2021/22 Provisional Finance Outturn Report Annex 1

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Section 1 – EXECUTIVE SUMMARY

1.1. Summary

1.1.1. The Authority's audited Statement of Accounts (the Accounts) for 2021/22 will be presented to the Audit Committee for approval in July 2022. This will be later than in previous financial years as a result of the Covid-19 pandemic. 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 from the Covid-19 pandemic. Despite these challenges the proactive management of the General Fund Budget throughout the year has led to a marginal overspend of business as usual activities of £0.078m.

1.1.4. As part of a review undertaken of the Authority's Minimum Revenue Provision (MRP), a change to the methodology used to calculate the MRP resulted in a reduced MRP charge being made in 2021/22 by moving from a straight line method to the annuity approach for unsupported borrowing. This change resulted in a lower charge of MRP being made than the Authority had budgeted for in 2021/22. This has added a further surplus of £5.893m to the General Fund outturn position. The balance of £5.893m is proposed to be transferred to a new MRP earmarked reserve. Further details of this are in Section 9 of this Annex.

1.1.5. It is proposed to deal with the £0.078m overspend via a drawdown from the Strategic Reserve. After the final transfers, the General Fund Revenue Account shows spend on Budget for 2021/22, with a reduced closing balance on the Strategic Reserve of £14.426m and unchanged General Fund balances of £7.000m. Retaining these levels of balances is important for managing the financial resilience of the Authority through 2022/23 and beyond. Throughout 2022/23, officers will be working with Cabinet to review what further support can be offered to support residents impacted by the current economic climate. It is therefore essential that, the Authority remains prudent to ensure that the financial position of the Authority continues to be managed effectively.

1.1.6. School balances have decreased from £3.721m at the start of the financial year to £3.398m at 31 March 2022. Six Schools remain in deficit but all six saw improvements to their deficits during 2021/22 of £1.967m. Overall, the position improved by £9.392m from initial projected overall deficit balances of £5.993m. Further details are contained in Section 7 of this Annex.

1.1.7. The Housing Revenue Account has year-end balances of £0.489m. The HRA shows an underspend of £0.442m against the in-year 2021/22 Budget, plus a £0.047m improvement in the budgeted brought forward balances, which cumulatively brings the HRA to £0.489m better than the budgeted position for 2021/22. Further details are given in Section 8 of this Annex.

1.1.8. The initial approved Investment Plan for 2021/22 was £68.611m. Net variations and reprogramming of £9.858m were approved by Cabinet during 2021/22 to give a revised Investment Plan of £78.469m. Capital expenditure for the year was £63.045m (80.34% of the revised plan). This outturn includes further reprogramming of £15.414m and variations relating to gateway approvals and grant determinations of £34.622m for the 2022-2027 investment plan 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 2021/22.

1.3. General Fund

1.3.1. The Budget for 2021/22 was approved by full Council at its meeting of 18 February 2021. The net General Fund Budget was set at £150.154m including efficiency savings of £4.537m (£1.180m of 2021/22 impact of prior year business cases and £3.357m of prior year savings requiring a permanent solution in 2021/22).

1.3.2. The Monitoring report up to 31 January 2022 projected a pressure of £2.902m and the final position is a surplus of (£5.815m) (£0.078m Business as Usual and a (£5.893m) balance relating to the MRP review).

1.4. Budget Savings Programme

1.4.1. The Efficiency Programme for 2021/22 totalled £4.537m, including £1.185m of new savings relating to prior year business cases combined with £3.357m of prior year savings that required a permanent solution in 2021/22. There were no new savings proposals originating in 2021/22. The delivery of savings in 2021/22 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 2021/22 £3.481m of the savings target was achieved with a further £1.039m handled through a range of alternative management activities and support 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 £417.443m at 31 March 2021 to £397.443m at 31 March 2022. The level of internal funding remains high at £99.690m at 31 March 2022 (£95.166m at 31 March 2021), subsequently this avoids interest charges.

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 and 2021/22. 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 2021/22. There has been sustained support to the Social Care Sector for both Adults and Children's. The Authority was responsible for acting as agent for several grants to support the businesses in the borough in 2020/21 and this has continued throughout 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 received its share of the Government's Local Support Grant of £5.576m this together with £1.476m carry forward from 2020/21 award led to £7.052m being available to support council services in 2021/22. Of this, £5.668m was allocated to support revenue activities with the remaining £1.384m being carried forward to support the identified on-going impact of Covid-19 into 2022/23.

1.6.3. Cabinet is aware that Local Authorities were also compensated for losses incurred against their sales, fees, and charges budgets for Quarter 1 only (the full year impact supported in 2020/21). North Tyneside Council received £1.335m from this grant to support services and this was fully allocated. This represented 71.25% of the fees lost in quarter 1, the balance being bourne by the Authority. Sales, fees and charges losses continued throughout the year and the balance is included within the £5.668m outlined above. One of the key areas impacted was Sport & Leisure. In 2020/21, income levels dropped to 14% of the pre-pandemic total. 2021/22 income levels improved but were still only 67% of pre-pandemic totals. Early projections for 2022/23 are that the service will back to around 85% of pre-pandemic income levels.

1.6.4. As mentioned previously the Authority received grants to support the businesses in the borough. £12.773m was received in 2021/22 supplemented by £11.661m of funds brought forward from 2020/21. £18.240m was paid across to businesses. Remaining balances of £6.262m will be returned to Government and for the £0.002m relating to pavement licences will be spent in early 2022/23.

1.6.5. £4.258m 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. In addition a balance of £6.908m was brought forward from 2020/21. Of this funding, £9.277m was spent during 2022/22, with £1.889m carried forward to 2022/23. Of the funding carried forward, the majority of it relates 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 recover from the pandemic.

1.6.6. £5.418m was provided by government to help support the Care Home market in 2021/22 and this was supplemented by £0.544m brought forward from 2020/21. £5.666m was allocated in 2021/22, leaving £0.296m to be carried into 2022/23. The Authority also received £2.572m to support its schools in 2021/22, supplemented by £0.309m brought forward from 2020/21. £2.637m was allocated with the remaining £0.244m anticipated to be allocated in early 2022/23.

1.6.7. 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 2021/22 alongside the uncertain long terms implications of how the borough and indeed the country will continue to live alongside 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.

1.6.8. Another area of significant risk is around inflation and the impact that will have on key expenditure around utilities, waste disposal as well as the impact it will have on the supply chain and costs of materials for Capital projects, HRA projects and general goods and services within revenue. The CPI rate in April 2021 was 1.5% by March 2022 this had risen to 7% and the rate at April 2022 was as high as 9%, so an 8.5% increase in just one calendar year. The impact on the cost of and access to materials is further impacted by the on-going conflict in Ukraine.

1.6.9. The Health, Education, Care and Safeguarding (HECS) services continue to experience significant demand-led pressures as earlier diagnois combined with cases become more complex increase costs. These pressures are likely to be further impacted by legislative changes through central government such as the Fair Cost of Care exercise which is under way and will potentially lead to fee increases within the homecare and residential care markets. The HECS service also has challenges around recruitment and retention. It has become increasingly challenging to recruit staff into roles within the HECS service and to retain the employment of staff long-term within the profession.

1.6.10. The ringfenced Dedicated Schools Grant (DSG) is received from the Government and administered by the Authority and is the main source of income for the schools budget. The DSG first fell into deficit during 2017/18 and it is an important element of the financial management of the Authority that the DSG is not in a deficit position. As a result, there has been action to address the deficit working collaboratively with Schools Forum although increasing numbers of children with special needs entering the education system has offset some of the progress.

