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 costly.

6.2.28 **Table 13: Outturn variance, average placement cost and placement mix**

Placement Type	Mar Var £m	Ave Annual cost £m	2020/21 Actual Bed Nights Mar	2020/21 Forecast Bed Nights Jan	2019/20 Bed Nights	Placement Mix as at Mar	No. of children Mar 21	No. of children Jan 21
External Residential Care	1.043	0.306	8,163	7,907	8,649	8%	25	24
External Fostering	0.051	0.039	12,068	12,060	11,184	11%	29	28
In-House Fostering Service	0.493	0.027	68,812	69,849	76,731	63%	176	181
External Supported Accommodation	1.314	0.159	6,170	6,054	4,349	6%	15	15
Other*	0.056	various	13,532	12,530	11,709	12%	46	38
Total	**2.957**		**108,745**	**108,400**	**112,622**	**100%**	**291**	**286**

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

Care Provision – Children not in care

6.2.29 The overspend of £0.950m (January variance, £0.891m) 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

6.2.30 This area has a draft outturn overspend of £0.571m (January, pressure of £0.475m). Overspends in this area include 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

6.2.31 Within the overall variance of £5.035m for Corporate Parenting and Placements, there are staffing overspends of £0.553m, a reduction from £0.671m in January as a result of leavers not being replaced before March and a reduction in associated non pay costs. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The budget variance resulted from 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 an overspend of £0.050m relating to apprentice posts. As 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)

6.2.32 IDANS is showing an outturn overspend of £0.970m. Reduced expenditure of £0.394m has been transferred to be set against Covid costs as it related mainly to respite provision which was impacted by the Pandemic. Budget overspends 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 (£0.486m). Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to 1884 in March 2021. There are also operational staffing costs in excess of budget within in-house residential services of £0.131m and an associated unachieved health income target of £0.100m. There are also staffing overspends of £0.235m 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 IDANS service is continuing to carefully review planned provision in 2021/22.

6.3 Commissioning and Asset Management

6.3.1 Commissioning and Asset Management (C&AM) has a draft outturn overspend of £0.313m (January, forecasted pressure of £0.298m) as set out in Table 14.

6.3.2 C&AM has also been heavily impacted by the Covid-19 pandemic, particularly in relation to supporting schools and in relation to lost income with details shown in section 5.

6.3.3 **Table 14: Commissioning and Asset Management (C&AM) Outturn Variation**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
School Funding & Statutory Staff Costs	4.838	4.782	(0.056)	(0.059)	0.003
Commissioning Service	0.406	0.348	(0.058)	(0.043)	(0.015)
Facilities & Fair Access	0.594	1.097	0.503	0.504	(0.001)
Community & Voluntary Sector Liaison	0.441	0.389	(0.052)	(0.043)	(0.009)
Strategic Property & Investment	1.746	1.769	0.023	(0.036)	0.059

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000
Property	(0.600)	(0.600)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.161	0.160	(0.001)	0.000	(0.001)
Procurement	0.037	(0.009)	(0.046)	(0.025)	(0.021)
Total C&AM	**7.623**	**7.936**	**0.313**	**0.298**	**0.015**

6.3.4 The main ‘business as usual’ budget issues relate to Facilities and Fair Access which is showing forecast pressures of £0.503m (January, pressure of £0.504m). The overspend position relates to Home to School Transport (£0.699m) offset by underspends predominantly on catering and cleaning (£0.161m). The Home to School Transport position relates to the increase in children with complex needs attending special schools and has increased by £0.224m since January. 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 7.17 to 7.23 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, and these costs have been included within business as usual. Work continues on route rationalisation using the new QRoute system however this will also be impacted by Covid-19 as sharing of transport continues to be limited by infection control measures.

6.3.5 Within Strategic Property and Investment, there is an overspend on the repairs and maintenance budget of £0.164m which is partially offset by underspends against decommissioned buildings and additional income from the Capital Support Team. The increase in the overspend since the January report of £0.059m is due to increases in repairs and maintenance costs in February and March.

6.4 Environment, Housing & Leisure (EHL)

6.4.1 EHL has made a saving of £0.368m against the £43.439m budget, as set out in Table 15 below, which is an improvement of £0.181m from the January forecast.

6.4.2 **Table 15: Outturn Variation in Environment Housing & Leisure to Budget**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
Sport & Leisure	2.975	2.769	(0.206)	0.100	(0.306)
Cultural Services	6.917	7.018	0.101	0.029	0.072
Security & Community Safety	0.322	0.365	0.043	(0.005)	0.048
Fleet Management	0.996	0.965	(0.031)	(0.042)	0.011
Waste and Recycling Disposal	7.587	7.632	0.045	(0.054)	0.099
Waste Management	3.975	3.930	(0.045)	(0.007)	(0.038)
Local Environmental Services	7.479	7.287	(0.192)	(0.123)	(0.069)
Head of Service and Resilience	0.245	0.199	(0.046)	(0.017)	(0.029)
Street Lighting PFI	4.323	4.323	0.000	0.000	0.000
Consumer Protection & Building Control	1.012	1.012	0.000	(0.022)	0.022
Transport and Highways	6.415	6.415	0.000	(0.022)	0.022
Planning	0.257	0.257	0.000	(0.005)	0.005
General Fund Housing	0.936	0.899	(0.037)	(0.019)	(0.018)
Total	**43.439**	**43.071**	**(0.368)**	**(0.187)**	**(0.181)**

6.4.3 The main area of the underlying improvement in the position since January is in relation to £0.200m operational savings in Sport & Leisure.

Sport & Leisure

6.4.4 The service identified savings during the year relating to the reduced staffing and premises costs when operational. These savings result from a reduction in Active North Tyneside activities, reduced use of casual staff and other operational savings.

Cultural Services

6.4.5 Cultural Services is showing an outturn overspend of £0.101m, which includes historical issues due to premises costs, additional costs at St Mary’s lighthouse 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 libraries book spend and other operational areas.

6.4.6 There is no impact to the Authority for losses due to Tyne & Wear Museums as these costs have been met elsewhere.

Security & Community Safety

6.4.7 Security & Community Safety has closed the year with a £0.043m overspend. The service area ended the year with a small overspend on operational costs.

Fleet Services

6.4.8 Fleet Services ended the year with a saving against budget of £0.031m, mainly due to reduced costs in servicing and maintenance costs of a newer fleet. In addition, the service area has benefitted from reduced fuel costs associated with more efficient vehicles.

