

# North Tyneside Council

## Report to Cabinet

### 20 September 2021

**Title: 2021/22 Financial Management Report to 31 July 2021**

<b>Portfolios:</b> Elected Mayor Finance and Resources	<b>Cabinet Member:</b> Norma Redfearn Councillor Martin Rankin
<b>Report from Service Area:</b> Resources	<b>Responsible Officer:</b> Janice Gillespie, Director of Resources <b>Tel:</b> 643 5701
<b>Wards affected:</b> All	

#### **PART 1**

##### **1.1 Executive Summary:**

This report is the second monitoring report to Cabinet on the 2021/22 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the latest indication of the potential revenue and capital position of the Authority at 31 March 2022.

- 1.1.1 The 2020/21 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism and partnership. Like all local authorities, North Tyneside Council continues to feel the impact of the on-going Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic is having on the Authority in 2021/22.
- 1.1.2 Significant financial support to residents and businesses passed through the Authority's books in 2020/21 and reconciling that work has challenged the sector. Significant support is still available in 2021/22 too. The Authority currently has grants available of £26.203m to provide direct support for businesses (£12.367m), residents (£9.695m), care homes (£2.744m) and schools (£1.397m); as at the end of July 2021, all grant monies are committed.
- 1.1.3 In addition, the Authority has a further £8.456m of grant funding available to support services, £7.261m of Local Authority Support Grant and an estimate of £1.195m in relation to lost Sales, Fees and Charges. The total impact on services as a result of Covid-19 is forecast to be £18.420m, which leaves a pressure of £5.607m following

allocation of the £8.456m and £4.357m is utilised from the sector specific grants outlined above.

- 1.1.4 Areas of business as usual continue to face financial pressures, forecast as £1.813m at 31 July 2021, in particular across areas of Social Care and demand-led services that have been reported over a number of years. In considering the financial outlook for 2021/22, Services have considered the financial pressures they will face in 2021/22 and how they will mitigate these.
- 1.1.5 This report necessarily reflects these known pressures the Services will be required to manage during the financial year. As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority. It is anticipated that the overall in-year pressures of this nature will be managed by the Services.
- 1.1.6 The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2021/22 Schools budgets, Schools funding and the forecast outturn for the Housing Revenue Account as at 31 July 2021.
- 1.1.7 Finally, the report provides an update on the 2021/22 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan, which are presented to Cabinet for approval.

## **1.2 Recommendations:**

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) as at 31 July 2021 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £2.401m new revenue grants (outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £12.394m to 31 July 2021 and the financing of the Plan to the end of the year (Annex section 8); and
- (d) approves variations of £2.352m (£2.352m for 2021/22) and reprogramming of (£12.832m) for 2021/22 within the 2021-2026 Investment Plan (Annex section 8).

## **1.3 Forward Plan:**

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 3 June 2021.

## **1.4 Authority Plan and Policy Framework:**

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

## **1.5 Information:**

### **1.5.1 Financial Position**

This report is the second monitoring report presented to Members on the Authority's

2021/22 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2022. This report is an interim view and it is expected this will change over the coming months as the response and recovery to Covid-19 continues.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2021/22 approved budget savings plans; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

### 1.5.2 General Fund Revenue Account

The budget for 2021/22 was approved by full Council at its meeting on the 18 February 2021. The net General Fund revenue budget was set at £150.154m. This included £4.337m of savings to be achieved, all of which had been identified in previous years.

The forecast overall pressure is estimated at £7.420m against the approved net budget. This is made up of a forecast pressure of £1.813m on normal activities and £5.607m relating to the impact of Covid-19. The pressure on normal activities in the services is driven mainly by Health, Education, Care and Safeguarding at £7.281m, reflecting the continued pressures in Children's Services, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £5.720m of pressures in Corporate Parenting and Placements, and £1.624m in Integrated Disability & Additional Needs. The drivers for these pressures continue from 2020/21 and arise from:

- Continued growth in demand in Children's Social Care Services;
- Growth in numbers of children with Education and Health Care Plans;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk; and,
- Increases in staffing costs.

It is anticipated that the outturn forecast for normal activities will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

With regards to the impact of Covid-19, the main drivers behind the £18.420m impact on services are also within Health, Education, Care and Safeguarding where £9.600m is for increased costs to the Authority. Significant Covid-19 related pressures also exist in Environment, Housing and Leisure (£5.608m) and in Commissioning & Asset Management (£2.012m).

### 1.5.3 New Revenue Grants

The following revenue grants have been received during June and July 2021:

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2021/22 value £m</b>
Health Education Care and Safeguarding	Department of Health and Social Care	New Burdens Funding – Domestic Abuse Duty	To provide support for the victims of domestic abuse and their children	0.450
Health Education Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	Allows local authorities to monitor the performance of maintained schools and broker school improvement provision	0.117
Health Education Care and Safeguarding	Department for Education	Extension of the role of Virtual School Heads to children with a social worker Grant	To provide support to local authorities to help them meet their duty to appoint a virtual school head for children with a social worker to make advice and support available	0.100
Health Education Care and Safeguarding	Department for Work and Pensions	Flexible Support Fund – Youth Employment Partnerships	To help improve employment outcomes for long term unemployed individuals and group facing barriers to work	0.071
Health Education Care and Safeguarding	Department for Work and Pensions	Reducing Parental Conflict – Workforce Development Programme	To strengthen leadership around parental conflict and fund training for frontline staff to identify and respond to parental conflict	0.022
Health Education Care and Safeguarding	Ministry of Housing, Communities and Local Government	Housing and Whole Family Working pilot	To implement the Housing and Whole Families Working Pilot helping low income families to thrive	0.047