Such deficits have come under increasing scrutiny from the Department for Education (DfE) and during 2021, the Authority was required to submit a draft DSG Management Plan to the Education, Skills and Funding Agency (ESFA) as its DSG deficit was more than 1% of the total value of the DSG as at March 2021. As a consequence, since then, the Authority's DSG deficit has remained under review.

Liaising with the DfE during 2021/22 the Authority has been working to firm up plans to reduce the DSG deficit and this work is now being overseen by the Strategic Education and Inclusion Board. The Authority submitted a draft DSG Management plan to the ESFA in August 2021 which outlined the main areas of priority that focus on reducing the deficit on the High Needs block of the DSG. As of 2022/23 the Authortiy has been invited to be part of the ESFAs Safety Valve Intervention programme from September 2022. The Authority has had early discussions with representatives from the ESFA and as plans are firmed up over the coming months the ESFA will continue to challenge and support the Authority through to the Safety Valve process commencing in September 2022.

For 2022/23 £150m of revenue funding is available to support the cumulative deficit position of those authorities who are part of the Safety Valve programme, however, the ESFA have been clear that access to this funding will only be agreed once a robust DSG Management Plan is in place.The current cumulative deficit position on the High Needs block of the DSG at the end of the 2021/22 financial year is £13.512m. This is an increase of £4.792m since March 2021.

A key risk for the Authority is that the statutory override to ring-fence DSG deficits from councils' wider financial position in their statutory accounts is due to come end after the accounts for the financial year 2022/23. At which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. Due to the level of the deficit on the High Needs block of the DSG it is imperative that the Authority's DSG Management Plan meets the ESFA's requirements to ensure the historic deficit can be supported by funding that is available.

1.6.11. There are a number of current key risks which will impact on future HRA Business Planning, most of which are linked to the current economic climate and high rates of inflation. Inflation continues to trend towards 10% and next year's rent increase will be based on the September 2022 Consumer Prices Index (CPI) rate of inflation. It is unclear at this stage if the rate was around 10% if there would be Government intervention to restrict the size of any rent increase.

The cost of the goods and materials needed to maintain the housing stock, and to meet Cabinet's aspirations to build new homes is rising significantly. Should resources raised through rent increases not match the rising costs, then the Authority will face more difficult choices around what can and cannot be delivered, certainly in the short to medium term.

The potential impact of the cost of living crisis our most vulnerable residents continues to be monitored closely to assess what the full impact of this will be on the rate of increase in the levels of arrears, which have doubled since 2015.

One other key factor in terms of HRA Business Planning are the number of homes that our managed and the impact of Right to Buy (RTB). Cabinet will know that Government significantly increased the discount rates attached to RTB back in 2012 to incentivize more sales, but this appeared to have steadied at between 100-120 sales per annum over the last three years. However, 2021-22 saw the largest number of sales since the changes were introduced at 167, and if this trend was to continue it would eat into the key resource base, and put further pressure on our ability to tackle tenant waiting lists. This would also make it more important to add to the stock, but as set out above in a much more difficult cost environment.

1.6.12. Inflation and interest rate risk remain a key component of the capital investment plan and treasury management.In the Bank of England MPC May report central projection, CPI inflation is expected to rise further over the remainder of the year, to just over 9% in 2022 Q2 and averaging slightly over 10% at its peak in 2022 Q4 before forecasting inflation to track back to the 2% target on the short to medium term.The Bank of England as part of their monetary policy have been increasing interest rates to manage the continued rise in inflation, with interest rates forecast to rise further.However the rise in interest rates will only partially manage inflation due to the underlying inflation being driven by international energy price increases driven by the conflict in Ukraine and Russia.The above risks are impacting the capital investment plan from the perspective of increasing costs in relation raw material and labour costs.This is also exacerbated by increasing interest rates which will have a bearing on the cost of borrowing for the Authority going forward.

1.6.13. 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.

1.6.14. The Strategic Reserve (£14.426m) represents 4.16% of the General Fund 2021/22 gross Budget and 9.61% of the 2021/22 net Budget, with the General Fund balances (£7.000m) added, these represent 6.17% of the 2021/22 gross Budget and 14.27% 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.

1.6.15. The other general fund earmarked reserves total £56.800m, which is a decrease of £10.313m from the 2020/21 position of £64.378m. Of this decrease £9.441m relates to Covid-19 grants where £9.875m (£19.298m in 2020/21) is still being held with specific conditions that have to met when spending those grants, and some of which we act as agent for the government on. These Covid-19 balances are projected to be returned to Central Government or spent over the early part of 2022/23.

1.6.16. The net movement in HRA reserves and balances is an increase of £0.076m. The HRA reserves have increased by £1.577m to £21.302m in 2021/22 and the HRA balances have decreased by £1.501m to a total of £3.501m. Within the HRA reserve total, £13.118m relates to PFI reserves.

1.6.17. School Balances show a decrease of £0.322m as set out in section 7 of this Annex, but as stated previously this is a significant improvement of £9.391m against the planned deficit balance position of £5.993m to leave a surplus of £3.398m. As at 31 March 2022, the DSG account is showing a net deficit balance of £12.851m. This compares to a deficit balance of £7.932m in 2020/21. 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.

1.6.18. 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 2022/23.

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 £150.154m is provisionally expected to be underspent by (£5.815m). This is an improvement of (£8.717m) on the previous position reported to Cabinet based on forecasts at January 2022 which showed a pressure of £2.902m. Table 1 in paragraph 2.5 below sets out the variation summary across the General Fund. The overspend of £0.078m in business as usual acitives will be funded from the Strategic Reserve, while the surplus created from the MRP review will be transferred to the new MRP earmarked reserve. With this final transfers included, the General Fund will show spend on Budget for 2021/22.

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 2021/22 General Fund Revenue Forecast Outturn as at 31 March 2022**

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	75.293	78.554	3.261	0.000	3.261	6.557	(3.296)
Commissioning and Asset Management	8.349	7.439	(0.910)	2.201	1.291	1.232	0.059
Environment, Housing and Leisure	44.660	41.076	(3.584)	3.021	(0.563)	(0.019)	(0.544)
Regeneration and Economic Development	1.578	1.899	0.321	0.036	0.357	0.150	0.207
Corporate Strategy	1.130	1.364	0.234	(0.378)	(0.144)	0.028	(0.172)
Chief Executive’s Office	(0.077)	(0.188)	(0.111)	0.000	(0.111)	(0.107)	(0.004)
Resources	3.481	4.758	1.277	0.006	1.283	0.771	0.512
Law and Governance	0.345	1.238	0.893	0.000	0.893	0.541	0.352
Central Items – BAU	(4.786)	(11.982)	(7.196)	(4.886)	(12.082)	(8.478)	(3.604)
Central Items – Covid-19	0.000	0.000	0.000	0.000	0.000	2.227	(2.227)
Support Services	20.181	20.181	0.000	0.000	0.000	0.000	0.000
Total Authority	**150.154**	**144.339**	**(5.815)**	**0.000**	**(5.815)**	**2.902**	**(8.717)**

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 (£8.717m). 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 has seen an improved positon of £3.296m. This is made up of £1.721m for Adults and £1.575m in Children's.

The improvement of £1.721m since the January report for Adults is primarilry due to a further allocation to Covid-19 grants of £0.545m, additional care home fee recovery of £0.357m and reduced costs within the homecare service of £0.285m and the removal of £0.122m relating to the unmet need adjustment put in place to cover costs covered by the Authority for clients not supported by the external market.