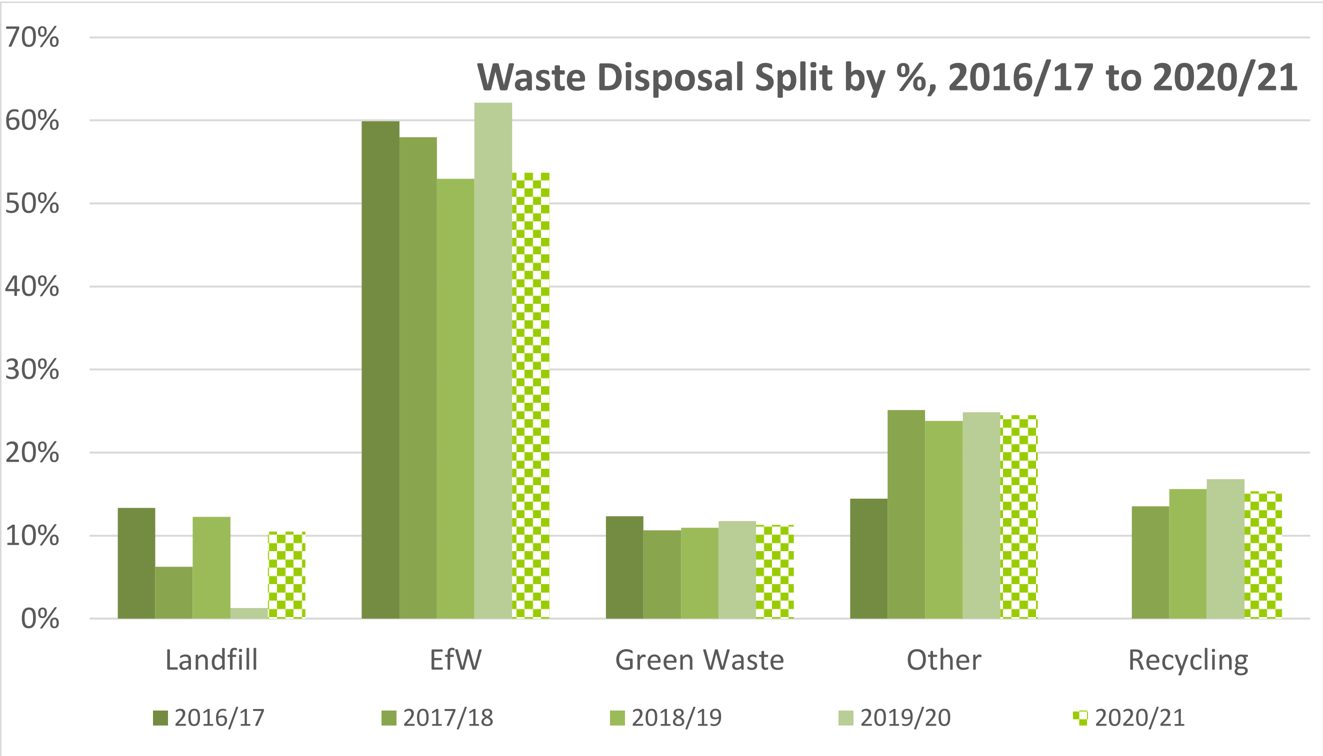
Waste Management including Recycling and Disposal

6.4.9 The Waste Management service has ended 2020/21 with an overall break-even position.

6.4.10 Waste Management is showing a £0.045m saving. As reported in previous Cabinet reports, vacancy savings were identified associated with waste strategy.

6.4.11 Waste and Recycling Disposal has an offsetting overspend due to a changing cost volume profile (see Chart 5 below) reflecting an increased cost across types of disposal. Landfill costs have increased to the detriment of Energy from Waste, largely due to the impact of Covid-19 on the wider waste market, particularly recycling.

6.4.12 **Chart 5: Waste Disposal Volume Comparison 16/17 to 20/21 (at March)**



Local Environmental Services

6.4.13 Local Environmental Services is showing a draft outturn saving of £0.192m. In part this is due to staffing vacancies and increased income in bereavement, with the remaining business as usual savings due to a reduction in capital financing costs charged to revenue for the cremator replacement of £0.050m.

Street Lighting PFI

6.4.14 Following the draw-down of reserves for the street-lighting PFI, the area is balanced.

Technical Services Partnership

6.4.15 These services, including Planning, Transport and Highways, Consumer Protection and Building Control all form part of the Technical Services Partnership. The partnership is reporting a break-even position.

General Fund Housing

6.4.16 This service has reported a final outturn saving of £0.037m, mainly due to reduced costs in Housing Growth and increased recharges for staff time to the HRA.

6.5 Regeneration & Economic Development (R&ED)

6.5.1 R&ED has ended the year with an overspend of £0.128m as shown in Table 16 below, an improvement of £0.042m since January.

6.5.2 **Table 16: Outturn Variation Regeneration and Economic Development**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
Business & Enterprise	0.771	0.576	(0.195)	(0.121)	(0.074)
Regeneration	0.438	0.632	0.194	0.174	0.020
Resources & Performance	0.228	0.357	0.129	0.117	0.012
Total RED	**1.437**	**1.565**	**0.128**	**0.170**	**(0.042)**

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

6.5.4 Whilst the sale of the Swans site just before Christmas improved the budget position moving into 2021/22, a fire on the site just before the sale has had an impact which is reflected in the overspend in Regeneration.

6.5.5 Two new management roles were 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 outturn Resources & Performance position reflects the costs of bringing these posts in. These costs were offset by increased service savings in Business & Enterprise.

6.6 Resources

6.6.1 Overall the Chief Executive Office & Resources is showing an outturn saving of £0.454m, a movement of £0.490m since the January forecast of a £0.036m pressure. This is mainly due the final benefits subsidy claim improving from previous forecasts by £0.417m.

6.6.2 **Table 17: Outturn Variation Chief Executive Office & Resources**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
Chief Executive	(0.078)	(0.215)	(0.137)	(0.091)	(0.046)
ICT	2.796	3.196	0.400	0.014	0.386
Finance	0.013	(0.739)	(0.752)	0.098	(0.850)
HR & Organisational Development	0.237	0.272	0.035	0.015	0.020
Total	**2.968**	**2.514**	**(0.454)**	**0.036**	**(0.490)**

6.6.3 The Chief Executive office is showing a saving against the non-staffing budgets, which increased since January due to reduced spend caused by a change in priorities impacting the planned roll out of corporate programmes in year, whilst the Authority responded to the Covid-19 outbreak.

6.6.4 The increased spend in ICT is due to reporting costs that were previously assumed to be met from reserves. Due to the overall improvement in the Authority's position, the drawdown was no longer required.

6.6.5 The finance position reflects the £0.417m improvement in benefits subsidy plus additional funding secured from NoTCA of £0.200m and an improved position on contract costs that were previously expected to balance. Revenues and Benefits has improved by £0.418m due to the final subsidy claim, adding to existing savings due to improvement in bad debt provision and in overpayments positions.

6.6.6 The overspend within HR relates to staffing costs, including the costs of transferring HR services back to the Authority from its partner organisation, Engie.

6.7 Corporate Strategy

6.7.1 Corporate Strategy has ended the year with an outturn saving of £0.304m as set out in Table 18 below (January, forecast saving of £0.063m). The movement since the January reported position is due to further funding from Covid grants for staff time and increased funding in Performance Policy and Research (e.g. NoTCA funding agreements).

6.7.2 **Table 18: Outturn Variation Corporate Strategy**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
Elected Mayor & Executive Support	0.018	0.007	(0.011)	(0.026)	0.015
Policy Performance and Research	0.295	0.097	(0.198)	0.163	(0.361)
Corporate Strategy Management	0.006	0.107	0.101	(0.004)	0.105
Marketing	0.289	0.156	(0.133)	(0.112)	(0.021)
Children's Participation & Advocacy	0.130	0.067	(0.063)	(0.084)	0.021
Total	**0.738**	**0.434**	**(0.304)**	**(0.063)**	**(0.241)**

6.7.3 The final outturn reflects the services integral role in managing the Covid-19 response for the Authority, with costs being met from additional funding. External income targets, budgeted against the Corporate Strategy Management area, have been met by additional income recharged to the other sections.

6.8 <u>Law & Governance</u>

6.8.1 Law & Governance has ended the year with an overspend of £0.170m compared to the January forecast of £0.220m.

6.8.2 **Table 19: Outturn Variation Law and Governance**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
Customer, Governance and Registration	(0.071)	(0.072)	(0.001)	0.008	(0.009)
Democratic and Electoral Services	(0.044)	0.183	0.227	(0.021)	0.248
Information Governance	0.059	0.161	0.102	(0.063)	0.165
Legal Services	(0.105)	(0.221)	(0.116)	0.210	(0.326)
North Tyneside Coroner	0.294	0.252	(0.042)	0.086	(0.128)
Total	**0.133**	**0.303**	**0.170**	**0.220**	**(0.050)**

6.8.3 The remaining business as usual overspend predominantly relates to staffing within the service as it was forced to incur high costs for locum staff. In addition, costs for the shared Coroner's Service have proven higher than anticipated.