<b>Service</b>	<b>Grant Provider</b>	<b>Grant</b>	<b>Purpose</b>	<b>2021/22 value £m</b>
Health Education Care and Safeguarding	Department for Education	Sector Led Improvement Programme	To enhance local and regional capacity by allowing the highest performing authorities to partner with other LA's in need of support	0.300
Health Education Care and Safeguarding	Youth Custody Service/HM Prison and Probation Services	Remands to youth secure accommodation for children and young people	Transfer of responsibility to LA's for cost of remand to youth detention	0.030
Central Items	Department of Health and Social Care	Covid-19 Infection Control Grant Round 4	To provide support to social care providers with infection control measures	0.735
Central Items	Department of Health and Social Care	Covid-19 Rapid Testing Fund Round 3	To support the rapid testing of staff in care homes and support visiting by professionals and families	0.502
Environment Housing and Leisure	Ministry of Housing, Communities and Local Government	Rough Sleeping Accommodation Programme Funding	To bring on line 5 homes with support for high need rough sleepers	0.021
Environment Housing and Leisure	Department for Transport	Bikeability	Cycling training for children attending compulsory education	0.001
Environment Housing and Leisure	Food Standards Agency	Prioritisation of New Businesses for Inspection	For additional administration support to help triage businesses for initial on-site visits	0.005
<b>Total</b>				<b>2.401</b>

#### 1.5.4 School Funding

There is no further update since the previous Cabinet report on the position as at the end of May 2021. Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2021/22 is £5.132m. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures, which continue to be compounded by rising employment costs. The provisional outturn for the year ended 31 March 2021 showed a surplus of £3.721m, which reversed the trend of deficits over the previous few years. The forecast trend going forwards, however, is increasing deficit balances.

As well as school balances being forecast to reduce overall, some individual schools continue to face significant financial challenges. There are six schools with deficit budget plans for 2021/22, all of which continue to be in deficit following 2019/20.

Cabinet will recall that the High Needs Block ended 2020/21 with a pressure of £8.720m. The initial latest of the budget position for 2021/22 indicates an anticipated in-year pressure of £3.491m reflecting a further rise in demand for special school places.

#### 1.5.5 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2022 of £3.058m, assuming all identified Covid-19 related costs and income shortfalls are covered centrally. These balances are £0.046m higher than budget which was set at £3.012m, due mainly to the impact of the previous year's financial performance, but there is also an in-year estimated underspend of (£0.010m), against an in-year budget of £1.943m.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As at the end of July 2021, 3,484 North Tyneside Homes tenants had moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored during the year to identify any impacts on the budget position.

#### 1.5.6 Investment Plan

The approved 2021-2026 Investment Plan totals £275.789m (£98.593m 2021/22) and is detailed in table 29 of the Annex. The Annex to this report also sets out in Section 8 delivery progress to date, planned delivery for 2021/22, reprogramming and other variations identified through the Investment Programme Governance process.

An officer led review of the Investment Plan has resulted in proposals for variations of £2.352m and reprogramming of £12.832m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £88.113m for 2021/22 and to the end of July 2021 spend of £12.394m had been incurred which represents 14.07% of the revised plan.

#### 1.5.7 Performance against Council Plan

The 2021-2025 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Council Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

### **Our People will:**

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

### **Our Places will:**

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

### **Our Economy will:**

- Benefit, along with our people and places, from our ambitious vision which we created with partners in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

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

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

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

Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Data for LAC levels suggest that, whilst fluctuating, there is a general trend of a steady increase in numbers (as per Section 5.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

## **1.6 Decision Options:**

The following decision options are available for consideration by Cabinet:

### Option 1

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

### Options 2

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

## **1.7 Reasons for Recommended Option:**

Option 1 is recommended for the following reasons:

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

## **1.8 Appendices:**

Annex : Financial Management Report to 31 May 2021  
Appendix 1: 2021 – 2026 Investment Plan

## **1.9 Contact Officers:**

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701  
Claire Emmerson – Corporate Finance and Schools matters – Tel. (0191) 643 8109  
David Dunford – Corporate Finance and General Fund matters – Tel. (0191) 643 7027  
Cathy Davison – Investment Plan matters - Tel. (0191) 643 5727  
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

## **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 2021/22  
[https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Revenue%20Budget%202021\\_22.pdf](https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Revenue%20Budget%202021_22.pdf)
- (b) Investment Plan 2021-26  
<https://democracy.northtyneside.gov.uk/documents/s5460/Appendix%20D%20i%20-%202021-2026%20Investment%20plan%20-%20FINAL.pdf> (Agenda reports pack - Appendix D(i))
- (c) Reserves and Balances Policy  
<https://democracy.northtyneside.gov.uk/documents/s5467/Appendix%20G%20Reserves%20and%20Balances%20Policy%202021-22.pdf> (Agenda reports pack - Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report  
<https://democracy.northtyneside.gov.uk/documents/s5469/Appendix%20I%20-%20202122%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20Development%20Committee%20Jan%202021.pdf>

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and Other Resources**

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 16 November 2021.

### **2.2 Legal**

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

### **2.3 Consultation/Community Engagement**

#### **2.3.1 Internal Consultation**

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

#### **2.3.2 External Consultation / Engagement**

The 2021/22 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

## 2.4 Human Rights

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

## 2.5 Equalities and Diversity

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

## 2.6 Risk Management

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

## 2.7 Crime and Disorder

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

## 2.8 Environment and Sustainability

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

## PART 3 - SIGN OFF

- Chief Executive
- Director of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Assistant Chief Executive