The improvement of £1.575m since the Janaury report for Children's is across a number of areas. Within Corporate Parenting and Placements the improvement was mainly due a contribution from Public Health in relation to Protection and Preventative Services. Increased funding has been received for exceptional costs for Unaccompanied Asylum Seeking Children. Within Early Help and Vulnerable Families a reduction in staffing forecasts, due to the ongoing challenges linked to recruitment and retention, and increased income for Riverside Nursery improved the position. Within Integrated Disability and Additional Needs the improvement was mainly due to a contribution from Public Health in relation to Protection and Preventative Services and a reduced forecast in relation to short break costs, with £0.076m of further costs attributable to Covid being covered by Covid grants and a general reduction in outreach case costs.

Environment Housing and Leisure

2.8 Environment Housing and Leisure saw an improvement of £0.544m since the January report largely due to reduced operational and staffing costs (vacancies not being filed) across Sport & Leisure, Waste & Recycling Contract Delivery and Management/Collection and Cultural Services.

Corporate Strategy

2.9 There has been an improved position of £0.172m compared to the January report, linked to the Customer Service packages following the finalisation of the Pension Cap & Collar adjustments from the Equans NTC Stratgic Partnership.

Resources

2.10 There has been a worsening of the position by £0.512m, mainly due full case reviews impacting on overpayments subsidy and drop in enforcement income versus cost of collection.

Central Items

2.11 Central Items – BAU has improved by (£3.604m) since the January report. The improvement relates to the (£5.893m) generated from the MRP review offset by costs totalling £2.480m resulting from the early termination settlement and compensation payments linked to the Equans NTC Strategic Partnership contract review and the return of services to ICT and Finance.

2.12 Central Items – Covid-19 has seen its position improve by £2.227m as actual costs and income lost as a result of the pandemic proved to be less than the prudent forecasts being made in January in areas such as sport and leisure and ICT. Additional improvements to the position were seen in Adults Services where other specific grants were awarded by Central Government which helped ease the pressure on the Local Authority Support grant anticipated in the January position.

SECTION 3 - DELIVERY OF BUDGET SAVINGS PROPOSALS

3.1 No new savings were proposed as part of the budget approved by Council in February 2021 so the total savings the Authority has had to find in the eleven years following the 2010 Comprehensive Spending Review (CSR) remains at the 2020/21 total of £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
2021/22	0.000
Total Savings	**127.756**

3.3 Although no new savings were proposed, a total of £1.180m of savings targets were agreed in prior years budget setting processes for delivery in 2021/22. Savings targets of £2.181m within Health, Education, Care and Safeguarding (HECS) were met in 2020/21 through Covid grants or alternative management actions with a further £0.482m met through one-year funding sources. This left a total savings targets of £3.843m within HECS which still required a permanent solution in 2021/22. A target of £0.082m from 2020/21 within Commissioning and Asset Management (C&AM) also required achievement on a permanent basis in 2021/22. The total savings that needed to be achieved in 2021/22 are therefore £4.537m.

3.4 The delivery of savings in 2021/22 continued to be impacted by the Covid-19 pandemic within HECS and C&AM. The position with HECS has improved since the Jnauary report with a further £0.775m of additional savings achieved and a further £0.438m achieved via in-year actions. The position for C&AM and EHL is unchanged from January.

3.5 **Table 3: Efficiency Savings by Service at March 2022**

Service	2021/22 Targets £m	Projected Delivery £m	In Year Actions £m	Not Achieved £m
HECS	3.843	2.968	0.875	0.000
Commissioning & Asset Management	0.264	0.093	0.164	0.007
Environment Housing & Leisure	0.430	0.430	0.000	0.000
TOTAL	**4.537**	**3.491**	**1.039**	**0.007**

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 £2.968m primarily relating to Sector Led Improvement income (£0.280m), renegotioation of public health contracts (£0.328m), assistive technology (£0.500m), maximising children's (£0.297m) and Adults NHS income (£0.250m) with improvements in delivery in relation to Learning Disability services (£0.500m), income management (£0.050m), independent supported living (£0.100m), management review (£0.070m), development on internal services for children (£0.400m), early help and family gateway (£0.073m) and reduced external fostering arrangements (£0.120m). In-year actions have enabled £1.268m to be supported through management actions of retaining vacancies and managing third party payments within Adult services as well as support through Covid-19 grants.

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 continues to unfold. 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 Covid-19 restrictions.

3.9 Finance Officers continue to attend meetings with senior managers and the Director of HECS and individual managers have assigned responsibilities to pursue deliverability of remaining schemes and to identify alternative proposals during into 2022/23.

Commissioning and Asset Management (C&AM)

3.10 Within Commissioning and Asset Management the only savings target unmet in 2020/21 related to the target for an increase in school meals fees of £0.082m. This is now joined in 2021/22 by a further increase in this target of £0.082m. Both savings targets have been funded from COVID-19 grants in 2021/22. In relation to the target of £0.100m relating to SLA income, £0.093m has been achieved, with

£0.007m being unachieved and therefore contributing to the wider outturn of C&AM.

Environment Housing and Leisure

3.11 All savings in this service have been achieved.

SECTION 4 – NEW REVENUE GRANTS

4.1 New revenue grants have been received or notified in February and March 2022.

Table 4: Grants Received or Notified in February and March 2022

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Environment, Housing & Leisure	Arts Council England	Platinum Jubilee Funding	Arts Council England is providing funding to every Library Service to mark the occasion in whatever way they think will be most relevant and enjoyable for their users and local community	0.001
Resources	Department for Levelling Up, Housing and Communities	Cyber support section 31 21/22	Section 31 funding for Cyber Security	0.150
Environment, Housing & Leisure	North of Tyne Community Engagement Grants	Community Digital Skills Pathway	Funding to increase the number of people who can access digital technology and 'get online' to improve their digital skills.	0.002
Health, Education, Care and Safeguarding	Department for Education	Local Authority participation in the Early Years Experts and Mentors programme	Early Years Strategy, Quality and Covid Response	0.006
Health, Education, Care and Safeguarding	Department for Education	Early Years Professional Development Programme (PDP): Building On Success Section 31 Tranche 1	Professional Development Programme (PDP) Phase 2	0.017

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Health, Education, Care and Safeguarding	Home Office	Unaccompanied Asylum Seeking Chidren (UASC) - Exceptional Spend	All local authorities supporting UASC and UASC caree leavers are eligibale to apply. Exceptional Costs are additional expenses incurred by a local authority in supporting UASC and former UASC care leavers for which the Home Office may on a case-by-case basis, agree to reimburse. All local authorities that care for UASC and former UASC care leavers are eligible to apply for exceptions costs funding.	0.219
Environment, Housing & Leisure	Home Office	Homes for Ukraine	this enables Ukrainian Nationals to be sponsored to come to the UK. Sponsors and Ukrainian Nationals are expected to find each other and match up. Either the Sponsor (i.e. an individual living in the UK) or the Guest, as the Ukrainian Nationals that come under this scheme are referred to, must complete the visa application. Security checks are carried out on the sponsor, their household and the guests. Once immigration and security checks have been completed the visa is issued and the guest(s) will receive a permit to travel. Guests are responsible for funding their own travel.	0.800