6.9 Central Items

6.9.1 Central Items has ended the financial year with a surplus of £8.388m compared to a forecasted surplus of £6.824m in January, an improvement of £1.564m. The surplus figure of £8.388m contains contingencies supporting the Adults Social Care (£0.756m) and Children's Social Care (£2.616m) position. The main changes impacting the position since January are summarised below.

- Corporate & Democratic Core
  - £0.190m – growth balances not required; and,
  - £0.144m – savings on pensions out of revenue.
- Other Central Items
  - £1.044m – saving on contingency required for Adult Social Care
  - £0.210m – additional savings on external interest charges.

6.9.2 **Table 20: Outturn Variation Central Budgets and Contingencies**

	Budget £m	Outturn March £m	Business as Usual Variance March £m	Business as Usual Variance Jan £m	Business as Usual Change since Jan £m
Corporate & Democratic Core	1.686	1.342	(0.344)	0.010	(0.354)
Other Central Items	11.720	3.676	(8.044)	(6.834)	(1.210)
	13.406	**5.018**	**(8.388)**	**(6.824)**	**(1.564)**

SECTION 7 - SCHOOLS FINANCE

Schools Balances in 2020/21

7.1 Schools have concluded their 2020/21 accounts closure in line with the Local Scheme For Financing Schools and the Authority's revised year-end timetable. Collective school balances in North Tyneside maintained schools increased from a surplus of £0.165m at the start of the year to a closing surplus of £3.721m. This position is significantly better, by £10.476m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £6.755m. The most recent set of monitoring performed with schools during the year and completed in early February 2021 showed an overall forecast deficit balance of £2.900m. The final balance position for schools is reported in the Authority's statutory accounts and is before any commitments are taken into account, which are in a normal year around £4.500m (the full value of commitments for 2020/21 is still to be quantified and won't be known until late July 2021). The reported position across 2020/21 is analysed below in Table 21 by phase:

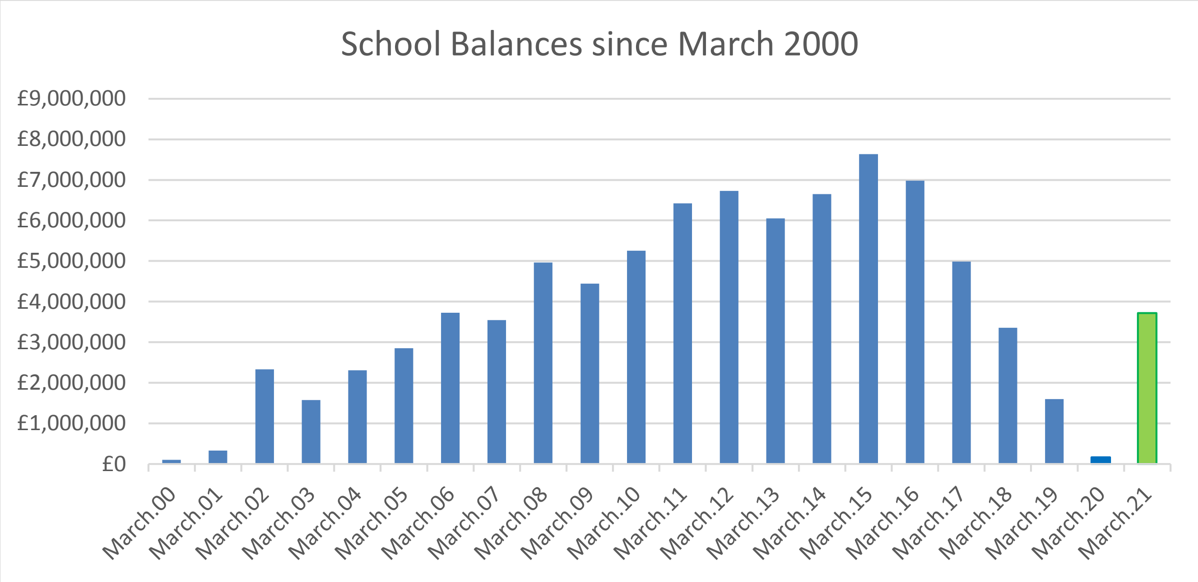
7.2 **Table 21: Total School balance position against plan Surplus/ (Deficit) - committed and uncommitted**

Phase	Outturn 2019/20 £m	Budget Plan 2020/21 £m	Monitoring 1 2020/21 £m	Monitoring 2 2020/21 £m	Provisional Outturn 2020/21 £m	Annual Movement £m
Nursery	0.127	0.053	0.086	0.099	0.124	(0.003)
First	0.746	0.665	0.619	0.910	1.291	0.545
Primary	3.497	2.271	2.693	3.232	6.055	2.558
Middle	0.437	0.276	0.338	0.523	1.013	0.576
Secondary	(5.549)	(9.679)	(9.766)	(8.056)	(5.577)	(0.028)
Special / PRU	0.907	(0.341)	0.353	0.392	0.815	(0.092)
Total	**0.165**	**(6.755)**	**(5.677)**	**(2.900)**	**3.721**	**3.556**

7.3 Cabinet will be aware that, under legislation, schools retain a high degree of autonomy when setting budgets unless they are in a deficit position. Therefore, whilst Elected Members and officers are able to advise schools on the adequacy of balances, they cannot intervene. Schools have been reminded of the need to forecast as accurately as possible so that decisions are taken in the light of accurate budget projections.

7.4 The outturn position for 2020/21 is significantly better than predicted during the year, this is the first year since 2015 of improved balances in North Tyneside. This is partly due to the impact of the Governments imposed lockdowns during the year, but it is also due to being unable to carry out various committed activities that will be slipped into 2021/22 along with the relevant committed funding. Chart 6 below sets out the long-term trend:

7.5 **Chart 6: Long-Term Trend in School Balances within North Tyneside**



Covid-19 Impact

7.6 Schools has been impacted significantly by the Covid-19 outbreak, especially during the various lockdowns in 2020/21. Whilst this has had a strain on their ability to operate effectively, it has had a positive impact on balances, with the costs of dealing with the Covid-19 outbreak being partially met by funding of £1.881m from the Department of Education (DfE) and partially from budget savings due to schools being closed.

7.7 The Authority has recognised that whilst open and carrying out their duties, schools have had to meet the costs of having to contain the spread of Covid-19 from their own balances. As stated above, overall schools have in the main shown improved balances due to being closed for parts of the year, they have had to meet exceptional costs of containing the spread of the Covid-19 outbreak when operating.

7.8 The Authority's Recovery Coordinating Group (RCG) has agreed to provide Containment funding to mitigate the impact on balances for the latter half of 2020/21. Schools will be asked to retrospectively apply for the funding to offset the qualifying costs they have already absorbed.

School Deficits

7.9 Cabinet will recall from the January update that some individual schools expected to face significant financial challenges. During the year, the Authority and Schools Forum paid particular attention to those schools with approved deficits.

7.10 There were twelve schools with identified with potential deficits in 2020/21, though three of these schools then received funding from Schools Forum for schools in financial difficulty and therefore did not require deficit approvals.

