

North Tyneside Council

Report to Cabinet

Date: 15 July 2021

Title: 2020/21 Provisional Finance Outturn Report

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Martin Rankin
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Report from Service Area:

Finance

Responsible Officer:

Janice Gillespie, Director of Resources

Tel: 643 5701

Wards affected:

All

PART 1

1.1 Executive Summary:

- 1.1.1 This report, and the supporting Annex 1 and its Appendices, set out details in respect of the provisional outturn for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2020/21.
- 1.1.2 The 2020/21 financial year was the single most complex for the Authority since its inception in 1974. The operational response to the pandemic required innovation, agility, professionalism and partnership. Handling the financial management was incredibly difficult as Government intervention came at various stages throughout the year and, as reported to Cabinet, meant that at points during the year, the Authority could not say with certainty what the final outturn would be. In addition, significant financial support to residents and businesses passed through the Authority's books and reconciling that work has challenged the sector.
- 1.1.3 However, by the final accounting period, the picture had settled and the impact is clearer. Some of the grant funding from Government will be required against pressures from the pandemic that will still exist in 2021/22 and social care spending, which was very volatile throughout the year, settled into a position where the overspend was less than feared. This led to a position where the Authority is able to make some provision against future liabilities and manage potential risks in 2021/22 which were made explicit in the Mayor and Cabinet's Budget Proposals as agreed by Council.

1.1.4 The purpose of this report is therefore to:

- (a) Advise Cabinet of the provisional 2020/21 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 6, 7 and 8) together with a financial overview of the year and an outlook into 2021/22 with reference to considerations around the potential impact of Covid-19 on medium term financial planning (Annex 1, Section 1);
- (b) Advise Cabinet of decisions made under the Reserves and Balances Policy (Annex 1, Paragraph 1.6, and Appendix A);
- (c) Inform Cabinet of the Authority's Investment Plan spend during 2020/21, and the financing put in place (Annex 1, Section 9);
- (d) Seek Cabinet approval for reprogramming of £10.101m within the Investment Plan (Annex 1, Section 9, Paragraph 9.8 and Appendix C);
- (e) Advise Cabinet of the Council's Treasury Management performance (Annex 1, Section 9); and
- (f) Advise Cabinet of the performance of both Capital and Treasury Management Prudential Indicators (Annex 1 Section 10 and Appendix D).

1.2 Recommendations:

1.2.1 It is recommended that Cabinet:

- (a) Notes the provisional 2020/21 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 6, 7 and 8) together with a financial overview of the year (Annex 1, Section 1);
- (b) Notes the decisions made under the Reserves and Balances Policy (Annex 1, Paragraphs 1.6, and Appendix A);
- (c) Notes the Authority's Investment Plan spend during 2020/21, and the financing put in place (Annex 1, Section 9);
- (d) Approves reprogramming of £10.101m within the Investment Plan (Annex 1, Section 9, Paragraph 9.8 and Appendix C);
- (e) Notes the Council's Treasury Management performance (Annex 1, Section 10); and,
- (f) Notes the performance against the Capital and Treasury prudential indicators (Annex 1 Section 10 and Appendix D).

1.3 Forward Plan

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 28 May 2021.

1.4 Council plan and policy framework.

The budget is part of the Authority's Budget and Policy Framework.

1.5 Information - Executive Summary

- 1.5.1 Annex 1 to this report sets out the provisional outturn for 2020/21 for the General Fund, the Housing Revenue Account, Schools Finances and the Investment Plan. It also provides a summary position on the achievement of the Treasury Management Strategy during the year together with the associated Prudential Indicators for capital and treasury.
- 1.5.2 **Strategic Issues:** 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 a number of grants to support the businesses in the borough and again this has continued into 2021/22.
- 1.5.3 There have been a range of financial interventions introduced by the Government, these are set out in section 5 of the Annex. 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.
- 1.5.4 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.
- 1.5.5 In addition to receiving support for council services, 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 was transferred to reserve and will be paid out during the early stages of 2021/22.
- 1.5.6 £11.811m was allocated to the Authority to support our residents, including financial support for our most vulnerable and also to allow the Authority to put in place measures to allow residents to continue to enjoy our coastline, town centers and the many attractions throughout the borough, when restrictions allowed. £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.