Service	Grant Provider	Grant	Purpose	2021/22 value £m
			Although, we are aware of a number of sponsors who have told us they are paying for the travel for their guests. Co-ordination of the travel arrangements is between the sponsor and the guest.	
Environment, Housing & Leisure	Department for Environment Food & Rural Affairs	Biodiversity Net Gain Grant 2021/22	BNG means that natural habitats will be extended or improved as part of a development or project. Development will be designed in a way that provides benefits to people and nature and reduces its impacts on the wider environment.	0.010
Resources	Department for Work and Pensions	Discretionary Housing Payments for year ending March 2023	Discretionary Housing Payment (DHP) funding is available for those entitled to Housing Benefit or the Housing Element of Universal Credit who require further financial assistance with housing costs.	0.300
Resources	Department for Work and Pensions	Additional New Burdens funding to meet the costs of delivering Welfare Reform changes in the financial year ending March 2023	The funding is to cover an increase in LA costs for HB cases and does not support Local Council Tax Reduction. The funding for Council Tax related expenditure is administered by the Department for Levelling Up, Housing and Communities and the devolved administrations.	0.086

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Resources	Department for Work & Pensions	HB Award Accuracy Initiative	The aim of the funding schedule is to provide you with a more holistic picture of the funding your authority will receive from the Department for Work and Pensions (DWP) and pulls together multiple funding streams into one schedule.	0.019
Resources	Department for Work & Pensions	HBAS	The aim of the funding schedule is to provide you with a more holistic picture of the funding your authority will receive from the Department for Work and Pensions (DWP) and pulls together multiple funding streams into one schedule.	0.696
Resources	Department for Work & Pensions	Verify Pensions and Earnings (VEP)	The aim of the funding schedule is to provide you with a more holistic picture of the funding your authority will receive from the Department for Work and Pensions (DWP) and pulls together multiple funding streams into one schedule.	0.018
Environment, Housing & Leisure	Northumbria Police and Crime Commissioner	North Tyneside Safer Streets Round 3	Both bids aim to make public spaces safer and more inclusive for women, girls and marginalised groups in Northumbria, as well as aiming to tackle underreporting and addressing attitude and behaviour change	0.025

Service	Grant Provider	Grant	Purpose	2021/22 value £m
Environment, Housing & Leisure	Northumbria Police and Crime Commissioner	North Tyneside Safer Streets Round 3 support grant	Both bids aim to make public spaces safer and more inclusive for women, girls and marginalised groups in Northumbria, as well as aiming to tackle underreporting and addressing attitude and behaviour change	0.006
Total				**2.355**

SECTION 5 – IMPACT OF COVID-19

5.1 The Authority continued to play a key role in supporting businesses, residents, care homes and schools with financial support and additional Covid-19 related services throughout 2021/22 in response to the Pandemic. Financial impacts remained, due to loss of income as a result of closures and restrictions on the facilities the Authority 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 **Table 5: Supporting Our Businesses**

Business Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 21/22	Value C/Fwd to 22/23
	£m	£m	£m	£m
Business Support Top-Up (Closed Business Lockdown Payments)	0.000	(3.307)	0.189	(3.118)
Local Restrictions Support 'Closed' & 'Open'	0.000	(4.694)	2.009	(2.685)
Additional Restrictions Grant	0.000	(2.738)	2.738	0.000
Additional Restrictions Grant – Top Up	(1.447)	0.000	1.246	(0.201)
Christmas Support 'Wet-Pubs'	0.000	(0.047)	0.047	0.000
Restart Grants	(9.804)	0.000	9.778	(0.026)
Capacity Fund	0.000	(0.636)	0.636	0.000
Reopening the High Street	0.000	(0.229)	0.229	0.000
Travel Demand Management	0.000	(0.010)	0.010	0.000
Omicron Hospitality & Leisure Grant	(1.505)	0.000	1.273	(0.232)
Pavement Licencing	(0.017)	0.000	0.015	(0.002)
Total	**(12.773)**	**(11.661)**	**18.170**	**(6.264)**

5.3 The Authority had £11.661m of grant funding brought forward from 2020/21 with a further £12.773m awarded in 2021/22 aimed at supporting businesses across the Borough. £18.170m of this was allocated during 2021/22. Of the remaining balances all bar the Pavement Licencing balance, which is committed to be spent in 2022/23, are anticipated to be repayable to Government. These sums arose because the Authority was awarded more funding than was required. The allocation methodology applied by Government was not shared with the Authority so we unclear why the allocations exceeded the sums required. As these schemes have now ended the expectation is that these balances, totalling £6.262m, will need to be returned to Government.

5.4 **Table 6: Supporting Our Residents**

Residents Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 21/22	Value C/Fwd to 22/23
	£m	£m	£m	£m
Test & Trace Programme Support Grant	0.000	(0.782)	0.751	(0.031)
Emergency Assistance Grant	0.000	(0.080)	0.080	0.000
Contain Outbreak Management Fund	(1.439)	(5.302)	5.163	(1.578)
Test & Trace (self-isolation) Support Payments	(1.271)	(0.438)	1.592	(0.117)
LA Practical Support Framework	(0.412)	0.000	0.409	(0.003)
Covid Marshalls	0.000	(0.003)	0.003	0.000
Clinically Extremely Vulnerable	(0.236)	(0.303)	0.379	(0.160)
Rough Sleepers Additional Grant	(0.025)	0.000	0.025	0.000
Winter Grant	(0.012)	0.000	0.012	0.000
Local Support Grant & Extension	(0.759)	0.000	0.759	0.000
Rapid Testing in the Community	(0.104)	0.000	0.104	0.000
Total	**(4.258)**	**(6.908)**	**9.277**	**(1.889)**

5.5 The Authority has been awarded £4.258m of new grant funding in 2021/22 to continue supporting its residents on top of a brought forward balance of £6.908m from 2020/21, meaning there was £11.166m of funding available. This use of this funding ranged from ensuring our most vulnerable were protected to ensuring 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, where guidelines allowed, through the employment of Covid Marshalls and other safety measures. The Authority spent £9.277m in 2021/22 and has committed to spending the balance of £1.889m in 2022/23. The majority of the committed balance relates to the Contain Outbreak Management Fund. This grant is to help the Authority support the prevention of Covid-19 outbreaks or manage any that do occur in the borough.

5.6 **Table 7: Supporting Our Care Homes**

Care Sector Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 21/22	Value C/Fwd to 22/23
	£m	£m	£m	£m
Infection Control	(1.755)	(0.544)	2.111	(0.188)
Rapid Testing – Care Homes	(1.418)	0.000	1.310	(0.108)
Workforce Capacity Grant	(1.987)	0.000	1.987	0.000
Adult Social Care Omicron Support	(0.258)	0.000	0.258	0.000
Total	**(5.418)**	**(0.544)**	**5.666**	**(0.296)**

5.7 The Authority was awarded £5.418m in 2021/22 to support the care homes within the borough, as well as having £0.544m brought forward from 2020/21. The majority of this funding was passed over directly to the care homes. The remaining funding was used to support the Authority's adult social care services for infection control and testing activities. The balances carried forward in these areas have been committed to be spent in 2022/23.