7.11 **Table 22: Provisional Outturn – Schools in no longer in deficit**

Schools Out of Deficit 2020/21	Deficit Approval £m	Provisional Outturn £m	Improvement £m
Benton Dene Primary	0.000	0.083	0.083
Holystone Primary	0.000	0.059	0.059
Marden Bridge Middle	0.000	0.096	0.096
Total	**0.000**	**0.238**	**0.238**

7.12 The remaining nine schools, including two classed as structural deficits, were supported with a total approved deficit value of £12.675m. Schools Forum and senior officers worked closely and collaboratively with these schools during the year, with all schools bar one improving their closing position against their budgeted deficit and contributing to an improved outturn of £10.570m, a movement of £2.105m. Three of these schools ended the year in a surplus position. The progress of individual schools is outlined in Table 23 below:

7.13 **Table 23: Provisional Outturn – Schools in deficit**

Deficit School Positions 2020/21	Deficit Approval £m	Provisional Outturn £m	Improvement £m
Forest Hall	(0.014)	0.037	0.051
Greenfields	(0.120)	(0.131)	(0.011)
Ivy Road	(0.300)	(0.165)	0.135
St Mary's (NS)	(0.033)	0.068	0.101
Marden High	(0.468)	0.078	0.546
Norham High	(3.193)	(3.064)	0.129
Longbenton High	(2.610)	(2.334)	0.276
Monkseaton High	(5.164)	(4.815)	0.349
Beaconhill	(0.773)	(0.244)	0.529
Total	**(12.675)**	**(10.570)**	**2.105**

7.14 Cabinet should note that six schools are expected to remain in deficit for 2021/22. In addition to these schools with planned deficits in 2020/21, an additional three schools have warned the Authority that they expect to need to apply for a licenced deficit agreement in 2021/22. Consequently, nine schools are expected to request deficit approval in 2021/22. Initial deficit challenge sessions have taken place during June 2021. Full details of deficit approval applications will be reported to Cabinet Members as part of the first financial management report of 2021/22.

2020/21 Dedicated Schools Grant (DSG) Outturn

7.15 After allowing for school allocations, the 2020/21 DSG account of £149.419m (after removing academy funding) is showing a net deficit balance of £7.932m.

This compares to a deficit of £3.262m in 2019/20. Cabinet will recall that in 2019/20 the DfE issued guidance that any shortfall in dedicated schools grant should not be supported using funds from the General Fund.

7.16 Within the individual blocks of the DSG, the closing balance on the High Needs block is a pressure of £8.720m, which increased by £4.175m in 2020/21 from £4.545m in 2019/20. This is partially offset by an underspend of £0.199m on the Early Years block and an underspend of £0.589m on Centrally Retained and de-delegated items which mainly relates to the headroom, growth funding and falling roles funding. As the DSG is a ringfenced account, any balance is carried forward into the next financial year.

High Needs Block

7.17 Cabinet will recall that the High Needs block outturn in 2019/20 was an overspend of £4.545m. This pressure has continued in 2020/21 in line with national trends. The provisional 2020/21 in-year outturn is £4.175m. Cabinet should note that the High Needs block forms part of the DSG, which is ringfenced and does not form part of the General Fund.

7.18 This overall pressure in the High Needs block is in line with the national and regional picture and results from additional places required in special schools, out of borough placements and in relation to top up payments as outlined in Table 24 below.

7.19 **Table 24: Breakdown of High Needs Pressures at March 2021**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	12.797	2.186	Pressure on places for children with Profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	3.655	1.198	Pressures in mainstream top-ups (including Norham ARP)
Out of Borough	2.515	0.730	Additional costs of the most complex children currently not able to be supported in the Borough
Commissioned services	3.957	0.061	
Subtotal	**22.924**	**4.175**	
2019/20 brought/forward balance		4.545	
Cumulative Outturn		**8.720**	

7.20 The Department for Education guidelines state that Schools Forum can approve a transfer of up to 0.5% of the School Block to support other blocks. Transfers have been made to the High Needs Block from the Schools Block in previous years.

The Authority did not request a transfer for 2020/21 and has not requested one for 2021/22 pending the completion of the High Needs Recovery Plan.

High Needs Recovery Plan

7.21 North Tyneside continues to experience a significant increase in the numbers of children with Special Educational Needs and Disabilities (SEND). Increases since 2018/19 have made the Authority a national outlier in terms of the proportion of Education Health and Care plans maintained and the rate of increase. These plans, in excess of what would be seen to be typical, are placing the services that work with children and young people with additional needs under considerable pressure. All local authorities have a statutory responsibility to keep High Needs provision under review. Officers from the local authority are working with stakeholders to develop a pragmatic four-year recovery plan with a core objective to ensure that all children and young people are enabled to thrive within their local communities. It will continue to involve the Authority working with School's Forum, the Special School Heads Group, Primary Learning Partnership (primary headteachers), Education Improvement Partnership (secondary headteachers), the NTCCG, NHS Foundation Trust Therapeutic Services, the Parent Carer Forum and other stakeholders.

7.22 The new SEND Inclusion strategy has a clear focus on enabling children and young people with additional needs to live a 'gloriously ordinary' life and key to that is maintaining them where they will have most success and the evidence shows that this is accessing resource within their local community.

7.23 Our initial plans to strengthen the graduated approach in mainstream schools, strengthen the gatekeeping around access to High Needs top-up funding and to improve management of demand for out of borough placements by looking at the reasons behind current requests for an external placement have been impacted by the pandemic. Plans are underway to re-launch and more firmly embed the ambition of this work that will aim to increase the depth and breadth of the universal offer for all children and young people who may need support to have success in their local schools. This work will be ongoing in 2021/22.

Early Years Block

7.24 The Early Years block has ended the year with a cumulative surplus of £0.199m. This included a brought forward surplus of £0.435m from 2019/20. The 2019/20 surplus included £0.394m surplus generated on the 3- and 4-year-old funding, which was returned to providers of the 3- and 4-year-old entitlement as was agreed with Schools Forum.

7.25 The Early Years sector has been supported through the various stages of the Covid pandemic by flexing the local funding policy each term. For Summer 2020 settings were funded based on pre-Covid estimates, Autumn 2020 funding based on higher of Autumn 20 or Autumn 19 pupil numbers, with the refund of surplus funds mentioned above also being applied.

7.26 An adjustment to funding takes place each May/June when the DfE reviews initial funding estimates in relation to the numbers of pupils actually taking place compared to the initial funding estimates based on the January pupil census prior to the financial year. The Authority is anticipating a clawback of funding as a result of this review.

SECTION 8 - HOUSING REVENUE ACCOUNT (HRA)

Outturn in 2020/21

8.1 The HRA shows an overspend of £0.213m against the in-year 2020/21 Budget, counter-balanced by a £0.211m improvement in the budgeted brought forward balances, which cumulatively brings the HRA within £0.002m of the budgeted position for 2020/21. The overall position is shown in Table 25 below and shows a position that has improved moderately during the course of the year. The figures include the impact of all identified HRA and in-house construction service-related Covid-19 costs

8.2 **Table 25: Outturn Variance Housing Revenue Account**

	FULL YEAR – 2020/21			Jan 2020 Variance £m
	Full Year Budget £m	Outturn Actual £m	Outturn Variance £m	
INCOME				
Rental Income	(60.024)	(60.121)	(0.097)	(0.810)
Other Rental Income - Shops & Offices etc.	(0.275)	(0.399)	(0.124)	(0.031)
Interest on Balances	(0.050)	(0.062)	(0.012)	0.000
PFI Credits	(7.693)	(7.693)	0.000	0.000
TOTAL INCOME	**(68.042)**	**(68.275)**	**(0.233)**	**(0.841)**
EXPENDITURE				
Capital Charges – Net Effect	13.832	13.555	(0.277)	0.000
HRA Management Costs	10.226	9.325	(0.901)	(0.198)
PFI Contract Costs	9.690	9.995	0.305	0.350
Repairs	12.247	13.721	1.474	0.992
Revenue Support to Capital Programme	10.470	10.924	0.454	0.000
Contribution to Major Repairs Reserve – Depreciation	12.826	12.679	(0.147)	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.340	0.878	(0.462)	0.000
Pension Fund Deficit Funding	0.000	0.000	0.000	0.000
TOTAL EXPENDITURE	**70.631**	**71.077**	**0.446**	**1.144**
NET POSITION 2020/21	**2.589**	**2.802**	**0.213**	**0.303**
BALANCES BROUGHT FORWARD	(7.592)	(7.803)	(0.211)	(0.211)
BALANCES TO CARRY FORWARD	(5.003)	(5.001)	0.002	0.092

Outturn Variance Analysis

8.3 Rental income saw a budget under-recovery of £0.164m due to a significant reduction in final reconciliation figures for general needs dwellings. However, this was offset by Service charge income continuing to perform strongly and coming in

£0.105m better than budget, as did temporary and dispersed income (£0.122m better than budget) although this was also a dip from previous forecasts. Garage rents also came in better than budget as forecast (£0.035m). Income from commercial properties and properties rented to HECS for various client groups came in well above budget (£0.124m), as there was strong focus on ensuring all rental payments were collected in the final quarter of the financial year.