- 1.5.7 £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.
- 1.5.8 **General Fund Revenue Budget:** The budget for 2020/21 was approved by full Council at its meeting of 20 February 2020. The net General Fund revenue budget was set at £161.361m including efficiency savings of £3.622m. The monitoring report up to 31 January 2021 projected a pressure of £0.053m and the final position is an underspend of £2.500m. The surplus has arisen substantially from a reduced call on the contingency budget provision for Adult Social Care, increased interest savings and savings on the Strain on the Fund budget. Consideration has been given to the risks the Council has to manage and the following proposed use of the surplus:
- £1.000m to the Change Reserve as we move into the final third of the current Strategic Partnership contracts and prepare for exit;
 - £0.500m to the Insurance Reserve in recognition of the potential investment required to manage health and safety risks of the council's estate; and,
 - £1.000m to an Education Change Reserve recognising the risk to the authority in respect of Schools in deficit and the support needed to manage the Education offer in the borough.

Following these transfers, the General Fund will outturn on budget.

- 1.5.9 **Housing Revenue Account:** The Housing Revenue Account has year-end balances of £5.001m, which represents a small in-year decrease of £0.213m.
- 1.5.10 **School Finances:** School Balances have increased from £0.165m to £3.721m, these balances include a significant amount of committed funds and the permitted carry forward of grants for the remainder of the academic year.
- 1.5.11 **Investment Plan:** The final capital expenditure for the year was £53.830m, with a recommendation noted above for Cabinet to approve reprogramming of £10.101m into 2021/22.
- 1.5.12 **Treasury Management:** The Authority has acted in line with the agreed strategy that the security of the Authority's resources is of greater importance than returns on investments. The level of investments at 31 March 2021 was £48.589m (£14.000 with HM Treasury, £27.500m with other local authorities, and £7.089m with banks and other deposits). The level of borrowing (excluding PFI) was £417.443m (down from the 2019/20 level of £466.913m) which is well within the capital financing requirement agreed as part of budget setting. This is primarily due to continued level of internal borrowing.
- 1.5.13 **Reserves, Balances and Provisions:** As part of the 2020/21 final accounts, a full review of all provision and reserves has been undertaken to ensure that appropriate consideration has been given to known liabilities, risks and uncertainties that remain in future years, and in particular where conditions associated with Covid-19 grant funding require that unspent monies are carried into future years.

1.6 Decision options:

Option 1

Cabinet can agree the recommendations as set out in Section 1.2 of this report.

Option 2

Cabinet can disagree with all or some of the individual recommendations set out in section 1.2 of the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

It is recommended that Cabinet agree the proposals set out in section 1.2 of this report as it forms part of the 2020/21 Final Accounts process. Reprogramming of the Investment Plan will ensure successful delivery of projects included within the Investment Plan.

1.8 Appendices:

Annex 1	2020/21 Provisional Finance Outturn Report
Appendix A	Reserves & Balances
Appendix B	Investment Plan Financing Summary
Appendix C	Investment Plan Summary of Variations
Appendix D	Prudential & Treasury Indicators

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel 643 5701

Claire Emmerson – Schools and Corporate Finance matters – Tel 643 8109

David Dunford – General Fund and Corporate Finance matters – Tel 643 7027

Darrell Campbell – Housing Revenue Account matters – Tel 643 7052

Cathy Davison – Investment Plan and Corporate Finance matters – Tel 643 5727

Amar Hassan – Treasury Management matters – Tel 643 5747

1.10 Background information:

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

- (a) Revenue Budget 2020/21 (P).
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Revenue%20Control%20Budget%202020-21.pdf>

- (b) Approved Investment Plan 2020-25 (P).
<https://democracy.northtyneside.gov.uk/documents/s2527/8.%20Appendix%20Di%20-%202020-25%20investment%20plan.pdf>
- (c) Council Reserves and Balances Policy (P) – Appendix G
<https://democracy.northtyneside.gov.uk/documents/s2514/14.%20Appendix%20G%20Reserves%20and%20Balances%20Policy%202020-21.pdf>
- (d) Investment Programme Board – End of year report 2020/21 (available at offices of author)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report and Annex 1.

2.2 Legal

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

2.3 Consultation/community engagement

Internal consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Senior Leadership Team and Senior Finance Officers. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 14 September 2021.

Community engagement

The 2020/21 budget was agreed after widespread consultation in line with the Authority's approved Budget Engagement Strategy. Appendix F of the 2020/21 Financial Planning and Budget Process report to Council on 20 February 2020 provides details of the consultation.

2.4 Human rights

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

2.5 Equalities and diversity

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

2.6 Risk management

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

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

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