5.8 **Table 8: Supporting Our Schools**

Schools Grant	Value Awarded 21/22	Value B/Fwd from 20/21	Value Spent 21/22	Value C/Fwd to 22/23
	£m	£m	£m	£m
Digital Inclusion	0.000	(0.076)	0.076	0.000
Schools Catch-up Premium	(0.880)	0.000	0.880	0.000
Mental Health in Schools	(0.024)	0.000	0.000	(0.024)
Additional Home to School Transport	(0.187)	0.000	0.187	0.000
Mass Testing for Schools	(0.257)	(0.233)	0.490	0.000
Recovery Premium	(0.531)	0.000	0.531	0.000
National Tutoring Programme	(0.558)	0.000	0.338	(0.220)
Summer Schools Funding	(0.135)	0.000	0.135	0.000
Total	**(2.572)**	**(0.309)**	**2.637**	**(0.244)**

5.9 Grant funding of £2.572m was awarded in 2021/22 with a brought forward balance from 2020/21 of £0.309m giving a balance available to spend on our maintained schools during 2021/22 of £2.881m. The funding was used to support schools in being able to continue to offer a Covid-safe environment and deliver services to ensure children were not detrimentally impacted by being unable to attend classes in school. The remaining £0.244m is being held for the summer term and any remaining balance not claimed by schools will be return to Government.

Supporting Council Services

5.10 The Authority's services have been heavily impacted by the Covid-19 pandemic. These services are being supported in 2021/22 by £5.576m of Local Authority Support Grant and a brought forward balance of £1.476m. There is also utilisation of £10.949m of specific grants supporting services, and £1.335m of grant funding to cover losses on quarter 1 Sales, Fees and Charges, which together with the Local Authority Support Grant amounts to a total grant availability of £19.366m. The tables below, summarised in Table 16, show that the total impact of Covid-19 on general fund services in 2021/22 is expected to be £17.952m, which has enabled the Authority to carry forward unringfenced Covid-19 funding of £1.384m into 2022/23 to help support the legacy pressures associated with Covid-19.

5.11 **Table 9: Supporting Our Council Services in Commissioning & Asset Management**

Commissioning & Asset Management	**Main Grant Expenditure £m**	**SFC Expenditure £m**	**Other Specific Grant Expenditure £m**	**Total Expenditure £m**
Free School Meals	1.743	0.109	0.255	2.107
Asset Management	0.000	0.000	0.066	0.066
LA7 Home to School Transport	0.000	0.000	0.187	0.187
Clinically Extremely Vulnerable	0.000	0.000	0.379	0.379
Electricity	(0.021)	0.000	0.000	(0.021)
Cleaning	0.001	0.000	0.192	0.193
Postage	0.000	0.000	0.024	0.024
Contractor Payments	0.002	0.000	0.029	0.031
Rents General	0.036	0.000	0.000	0.036
Car Parks (season tickets)	0.083	0.018	0.000	0.101
Penalty Notices (absence from School)	0.018	0.008	0.000	0.026
Total	**1.862**	**0.135**	**1.132**	**3.129**

5.12 **Table 10: Supporting Our Council Services in Environment, Housing & Leisure**

Environment, Housing & Leisure	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
Sport & Leisure	1.218	0.550	0.032	1.800
Environmental Services	0.217	0.000	0.051	0.268
Waste Management	0.201	0.000	0.000	0.201
Highways & Transport	(0.157)	0.366	0.000	0.209
Cultural Services	0.001	0.060	0.000	0.061
Homelessness	0.000	0.000	0.028	0.028
Marshalls	0.000	0.000	0.110	0.110
Environment & Regulatory	(0.004)	0.021	0.015	0.032
Planning & Development	0.031	0.000	0.000	0.031
Total	**1.507**	**0.997**	**0.236**	**2.740**

5.13 **Table 11: Supporting Our Council Services in Health, Education, Care & Safeguarding**

Health, Education, Care & Safeguarding	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
CYPL - School Improvement	0.062	0.179	0.117	0.358
CYPL - Front Door & safe and support	1.097	0.000	0.473	1.570
CYPL - Placement Costs	1.344	0.009	0.064	1.417
CYPL - Residential Staffing	0.045	0.000	0.636	0.681
CYPL - Adoption Agency (NTC share)	0.072	0.010	0.061	0.143
ASC - Adult Services	(0.786)	0.000	1.040	0.254
ASC – Workforce Capacity	0.000	0.000	1.987	1.987
ASC – Omicron Support Fund	0.000	0.000	0.258	0.258
ASC - Rapid Testing in Social Care	0.000	0.000	1.310	1.310
ASC - Infection Control Grant	0.000	0.000	2.111	2.111
CYPL & ASC sub total	**1.834**	**0.198**	**8.057**	**10.089**
PH - Test & Trace Support Service	0.000	0.000	0.751	0.751
Total	**1.834**	**0.198**	**8.808**	**10.840**

5.14 **Table 12: Supporting Our Council Corporate Strategy**

Corporate Strategy	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
Corporate Strategy	0.086	0.000	0.111	0.197
Total	**0.086**	**0.000**	**0.111**	**0.197**

5.15 **Table 13: Supporting Our Council Resources and Central Items**

Resources & Central Items	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
Corporate ICT	0.000	0.000	0.026	0.026
Finance / Corporate Services	0.040	0.000	0.000	0.040
Provision for Bad Debt	0.235	0.000	0.000	0.235
Total	**0.275**	**0.000**	**0.026**	**0.301**

5.16 **Table 14: Supporting Our Council in Law and Governance**

Law & Governance	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
Law & Governance	0.073	0.005	0.000	0.078
Total	**0.073**	**0.005**	**0.000**	**0.078**

5.17 **Table 15: Supporting Our Council in Regeneration & Economic Development**

Regeneration & Economic Development	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
Capacity Funding	0.000	0.000	0.636	0.636
Total	**0.000**	**0.000**	**0.636**	**0.636**

5.18 **Table 16: Covid-19 Support to Services Summary**

Service Area/ Category	Main Grant Spend £m	SFC Spend £m	Other Specific Grant Spend £m	Total Expenditure Spend £m
Cost:				
Commissioning & Asset Management	1.862	0.135	1.132	3.129
Environment, Housing & Leisure	1.507	0.997	0.236	2.740
Health, Education, Care and Safeguarding	1.834	0.198	8.808	10.840
Corporate Strategy	0.086	0.000	0.111	0.197
Resources and Central Items	0.276	0.000	0.026	0.302
Law and Governance	0.073	0.005	0.000	0.078
Regeneration and Economic Development	0.000	0.000	0.636	0.636
General Fund Housing	0.030	0.000	0.000	0.030
Total Impact on Services	**5.668**	**1.335**	**10.949**	**17.952**
Income:				
Local Authority Support Grant	(7.052)	0.000	0.000	(7.052)
Sales, Fees and Charges	0.000	(1.335)	0.000	(1.335)
Specific Covid Grants	0.000	0.000	(10.949)	(10.949)
Covid Support to C/Fwd	**(1.384)**	**0.000**	**0.000**	**(1.384)**

SECTION 6 – SERVICE COMMENTARIES

6.1 Meetings have been held between finance officers and budget managers to close the accounts for 2021/22, with a provisional outturn position being prepared on a prudent basis. Challenge sessions have been held to review the quarterly financial position and service performance with the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members. Service Directors and their senior teams also attend these challenge sessions to discuss plans to mitigate any pressures.

6.2 **Health, Education, Care & Safeguarding (HECS)**

6.2.1 HECS is showing a forecast variance of £3.261m against its £75.293m net controllable expenditure budget, an improvement of £3.296m from the January pressure of £6.556m. The overspend is driven by Children's Services but excludes the application of contingency budgets set aside in Central Items for pressures in Children's Services of £3.116m.

6.2.2 The HECS service continued to be impacted by the Covid-19 pandemic and 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. Work took place to support social care providers to maintain their vital services. Further details on Covid impacts are shown in Section 5 above.