8.4 There are three elements of expenditure in Table 25 that together relate to the HRA's servicing of its' share of the Council's debt portfolio and the capital financing strategy for the HRA Capital Investment Plan, namely:

- Capital Charges – consists of external interest charges on debt (£0.051m over budget), Debt Management Expenses (£0.022m under budget), and the Minimum Revenue Provision (MRP) equivalent set aside to repay debt (£0.306m under budget). Overall, the net position for Capital charges shows as £0.277m under budget.
- Revenue contribution to the funding of Capital outlay – there was an increased call of £0.454m on this element of direct revenue financing of capital spend; and,
- Thirdly there is the annual charge for Depreciation, which has to be transferred to the Major Repairs Reserve (MRR), and can only be used to finance capital spend or repay debt, and there was a reduction of £0.147m against in the sum required in 2020/21 as part of capital financing.

Taking these three elements together it can be seen that the overall impact on the bottom line for the HRA is cost neutral against the budgets provided and is just a reflection of the reconciliation of the final capital financing requirements.

8.5 The budget for management costs has improved significantly over the course of the year, and particularly over the last quarter to result in a £0.901m under-spend against budget, A whole range of factors resulted in a significant swing in outturn figures for management costs, it appears that every element that could have improved did so during the final part of the year, with the main changes being:

- Pension Strain on the Fund - no pension costs this year for staff departures (£0.061m).
- Reduction compared to forecast sheltered utility and other costs (£0.340m).
- Reduced housing strategy recharge (£0.056m); Reduced ICT revenue costs (£0.061m); Reduction in Council Tax Empty Homes charges (£0.048m).
- Increased water rates commission (£0.062m).
- Range of other small reductions across range of cost centres relating to increased vacancy savings etc (£0.075m).

8.6 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. Plans to restore the balance on the reserve over the following seven years were made. 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. This was the main reason for the £0.305m over-spend against this element of the budget.

8.7 The repairs adverse variance of £1.474m relates mainly to the overall impact of Covid-19 on the service. All of the HRA-related elements were gathered within the central repairs pot to maintain a clear focus on the implications and the potential impact on the service. The Housing Property and Construction Service also stepped up to provide a comprehensive procurement, storage, and distribution service for PPE, not just for the HRA but for the whole authority, care homes, and other regional bodies. The overall estimated costs of both of these elements totalled £2.515m. The HRA-related elements totalled £1.598m which had to be funded from existing budgets, and this explains the bulk of the £1.474m overall variance on the HRA repairs budget. All Covid-related costs including PPE which related to non-HRA services, and elements of unrecovered costs incurred by the in-house Construction service relating to General Fund services were recovered from Covid grant funding (£0.917m).

8.8 Rent Arrears have flattened out in the last few months of the year and significantly reduced the call on the in-year Bad Debt Provision (£0.421m); the contingency was not all required (£0.026m), and transitional protection came in slightly under budget (£0.015m). So overall although there were some significant swings across different service areas during the last quarter of the year, the bottom line was within £0.002m of coming in exactly on budget.

Rent Arrears and Bad Debt Provision

8.9 Arrears are made up of two elements:

- Current Tenant Arrears &
- Former Tenant Arrears

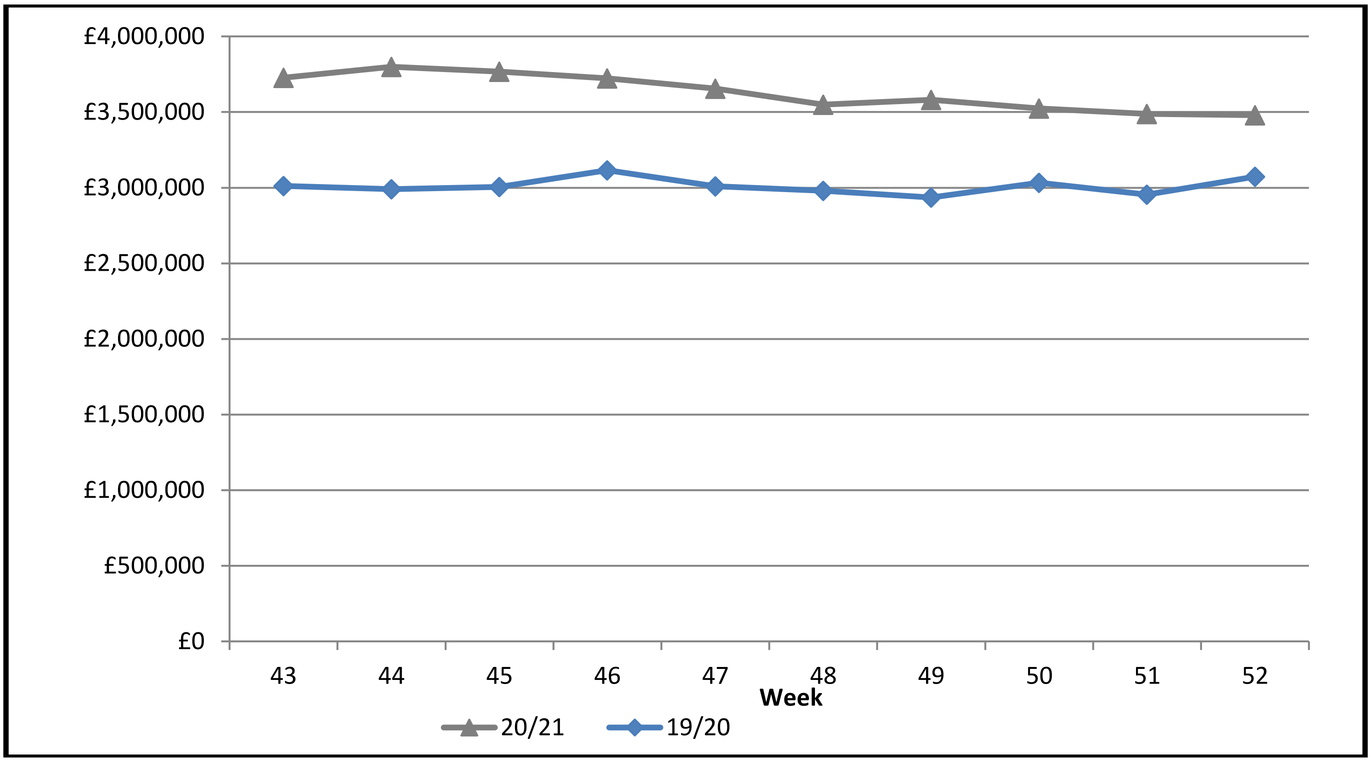
8.10 **Table 26: Rent Arrears**

Date	Current Arrears	Former 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
31/03/2021	3,498,391	2,311,655	5,810,046	510,539

8.11 Arrears have risen significantly over the last two years as illustrated in the table above. 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 2020/21 position has not risen as much as initially expected.

