

# North Tyneside Council

## Report to Cabinet

### 29 November 2021

**Title: 2021/22 Financial Management Report to 30 September 2021**

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<b>Portfolios:</b> Elected Mayor Finance and Resources	<b>Cabinet Member:</b> Norma Redfearn Councillor Martin Rankin
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**Report from:** Finance

**Responsible Officer:** Janice Gillespie, Director of Resources **Tel: 643 5701**

**Wards affected:** All

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#### **PART 1**

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

This report is the third 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 for 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 The projected outturn position, as at 30 September, is estimated at £5.962m against the approved net budget. This is made up of a forecast pressure of £1.801m on normal activities and £4.161m relating to the impact of Covid-19. The business-as-usual position is comparable with this stage of previous financial years, but the financial impact of Covid-19 is still having a significant bearing on the overall pressure faced by the Authority.
- 1.1.3 Significant financial support to residents and businesses passed through the Authority's books in 2020/21 and reconciling that work has challenged the sector. A large sum of financial support has been made available during 2021/22. The Authority has had £39.211m of grants funding available in 2021/22, to provide direct support for

businesses (£22.171m), residents (£10.527m), care homes (£3.981m) and schools (£2.532m); as at the end of September 2021, £18,743m has been allocated with the remaining balance fully committed.

- 1.1.4 In addition, the Authority has a further £8.596m of grant funding available to support services, £7.261m of Local Authority Support Grant and an estimate of £1.335m in relation to lost Sales, Fees and Charges income for April 2021 to June 2021. The total financial impact on services as a result of Covid-19 is forecast to be additional pressures of £17.274m, which leaves a net pressure of £4.161m following allocation of the £8.596m and £4.517m utilised from the sector specific grants outlined above.
- 1.1.5 The impact of the Covid-19 pandemic on the Authority's finances has been significant, as demonstrated in this projected position, creating a great deal of risk and uncertainty to manage. The Authority is managing these risks while trying to ensure the priorities set out by the Mayor and Cabinet are achieved. As the Authority transitions from its Covid-19 recovery phase to a business-as-usual state, focus is now on building a better North Tyneside. The Mayor and Cabinet are aware that the pandemic has been tough for people and as such are trying to protect those who are struggling the most. This report provides an update on the work that has taken place since the pandemic began to support our residents and also highlights the key work that will take place in the future to ensure our residents stay safe as we learn to live alongside the virus.
- 1.1.6 Section 11 of the annex documents how funding from Government, combined with an allocation of resources from the Authority, have enabled £13.305m to be allocated towards supporting residents in the borough. From the beginning of the pandemic to date, £8.952m of this allocation has been used, supporting our most vulnerable residents when they were required to shield, supporting residents when they were required to self-isolate and supporting young people in the borough with free schools meals during the school holidays. We were also able to remove the council tax liability from our most vulnerable residents.
- 1.1.7 The remaining £4.353m is committed to be spent on such activities as continuing to supply free school meals during the school holidays, support for the Bread-and-Butter programme and continuing to support the Community and Voluntary Sector through the distribution of support for food, fuel and essential items. The Authority is also exploring a range of projects it can support using the Household Support Grant, including support for the Welfare Provision team, support for care leavers, support for housing costs, support to reduce fuel poverty and support for clothing and school uniforms.
- 1.1.8 Areas of business as usual continue to face financial pressures in particular across areas of Social Care and demand-led services that have been reported over a number of years. These pressures are currently forecast at £1.801m as at 30 September 2021.
- 1.1.9 This report necessarily reflects these known pressures the Authority 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.
- 1.1.10 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 30 September 2021.

1.1.11 The report also 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.

1.1.12 The report provides an update on the 2021/22 Treasury Management and Cash Position and, as an Appendix, the mid-year review of the Treasury Management Strategy Statement and Annual Investment Strategy. Also included is a performance report on the Collection Fund.

## **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 30 September 2021 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £1.927m new revenue grants (outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £20.795m to 30 September 2021 and the financing of the Plan to the end of the year (Annex section 8); and
- (d) approves variations of £10.470m (£6.155m for 2021/22) and reprogramming of (£0.637m) 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 23 July 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 third 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 recovery from 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 £5.962m against the approved net budget. This is made up of a forecast pressure of £1.801m on normal activities and £4.161m 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 £6.972m, 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 £5.442m of pressures in Corporate Parenting and Placements, and £1.628m 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 £17.274m impact on services are also within Health, Education, Care and Safeguarding where £9.763m is for increased costs to the Authority. Significant Covid-19 related pressures also exist in Environment, Housing and Leisure (£4.220m) and in Commissioning & Asset Management (£2.441m).

### 1.5.3 New Revenue Grants

The following revenue grants have been received during August and September 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	Education and Skills Funding Agency	Key Stage 2 Moderation and Key Stage 1 Phonics	To provide support for statutory duties for teacher assessment and monitoring	0.011
Health Education Care and Safeguarding	Education and Skills Funding Agency	Covid-19 mass testing for schools and colleges	To support mass testing in schools and colleges	0.308
Commissioning and Asset Management	European Social Fund (via Department for Work and Pensions)	Step to Employment	To support residents aged 29 and over along a journey into employment or self-employment	0.092
Central Items	Department of Health and Social Care	Infection Control and Testing Fund Round 3	To support care providers with Covid-19 infection control measures, to support rapid testing of staff and visitors and to support roll out of flu vaccinations to care staff	1.516
<b>Total</b>				<b>1.927</b>

### 1.5.4 School Funding

There is no further update since the previous Cabinet report on the position as at the end of July 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 latest forecast of the budget position for 2021/22 indicates an anticipated in-year pressure of £3.673m 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 £3.429m, assuming all identified Covid-19 related costs and income shortfalls are covered centrally. These balances are £0.417m 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 (£0.381m), 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 September 2021, 3,306 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 £285.371m (£90.391m 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.

The monthly monitoring of the Investment Plan has resulted in proposals for variations of £10.470m and reprogramming of £0.637m of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £93.631m for 2021/22 and to the end of September 2021 spend of £20.715m had been incurred which represents 22.12% 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, "Building A Better North Tyneside", has five key themes – a **thriving** North Tyneside, a **secure** North Tyneside, a **family-friendly** North Tyneside, a **caring** North Tyneside, and a **green** North Tyneside. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

##### A **caring** North Tyneside

- We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents

- We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the borough
- We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job
- We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;
- We will continue to be the destination of choice for visitors through the promotion of North Tyneside’s award-winning parks, beaches, festivals and seasonal activities We will reduce the number of derelict properties across the borough
- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

#### A **secure** North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour
- We will continue to invest £2m per year in fixing our roads and pavements
- We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside
- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty
- We will provide 5,000 affordable homes

#### A **family-friendly** North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic
- We will provide outstanding children’s services, events and facilities so North Tyneside is a great place for family life
- We will ensure all children are ready for school including through poverty proofing the school day – giving our kids the best start in life

#### A **caring** North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic
- We will work with the care provision sector to improve the working conditions of care workers;
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless
- We will support local community groups and the essential work they do
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making

#### A **green** North Tyneside

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes
- Council environmental hit squads will crack down on littering
- We will secure funding to help low income households to install low-carbon heating

- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

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 30 September 2021  
Appendix 1: 2021 – 2026 Investment Plan

Appendix 2: 2021/22 Prudential Indicators  
Appendix 3: Treasury Management mid-year Review

## 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 8 February 2022.

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