6.2.3 **Table 17: Forecast Variation for HECS at March 2022**

	Budget £m	Forecast Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Corporate Parenting & Placements	15.944	19.917	3.973	4.996	(1.023)
Child Protection, Independent Assurance and Review	0.716	0.714	(0.002)	(0.001)	(0.001)
Early Help & Vulnerable Families	1.634	1.175	(0.459)	(0.365)	(0.094)
Employment & Skills	0.617	0.617	0.000	(0.001)	0.001
Integrated Disability & Additional Needs Service	2.297	3.164	0.867	1.317	(0.450)
School Improvement	0.345	0.360	0.015	0.023	(0.008)

	Budget £m	Forecast Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Regional Adoption Agency	(0.168)	(0.168)	0.000	0.000	0.000
Children's Services Sub-total	**21.385**	**25.779**	**4.394**	**5.969**	**(1.575)**
Central, Strategy and Transformation	1.149	1.058	(0.091)	0.007	(0.098)
Social Work and Associated Activity	7.344	6.974	(0.370)	(0.076)	(0.294)
Integrated Services	2.959	2.101	(0.858)	(0.279)	(0.579)
Business Assurance	0.301	0.243	(0.058)	(0.038)	(0.020)
Sub-total Operations	**11.753**	**10.376**	**(1.377)**	**(0.386)**	**(0.991)**
Commissioned Services – Wellbeing and Assessment	11.985	11.146	(0.839)	(0.015)	(0.824)
Commissioned Services – Learning Disability	25.452	25.015	(0.437)	(0.302)	(0.135)
Commissioned Services – Mental Health	3.457	4.946	1.489	1.260	0.229
Commissioned Services - Other	1.261	1.292	0.031	0.031	0.000
Sub-total – Commissioned Services	**42.155**	**42.399**	**0.244**	**0.974**	**(0.730)**
Adult Services Total	**53.908**	**52.775**	**(1.133)**	**0.588**	**(1.721)**
Public Health	0.000	0.000	0.000	0.000	0.000
Total HECS	**75.293**	**78.554**	**3.261**	**6.557**	**(3.296)**

Main budget pressures across HECS

6.2.4 In addition to its response to the Covid-19 pandemic, HECS continued to manage a complex budget and was required to deal with a combination of funding arrangements, pressures and national policy changes. There were continuing upward pressures on care providers' fees partially resulting from the National Living Wage but which became more acute with the operational impact of Covid-19 on care homes and issues around high vacancy levels in a small number of care homes within the borough. Dialogue continues with care providers around appropriate fee rates moving into 2022/23 and negotiations also continue around ensuring funding contributions from the NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.

6.2.5 The main factor behind the outturn position is the significant overspend within Corporate Parenting and Placements, in relation to care provision for children in care and care leavers. There is also an overspend relating to services for children with additional needs. In addition to care provision pressures, there continued to be pressures in the workforce arising from staff retention costs and recruitment costs.

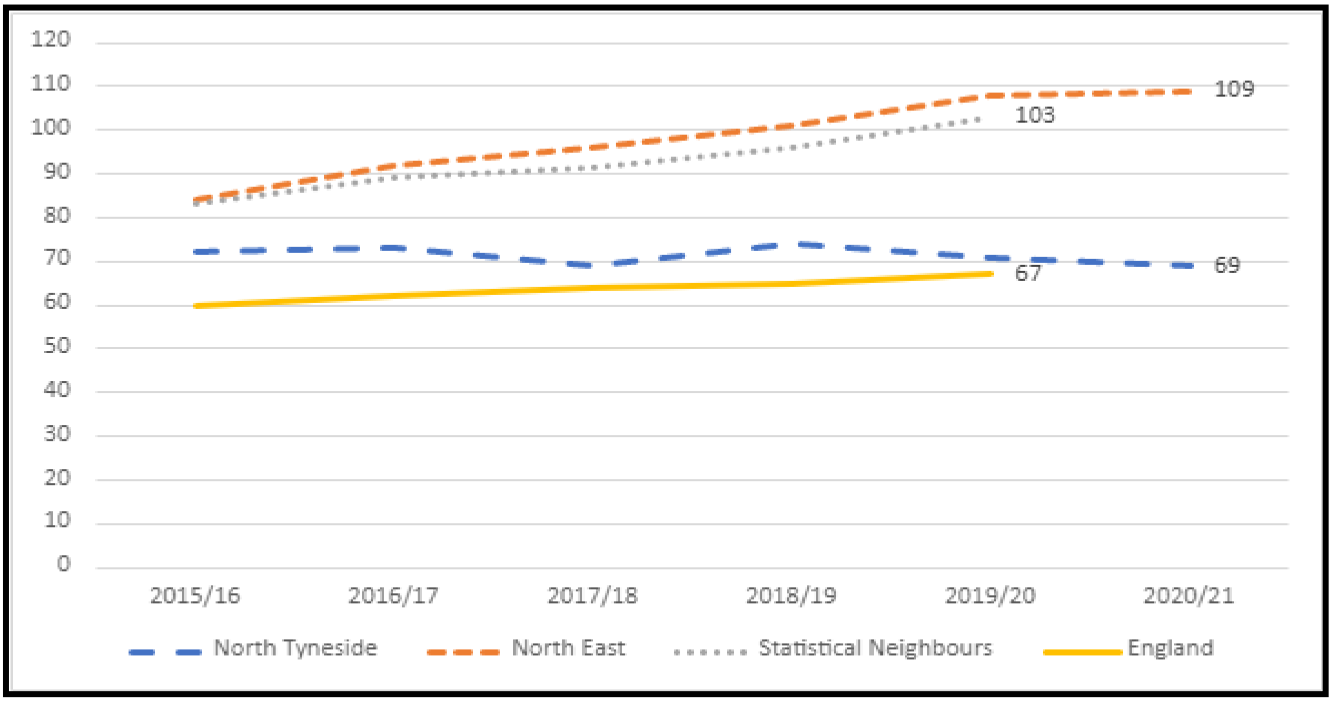
Children's Services

6.2.6 In Children's Services, the £4.394m forecast overspend related mainly to pressures of £3.973m in Corporate Parenting and Placements and £0.867m in Integrated Disability and Additional Needs. The pressures were foreseen by Cabinet and backed by £3.116m of centrally held contingencies.

6.2.7 The improvement of £1.575m since the Janaury report is across a number of areas. Within Corporate Parenting and Placements the improvement was mainly due a contribution from Public Health following a review into the allocation of aproporaite levels of funing on Protection and Preventative Services. There was an allocation of grant for exceptional costs for Unaccompanied Asylum Seeking Children. Within Early Help and Vulnerable Families a reduction in staffing forecasts, due to the on-going challenge around recruitment and retention and increased income for Riverside Nursery improved the position. Within Integrated Disability and Additional Needs the improvement was mainly due to a contribution from Public Health following the review of Protection and Preventative Services and a reduced forecast in relation to short break costs, with £0.076m costs attributable to Covid being covered by Covid grants and a general reduction in outreach case costs.

6.2.8 In relation to the levels of children in care within North Tyneside, the most recent available national comparators from 2020/21, as demonstrated by Chart 2 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.

6.2.9 **Chart 1: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



6.2.10 Although an amount of £3.116m is held as a contingency budget for children's services within Central Items, the budget within the service for the costs of looking after children who need to come into care continues to face signifincat pressure for the relatively stable level of children who require these services. The costs for children who are formally not classed as in care but who required costed services also continues, as in previous years, to be significantly above budget. The service has completed an exercise in conjunction with colleagues in Finance, Performance and HR to identify growth requirements and saving opportunities as part of the ongoing development of the Medium-Term Financial Plan.