8.12 Chart 7 below shows the value of current rent arrears in 2020/21 compared to the same period in 2019/20. A team is continually working proactively with tenants to minimise arrears.

8.13 **Chart 7: Current Arrears - Feb-Mar 2020/21 compared to 2019/20**



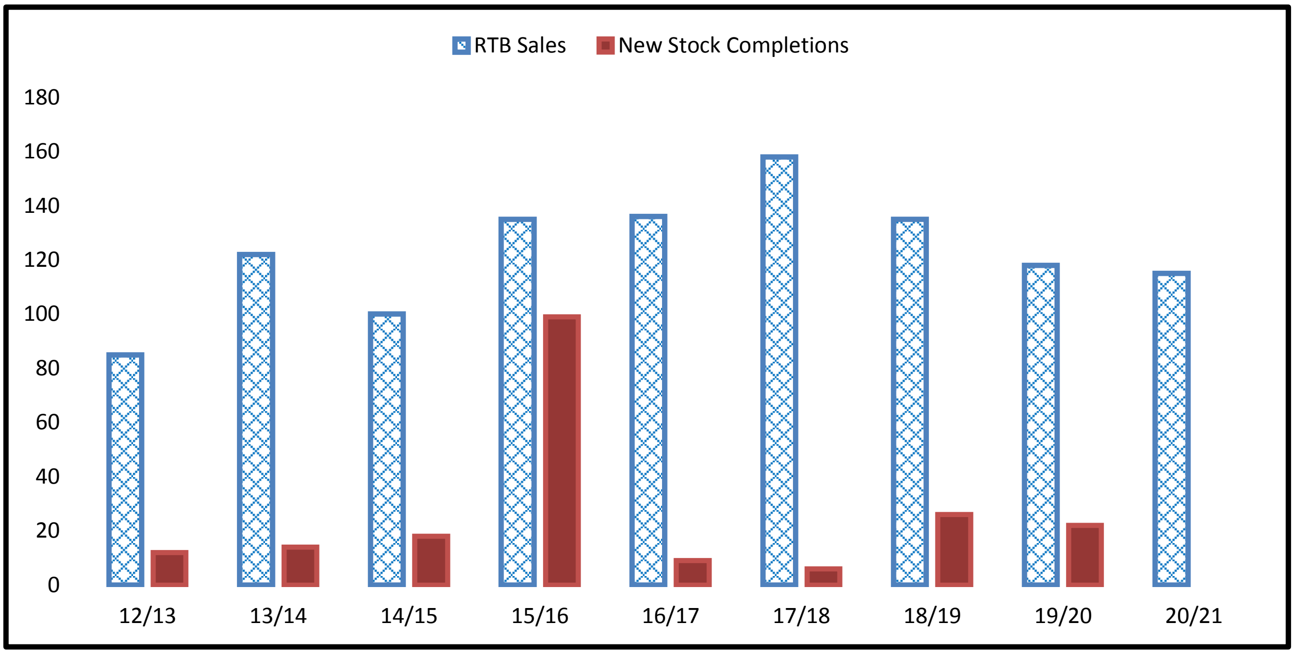
8.14 The main mechanism for helping to manage arrears is the Bad Debt Provision (BDP), which at the start of 2020-21 stood at £4.286m on the HRA Balance Sheet with the budget for the 2020-21 contribution at £0.980m. Because of the slowdown in the rate of increase in the level of arrears, the outturn in-year BDP requirement reduced significantly to £0.559m which was £0.421m under budget for 2020-21.

8.15 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 March 2021, there were 4,698 tenants of North Tyneside Homes on Universal Credit with arrears totalling £2.689m. This is up by 2,124 tenants and £0.479m of arrears from the beginning of the year when there were 2,574 tenants on UC with arrears of £2.210m.

Right to Buy (RTB) Trends

8.16 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less attractive financially to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. Chart 8 below shows the trend in RTB sales since that time which shows that sales during the pandemic in 2020-21 have remained at pre-pandemic trend levels.

8.17 Chart 8: Trend in Right to Buy Sales



SECTION 9 - INVESTMENT PLAN

9.1 The Investment Plan represents the Authority's capital investment programme in projects across all service areas, including General Fund and HRA activities.

9.2 All capital investment follows a structured gateway process, and is challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. Delivery of the Investment Plan year by year, through both physical on-site development and capital spend, is key to the successful attainment of the Authority's objectives.

2020/21 Capital Expenditure

9.3 The initial 2020/21 Investment Plan Budget was £67.307m (£40.445m General Fund and £26.862m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved Plan at the year-end of £61.370m (£39.053m General Fund and £22.317m Housing). Table 27 below summarises these changes:

Table 27: 2020/21 Investment Plan – Summary of changes to Budget

	£m
Investment Plan approved by full Council – 3 February 2020	67.307
Reprogramming from 2019/20	6.751
Reprogramming to 2021/22	(19.642)
Other variations (net)	6.954
Revised Investment Plan	**61.370**

9.4 Actual capital expenditure in 2020/21 totalled £53.830m (£59.080m in 2019/20), comprising General Fund expenditure of £33.468m and £20.362m on Housing Schemes.

9.5 Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority. £13.078m relates to spend on other items, including £1.508m for share capital, £1.125m on loans, £1.141m spent on Disabled Facilities Grants, £2.906m on Trust schools, £2.295m HCA joint venture agreement and £2.725m Nexus (Tanners Bank).

9.6 Table 28 below compares the actual capital expenditure for 2020/21 with the revised Budget for the year, as well as the actual spend for 2019/20 for comparison:

Table 28: Comparison of Capital Expenditure to Revised Budget for 2019/20

Actual Capital Expenditure 2019/20 £m		Revised Capital Budget 2020/21 £m	Actual Capital Expenditure 2020/21 £m	Variation from Budget over / (under) £m
35.911	General Fund	39.053	33.468	(5.585)
23.169	Housing	22.317	20.362	(1.955)
59.080	**Total**	**61.370**	**53.830**	**(7.540)**

9.7 Included within the appendices is further information on the Investment Plan and activities in the year. **Appendix B** shows the final expenditure, and how that expenditure was financed, with **Appendix C** showing a comparison of expenditure against budget for each individual project. The reasons for these variations have been analysed as reprogramming and other variations.

9.8 Across all capital projects, further reprogramming of £10.101m has been identified and it is requested that Cabinet approve the carry forward of this amount into the 2021/22 Investment Plan. A detailed breakdown of this amount is included in **Appendix C**.

9.9 The major achievements delivered as part of the capital investment programme in 2020/21 include:

(a) Completion of projects including.

- Northern Promenade phase 2.
- various works to housing stock (kitchen and bathroom replacements, heating upgrades, roof replacements, replacement windows and doors).
- various projects as part of the Asset Planned Maintenance programme.
- Wallsend Customer First Centre - internal fit out and improvements.
- Centre for Innovation (CFI) phase 2 completed at the former Swan Hunter site.
- strengthening Southern Promenade sea wall.
- improvement works to the school's estate (DDA improvements, roof replacements, heating and electrical improvements, window renewals etc.).
- ongoing programme of transport works including road resurfacing, maintenance of bridges and includes road resurfacing; maintenance of bridges and infrastructure; and road safety, network management and parking schemes.
- fleet replacements including grounds maintenance vehicles, sweepers, vans, and electric vehicles; and,
- ICT refresh.

(b) In addition, there are a number of projects underway including.

- operational depot accommodation;
- Works at Burradon Recreation Ground;
- Streetlighting LED retrofit phase 2;

- building new HRA affordable homes at various locations; and,
- North Tyneside Trading Company building homes for sale.

