

# North Tyneside Council

## Report to Cabinet

### 24 January 2022

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

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

**Responsible Officer:** Janice Gillespie, Director of Resources **Tel: 0191 643 5701**

**Wards affected:** All

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## **PART 1**

### **1.1 Executive Summary:**

This report is the fourth 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 As reported previously, the Authority continues to feel the impact of the on-going Covid-19 pandemic and as such this report includes consideration of the potential financial impact that the pandemic has had, and will continue to have, on the Authority during the 2021/22 financial year.
- 1.1.2 The projected outturn position, as at 30 November, is estimated at £5.247m against the approved net budget. This is made up of a forecast pressure of £1.306m on normal activities and £3.941m relating to the impact of Covid-19. The business-as-usual position is comparable with this stage of previous financial years and it is anticipated that the overall in-year pressures of this nature will be managed by the Services. The financial impact of Covid-19, although a small improvement on previous months, is still having a significant bearing on the overall pressure faced by the Authority. The situation may well worsen again, due to the recent emergence of the new Omicron variant of Covid-19 and the impact that is already beginning to have nationally.
- 1.1.3 The Authority has had £40.417m of grants funding available in 2021/22 to support residents, businesses, schools and care homes and as at the end of November 2021,

£20.796m has been allocated with the remaining balance fully committed. 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 £19.318m, which leaves a net pressure of £3.941m following allocation of the £8.596m and £6.781m utilised from the sector specific grants outlined above.

- 1.1.4 The previous report outlined how the Authority is managing financial risks while trying to ensure the priorities set out by the Mayor and Cabinet are achieved. Section 10 of this report provides a further update on the work that has taken place since the pandemic began to support residents and also highlights the key work that will take place in the future to ensure residents stay safe as the country learns to live alongside the virus.
- 1.1.5 The Authority is also exploring a range of projects it can support using the Household Support Grant (£1.610m), 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.
- 1.1.6 The report includes details of any additional grants received by the Authority since the previous Budget Monitoring report to 30 September 2021. The report advises Cabinet of the position so far on the 2021/22 Schools budgets, School's funding and the forecast outturn for the Housing Revenue Account as at 30 November 2021. 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.

## **1.2 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 November 2021 (Annex sections 1, 5, 6 and 7);
- (b) approves the receipt of £4.805m new revenue grants (outlined in Annex section 3);
- (c) notes the Authority's Investment Plan spend of £31.772m to 30 November 2021 and the financing of the Plan to the end of the year (Annex section 8); and
- (d) approves variations of £4.028m (£0.031m for 2021/22) and reprogramming of (£6.134m) 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 1 October 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 fourth 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 £4.537m of savings to be achieved, all of which had been identified in previous years.

The forecast overall pressure is estimated at £5.247m against the approved net budget. This is made up of a forecast pressure of £1.306m on normal activities and £3.941m 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 £7.284m, 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 £5.097m of pressures in Corporate Parenting and Placements, and £1.564m 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 £19.318m impact on services are also within Health, Education, Care and Safeguarding where £12.037m is for increased costs to the Authority. Significant Covid-19 related pressures also exist in Environment, Housing and Leisure (£3.850m) and in Commissioning & Asset Management (£2.528m).

### 1.5.3 New Revenue Grants

The following revenue grants have been received during October and November 2021:

| <b>Service</b>                         | <b>Grant Provider</b>                | <b>Grant</b>                                      | <b>Purpose</b>   | <b>2021/22 value<br/>£m</b> |
|--|--------------------------------------|---|--|-----------------------------|
| Resources                              | Department for Work and Pensions     | Household Support Grant                           | To support households in need with their essential living costs                                  | 1.610                       |
| Commissioning and Asset Management     | Education and Skills Funding Agency  | Teachers Pay Grant                                | Funding for schools to support the teachers' pay award   | 0.156                       |
| Commissioning and Asset Management     | Education and Skills Funding Agency  | Teachers Pensions Employer Contribution Grant     | Funding for schools to support increase in employer contributions to the pension scheme          | 0.441                       |
| Commissioning and Asset Management     | Education and Skills Funding Agency  | School Improvement Monitoring and Brokering Grant | Funding to support local authorities to monitor school performance and broker school improvement | 0.255                       |
| Commissioning and Asset Management     | Education and Skills Funding Agency  | Primary PE and Sport Premium                      | Funding passported to schools to improve PE and to support healthy lifestyles                    | 0.615                       |
| Commissioning and Asset Management     | Education and Skills Funding Agency  | Summer Schools                                    | To support the provision of summer schools   | 0.108                       |
| Health Education Care and Safeguarding | Department of Health and Social Care | Workforce Recruitment and Retention               | To provide support for addressing workforce recruitment and retention in social care             | 0.698                       |
| Health Education Care and Safeguarding | UNITAS                               | Autumn Arts College                               | To support the provision of an Autumn Arts College in North Tyneside                             | 0.010                       |
| Health Education Care and Safeguarding | Youth Justice Board                  | Youth Justice Good Practice Grant                 | To support reduction in youth offending  | 0.004                       |

| Service                            | Grant Provider  | Grant  | Purpose  | 2021/22 value £m |
|------------------------------------|---|--|--|------------------|
| Central Items                      | Department for Education                                    | Covid-19 mass testing for schools and colleges                   | To support mass testing in schools and colleges (Aug and Sept)                           | 0.098            |
| Central Items                      | Department for Education                                    | Covid-19 Recovery Fund   | To support Covid recovery  | 0.412            |
| Central Items                      | Department for Education                                    | Covid-19 Recovery Fund (Mockingbird element – Fostering Network) | To provide support to foster carers  | 0.054            |
| Environment Housing and Leisure    | North of Tyne Combined Authority                            | North East LEP Energy Accelerator                                | To carry out a Killingworth District Energy Scheme feasibility study                     | 0.075            |
| Environment Housing and Leisure    | North of Tyne Combined Authority                            | The Morph Trail  | Event funding  | 0.048            |
| Environment Housing and Leisure    | North of Tyne Combined Authority                            | The North Sea Weekender  | Event funding  | 0.036            |
| Environment Housing and Leisure    | Department for Food and Rural Affairs                       | Port Health Transition Fund                                      | Support Port Health costs  | 0.086            |
| Environment Housing and Leisure    | Department for Levelling Up, Housing and Communities        | Support for Vulnerable Renters                                   | Support for prevention of eviction and extended notice periods                           | 0.078            |
| 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 | 0.021            |
| <b>Total</b>                       |   |  |  | <b>4.805</b>     |

#### 1.5.4 Schools Funding

The Annex provides an update on the latest position in respect of Schools Funding. Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2021/22 is £3.902m. 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.

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 £8.880m. The latest forecast of the budget position for 2021/22 indicates an anticipated in-year pressure of £3.763m 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 £3.426m, assuming all identified Covid-19 related costs and income shortfalls are covered centrally. These balances are £0.414m 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 (£0.378m), 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 November 2021, 3,716 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 £292.639m (£90.719m 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 £4.028m and reprogramming of (£6.134m) of which more details are set out in Section 8 of the Annex to this report. The revised Investment Plan stands at £87.528m for 2021/22 and to the end of November 2021 spend of £31.772m had been incurred which represents 36.30% 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 as set out below;

- A caring North Tyneside;
- A secure North Tyneside;
- A family-friendly North Tyneside;
- A caring North Tyneside; and,
- A green North Tyneside.

For each theme there is a set of policy outcomes which the Authority is seeking to deliver; these are detailed in the Council Plan itself. The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored.

With regards to financial performance against the plan, 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 November 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 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
- Director of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Assistant Chief Executive