Corporate Parenting and Placements

6.2.11 The pressures within Corporate Parenting and Placements can be broken down as follows:

Table 18: Analysis of Pressures in Corporate Parenting and Placements

Type of Service	Budget £m	Variance Mar £m	Variance Jan £m	Change Since Jan £m
Care provision – children in care	9.230	2.103	2.710	(0.607)
Care provision – other children	3.163	0.604	0.800	(0.196)
Management & Legal Fees	(0.944)	0.811	0.835	(0.024)
Social Work	4.449	0.451	0.648	(0.197)
Safeguarding Operations	0.046	0.004	0.003	0.001
Total	**15.944**	**3.973**	**4.996**	**(1.023)**

6.2.12 The forecast has been developed based on the children in care as at the end of March 2022. The number in care at the end of March was 353 which was a net increase of 18 from the January figure of 335. The March forecast for the total number of bed nights was 113,358, an increase of 3,111 over the January forecasted nights, and higher than the total number of care nights delivered in 2020/21 which was 108,745. Despite an increase in the number of children in care, the numbers being cared for by in-house fostering has minimised the impact of the increased cost to improve the overall position.

6.2.13 **Table 19: Forecast cost, forecast variance, average placement cost and Placement mix**

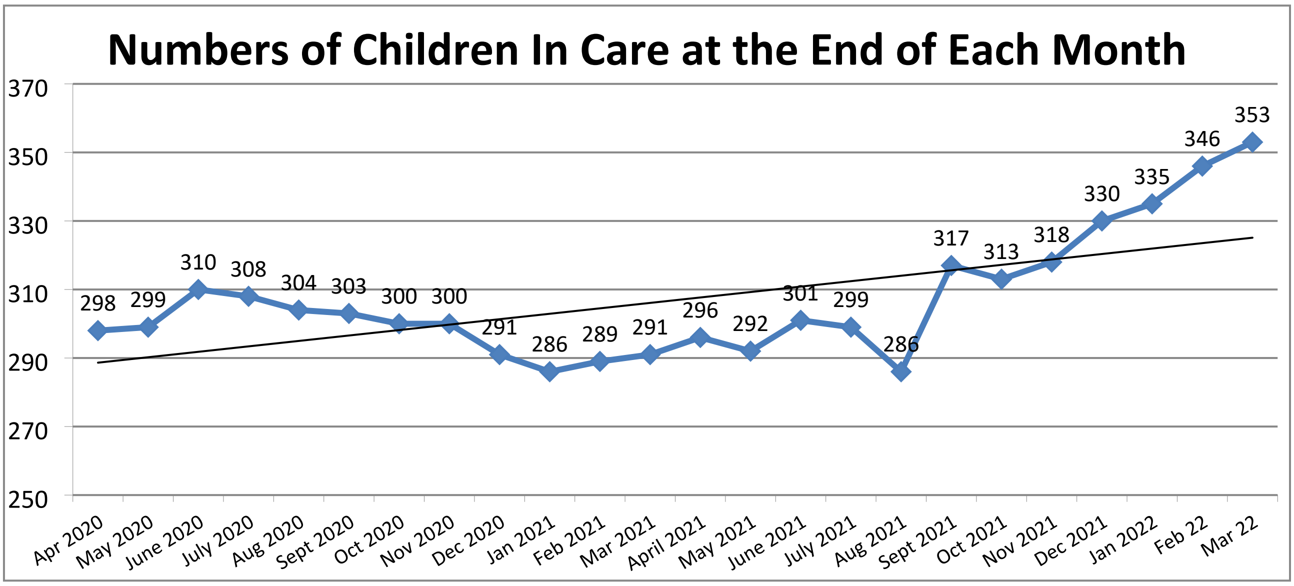
Placement Type	2021/22 Variance	Average Annual Placement cost (£m)	Forecast Bed Nights Mar	Forecast Bed Nights Jan	Placement Mix	No. of children Mar 22	No. of children Jan 22
External Residential Care	0.913	0.284	8,853	8,140	8%	28	26
External Fostering	0.232	0.054	10,657	10,206	7%	26	25
In-House Fostering Service	0.507	0.021	69,869	68,487	63%	220	209
External Supported Accommodation	0.170	0.145	4,699	4,108	6%	21	19
Other*	0.885	various	19,280	19,306	16%	56	56
Total	**2.707**		**113,358**	**110,247**	**100%**	**351**	**335**

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes; the Annual Average Placement Cost represents the potential costs for a full year of those children in placements as at 31 March 2022.

Care Provision – Children in Care

6.2.14 Over recent years, there has been an increasing trend nationally in demand for children's residential placements but with no corresponding increase in government-funded provision. The trend in North Tyneside over the last few years is that the overall number of children in care has mirrored the increases being felt nationally. There has been an increase in March to 353 children and this trend is being watched carefully.

6.2.15 **Chart 2: Children in Care at the End of Each Month**



Care Provision – Children not in care

6.2.16 The pressure of £0.604m (January variance, £0.800m) relating to care provision for children not in the care system relates predominantly to 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 budget of £3.116m established in Central Items was, in part, intended to mitigate against these costs.

Management and Legal Fees

6.2.17 This area has an overspend of £0.811m which is a decrease of £0.024m from the variance within the January report of £0.835m. Overspends remain in relation to historic income targets yet to be achieved, and there has been an increase in forecasts relating to legal fees, due to increase in cases and complexity.

Social Work

6.2.18 Within the overall overspend of £3.973m for Corporate Parenting and Placements, there are social work-related pressures of £0.451m (January, £0.648m). The improvement is due to reduced forecasts for vacancies, due to the on-going recruitment and retention challenges and recharge of respite costs. There is an additional team in place of six posts costing £0.244m and market supplements across the service amounting to £0.173m. There were s17 assistance costs forecasted above budget level by £0.057m, transport and travel pressures of £0.015m and legal and professional fee pressures of £0.178m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally as caseloads per social worker remain high at just over 20 compared to the national average of 16.3 (for 2020). The additional social work costs within Children's services reflects the commitment not to use agency staff within front line teams.

Integrated Disability and Additional Needs (IDANS)

6.2.19 IDANS is reporting an overspend of £0.867m compared to the January pressure of £1.317m. The overspend in IDANS should be seen within the national and local context of increasing numbers of children with Education Health and Care Plans (EHCPs). Within North Tyneside, the number of children with an EHCP has risen from 1,102 in January 2018 to 2,094 in March 2022. Within this service area the main overspends relate to operational staffing costs within in-house residential services of £0.152m. There is an overspend of £0.164m in Educational Psychology relating to an increase in non-chargeable statutory work associated with increased levels of EHCPs for children with additional needs, offset by a contribution from Public Health in relation to Protection and Preventative Services. There were overspends of £0.335m on externally commissioned short breaks and staffing pressures of £0.084m across the Statutory Assessment and Review (SAR) Team and the Disability Team. The improvement is due to a reduced spend for short break services, a contribution from Public Health in relation to Protection and Preventative Services and increased income from Health.

6.2.20 The IDANS service continued throughout the year to carefully review planned provisions to identify any areas of spend which could be reduced without adverse impacts on the children and families receiving support.