Further details can be found in the Investment Programme Board end of year report which is included as a background paper to this report.

Capital Financing

9.10 Local authorities can finance capital expenditure from a variety of sources: grants; external contributions; capital receipts; borrowing; and contributions from revenue. This section of the report considers how the Investment Plan has been financed.

9.11 Under the Prudential System for capital financing, the Authority can decide to borrow to fund capital expenditure, known as prudential (or unsupported) borrowing. There are associated revenue costs (interest and Minimum Revenue Provision (MRP)) which must be met from the Authority's own resources, i.e. funded by Council Taxpayers. MRP is a charge included in the Authority's accounts that effectively spreads the cost of capital expenditure over a period that generally equates to the period in which the asset is used. When deciding whether to take out additional borrowing, the Authority must consider whether the Investment Plan is affordable, sustainable, and prudent.

9.12 When determining how to finance the Authority-funded element of the Investment Plan, the Authority's MRP Policy is used to maximise the effectiveness of borrowing in relation to individual schemes in the Investment Plan.

9.13 The total capital expenditure of £53.830m has been financed as shown in table 29 below:

Table 29: 2020/21 Capital Financing

	2020/21 Capital Financing £m
<u>Council Contribution</u>	
Prudential (Unsupported) Borrowing – General Fund	13.146
Capital Receipts -General Fund	2.245
Capital Receipts – HRA	1.132
Direct Revenue Funding - General Fund	1.263
Direct Revenue Funding – HRA	12.128
Major Repairs Allowance	7.102
	37.016
<u>External funding</u>	
Specific Government Grants	13.528
ERDF	0.910
Capital Grants and Contributions	2.376
	16.814
	53.830

9.14 Total Prudential borrowing for the General Fund was £13.146m. During the year £4.598m of General Fund capital receipts were generated, which adding the balance caried forward (£1.773m) gave an available balance of £6.371m. £2.245m have been used to finance expenditure in 2020/21, £1.369m have been used to repay loans, £0.168m used to repay debt, leaving a balance of £2.589m to be carried forward for future years.

9.15 For Housing, capital receipts of £5.637m were received during 2020/21, of which £1.874m were pooled and paid across to central government leaving a balance of £3.763m available for financing. This balance plus the brought forward receipts of £8.312m gave an available balance of £12.075m. Of this £1.132m was used to finance 2020/21 capital spend and £2.681m was set aside to repay debt leaving a balance of £8.262m to be carried forward into 2020/21.

9.16 Table 30 below shows the movement in capital receipts during 2020/21 including receipts received during 2020/21 (identified in paragraphs 9.14 and 9.15 above), receipts brought forward at 1 April 2020, receipts used to finance the 2020/21 Investment Plan, receipts set aside to repay debt and loans, and receipts carried forward at 31 March 2021.

Table 30: Movement in Capital Receipts during 2020/21

	Receipts brought forward 1 April 2020 £m	Net Useable Receipts received £m	Receipts used for financing £m	Receipts set aside for repayment of debt £m	Receipts set aside for repayment of loans £m	Receipts carried forward 31 March 2021 £m
General Fund	1.773	4.598	(2.245)	(0.168)	(1.369)	2.589
Housing	8.312	3.763	(1.132)	(2.681)	0	8.262
Total	**10.085**	**8.361**	**(3.377)**	**(2.849)**	**(1.369)**	**10.851**

9.17 The Authority also used £13.528m of funding from specific Government grants. These grants included:

- £4.460m Education and Schools Capital funding;
- £6.827m Transport and Infrastructure funding; and,
- £1.143m Better Care Fund (including Disabled Facilities Grant).

9.18 Capital Grants and Contributions of £2.376m used in the year included:

- £2.094m Section 106 contributions;
- £0.114m North East Local Enterprise Partnership (NELEP); and,
- £0.081m Public Health England.

9.19 As required, under self-financing for Housing, there is a Major Repairs Allowance calculated and used to finance ongoing works to Council dwellings. This contribution is financed from within the HRA (i.e. it is self-financed) and so appears as part of the Authority's contribution shown in Table 29 above.

9.20 An analysis of the overall capital financing is also shown in **Appendix B**.

International Financial Reporting Standards (IFRS) adjustments to Capital Expenditure in 2020/21

9.21 Under IFRS any expenditure incurred relating to PFI schemes and finance leases is classed as capital expenditure and the resulting assets are added to the Authority's balance sheet.

9.22 During 2020/21 spend of £0.099m was incurred under the street lighting PFI contract.

SECTION 10 – ANNUAL TREASURY MANAGEMENT REVIEW AND PRUDENTIAL INDICATORS

10.1 Regulatory Environment

10.1.1 The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This section of the report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

10.1.2 During 2020/21 the minimum reporting requirements were that the full Council or Cabinet should receive the following reports:

- an annual treasury strategy in advance of the year (Council 20 February 2020);
- a mid-year (minimum) treasury update report (Cabinet 30 November 2020); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

10.1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.

10.1.4 The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports. Reports are reviewed by Lead Member Briefing before they are reported to Cabinet.

Member training on treasury management issues was last taken on 10 December 2019, due to disruptions caused by COVID19 treasury management training has not been undertaken in 2020. It is intended training to be undertaken within 2021.

10.2 Capital Expenditure and Financing

10.2.1 The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

10.2.2 The actual capital expenditure forms one of the required prudential indicators. Table 31 below shows the actual capital expenditure and how this was financed. Further details of this are shown in table 29 in section 9 of this report.

Table 31: Actual Capital Expenditure and its Financing

	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
General Fund	35.911	39.053	33.468
HRA	23.169	22.317	20.362
Total Capital Expenditure	**59.080**	**61.370**	**53.830**
Financed in-year (grants, contributions, and capital receipts)	47.079	44.729	40.684
Unfinanced Capital Expenditure (Prudential borrowing)	12.001	16.641	13.146

10.3 The Authority's Overall Borrowing Need

10.3.1 The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

10.3.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. Table 32 below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

Table 32: Gross Borrowing against the CFR

	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
CFR General Fund	317.191	319.454	310.323
CFR HRA	321.772	315.730	313.049
Total CFR	**638.963**	**635.184**	**623.372**
Gross borrowing position	581.308	572.142	528.206
Under/over funding	57.655	63.042	95.166

10.3.3 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Authority has maintained gross borrowing within its authorised limit.

10.3.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

10.3.5 **Table 33 - Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2020/21 £m
Authorised limit	1,230.000
Maximum gross borrowing position during the year	564.005
Operational boundary	670.000
Average gross borrowing position	548.036
Financing costs as a proportion of General Fund net revenue stream	16.86%
Financing costs as a proportion of HRA net revenue stream	29.84%

10.4 Treasury Position as at 31 March 2021

10.4.1 The Authority’s treasury position (excluding borrowing by PFI and finance leases) at 31 March 2020 and 31 March 2021 is shown in table 34 below:

Table 34: Treasury Position as at 31 March

Borrowing Position	31 March 2021 Principal £m	Rate/Return %	31 March 2020 Principal £m	Rate/Return %
Fixed Rate Funding: -*PWLB long - term	249.250	3.62	250.250	3.81
(HRA-Self Financing)	128.193	3.49	128.193	3.49
-Market **(LOBO's)	20.000	4.35	20.000	4.35
-Temporary	20.000	0.85	68.470	1.09
Total External Debt	**417.443**	3.48	**466.913**	3.35
CFR	**512.609**		**524.568**	
Over (Under) borrowing	**(95.166)**		**(57.655)**	

*Public Works Loan Board **Lender Option Borrower Option

Table 35: The maturity structure of the external debt portfolio was as follows:

	31 March 2021 Actual £m	31 March 2020 Actual £m
Within 12 months	20.000	64.470
12 months and within 24 months	5.000	15.000
24 months and within 5 years	34.000	24.000
5 years and within 10 years	43.475	38.475
10 years and within 20 years	77.200	77.200
20 years and within 30 years	58.575	63.575
30 years and within 40 years	115.000	115.000
40 years and within 50 years	65.193	69.193
Greater than 50 years	0.000	0.000

*note, LOBOs are recorded above on their next call date.

10.5 Investment Portfolio

Table 36: Treasury and Non-Treasury Investments

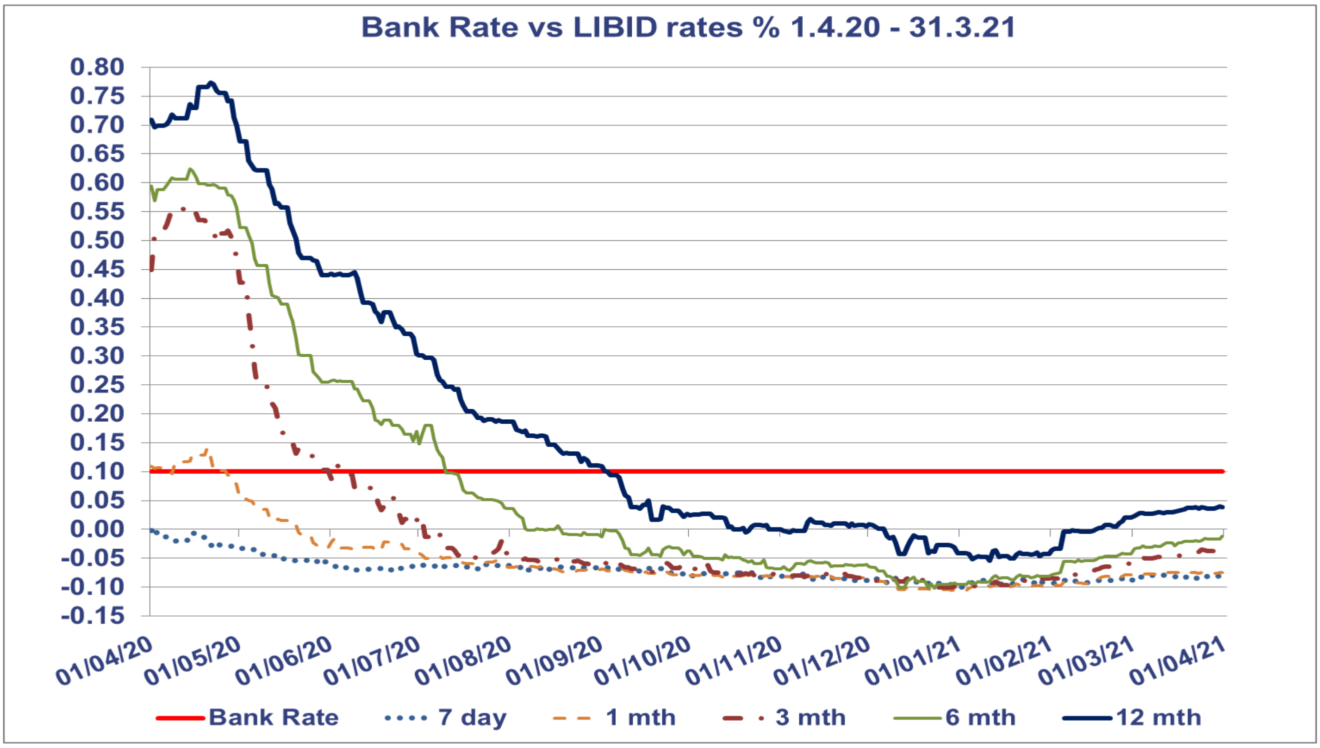
Treasury investments	Actual 31 March 2021 £m	Actual 31 March 2020 £m
DMADF (H M Treasury)	14.000	35.100
Other Local Authorities	27.500	17.000
Deposit Accounts	5.000	
Other Bank Balances	2.089	

Non-Treasury investments	Actual 31 March 2021 £m	Actual 31 March 2020 £m
Joint venture	0	1.322
Companies	4.665	4.000
TOTAL NON-TREASURY INVESTMENTS	**4.665**	**5.322**

10.5.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted

10.5.2 Front loaded grant funding has contributed to strong balances available for investment, however balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Chart 9: Investment strategy and control of interest rate risk



10.6 Borrowing strategy and control of interest rate risk

10.6.1 During 2020/21, the Authority maintained an under-borrowed position, the continued impact of COVID 19 on capital and investment delivery drove reduced capital expenditure. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

10.6.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost, the difference between (higher) borrowing costs and (lower) investment returns.

10.6.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

10.6.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Resources monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp fall in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short-term borrowing would have been considered; and,

- if it had been felt that there was a significant risk of a much sharper rise in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

10.6.5 Interest rate forecast remain cautious and flat. Bank rate forecast to remain unchanged for the next 3 years as at March 2021, with marginal increases in PWLB over the next 3 years also.

Chart 10: Interest Rate View

Link Group Interest Rate View	8.3.21												
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

10.6.6 Gilt yields fell sharply from the start of 2020 and then spiked up during a financial market melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020/21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the new year of 2021, gilt yields, and gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.
At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.

10.6.7 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates.
That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced

to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme.

The new margins over gilt yields are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

10.6.8 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

10.7 Borrowing Outturn for 2020/21

10.7.1 Following the announcement of significant Government support to assist businesses and individuals following Covid-19, the Government provided significant grants which were largely front loaded and to be used to support businesses, individuals, and the Authority in managing Covid-19. Combined with slowed capital investment and expenditure there was no need for the Authority to undertake new long-term borrowing during 2020/21.

10.7.2 General Fund short-term borrowing outstanding at 31 March 2020 was £15.000m. The HRA short-term borrowing balance is £5.000m as at 31 March 2020.

10.7.3 Maturing long-term loans of £1.000m were repaid in 2020/21 as detailed in Table 37 below:

Table 37 - Maturing Long-Term Loans repaid during 2020/21

Principal £m	Interest Rate %	Date Repaid
1.000	8.000	19 October 2020

10.7.4 Short-term savings were achieved during the year by internally financing new capital expenditure by running down existing cash balances.

10.7.5 **Borrowing in advance of need**
The Authority has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.

10.7.6 **Rescheduling**
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

10.7.7 **Summary of debt transactions**
Management of the debt portfolio resulted in £3.078m in interest savings for the General Fund and £0.277m for the HRA.

10.8 Investment Outturn

10.8.1 **Investment Policy** – the Authority's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by full Council on 20 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

10.8.2 The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

10.8.3 **Resources** – the Authority's cash balances comprise revenue and capital resources and cash flow monies. The Authority's core cash resources comprised as follows:

Table 38: Core Cash Balances

Balance Sheet Resources	31 March 2021 £m	31 March 2020 £m
Balances	15.722	14.968
Earmarked reserves	99.716	66.948
Provisions	3.816	4.015
Usable capital receipts	10.851	10.085
Total	**130.105**	**96.016**

10.8.4 **Investments held by the Authority** - The Authority maintained an average balance of £19.851m of internally managed funds invested with the Debt Management Office (DMO). An average balance of £5.000m was deposited in Lloyds Bank on an on-call basis to meet any unforeseen cashflow requirements whilst managing credit exposures. As at 31 March the Authority had £27.500m outstanding with other local authorities. This balance generated a weighted average return for the Authority of 0.131% which is not an insignificant return in a negative and low interest rate environment.

10.8.5 Internally managed funds earned a total investment income was £0.220m compared to a budget of £0.023m.

10.9 A full list of the Prudential and Treasury Indicators is shown in **Appendix D**.