Adult Services

6.2.21 Adult Services show an underspend of £1.133m which compares to a forecast pressure of £0.588m in January. This position is after a total of £5.920m of Covid costs are transferred to Central Items to be offset against Covid related grants.

6.2.22 Adult Services continues to be heavily impacted by the pandemic and other external factors. The lack of capacity in the homecare market initially reported in the summer has continued as care providers struggle to recruit and retain staff in a competitive jobs market. The lack of homecare capacity has contributed to higher levels of short-term placements into residential care. Hospital discharges are varying between 250 and 274 per month and remain higher than pre-Covid-19 levels of approximately 160.

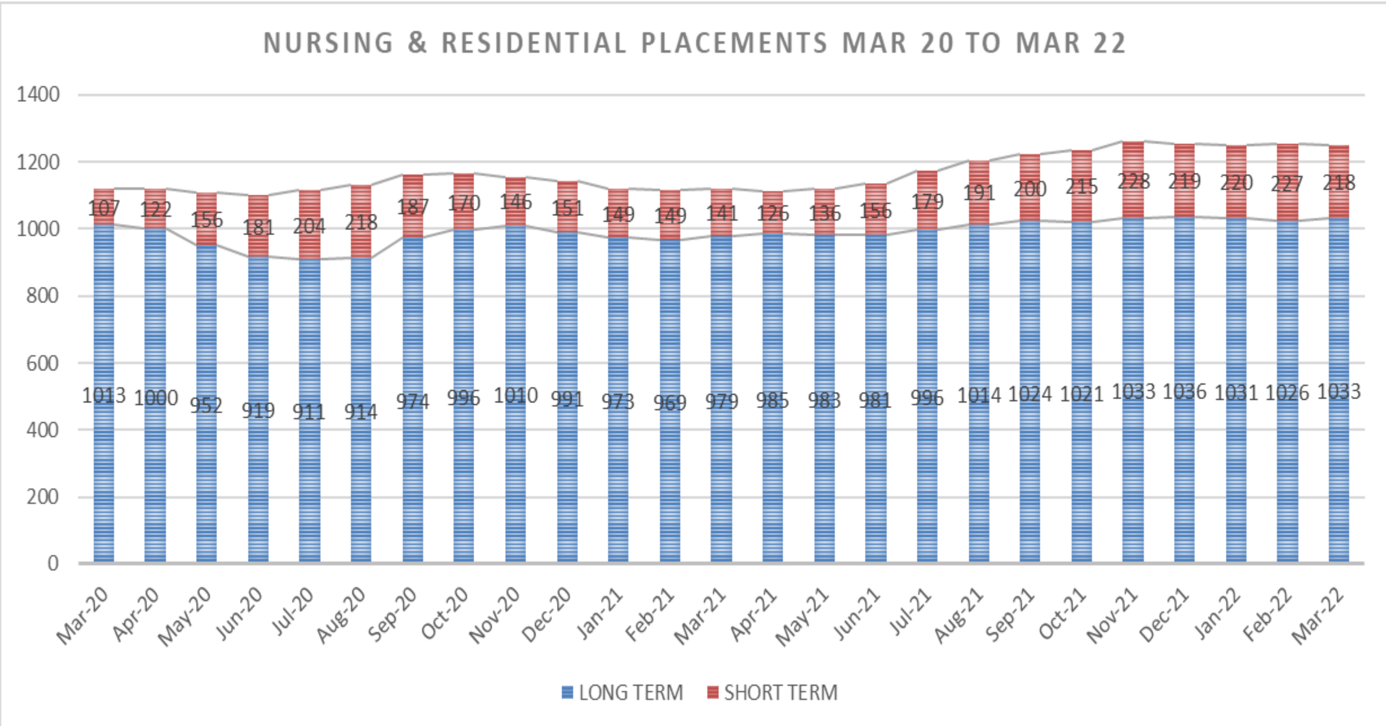
6.2.23 Costs associated with the operational management of the service are showing an underspend of £1.377m, an improvement from the January position of £0.386m. The change is due to revised assumptions around recruitment into vacancies and a further allocation of appropriate Covid related staffing pressures against Covid grants.

6.2.24 There is an overspend within Commissioned Services – Mental Health (£1.489m) mainly due to three high-cost clients who entered the service in March and April 2021. There are also pressures due to increased client numbers relating to residential and nursing care within Mental Health.

6.2.25 An overspend in Commissioned Services – Mental Health is offset by budget surpluses across Commissioned Services in Wellbeing and Assessment and Learning Disabilities.

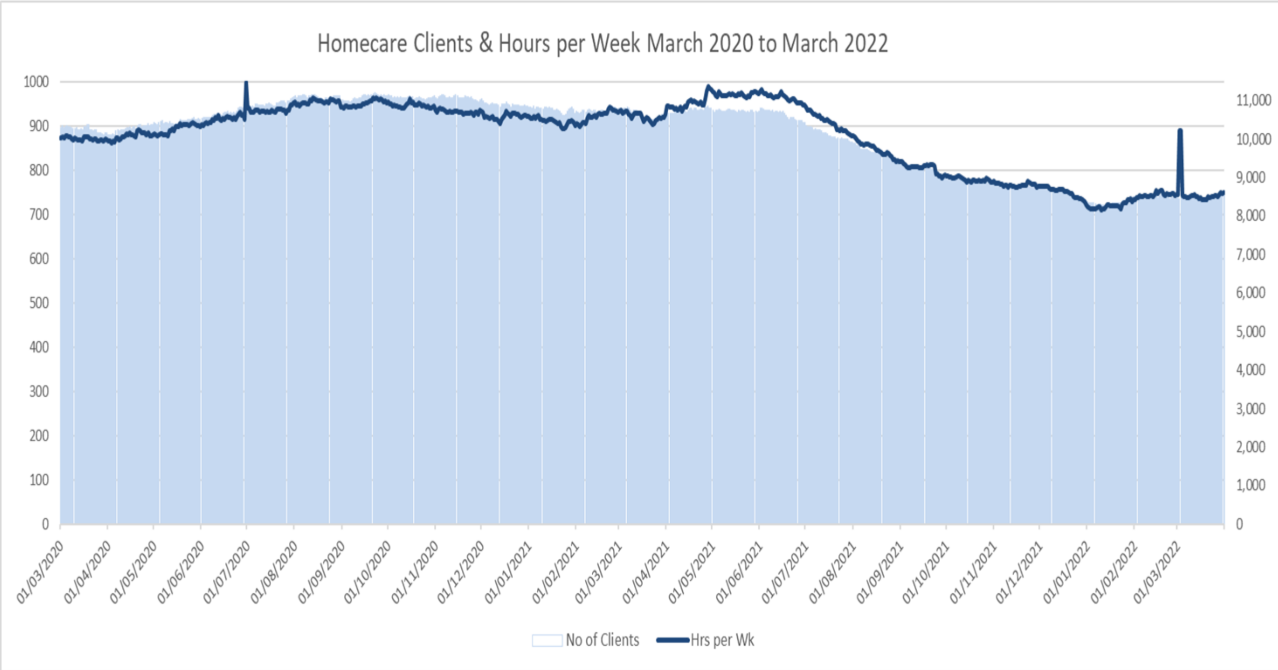
6.2.26 The overall numbers in residential and nursing care have stablised since the increases seen in November and December 2021 but continue to be higher than numbers seen in the summer of 2021. There has been a particular increase in short term placements due to the need to maintain rapid discharges from hospital and the lack of capacity in the homecare market.

6.2.27 **Chart 3: Numbers of Clients in Residential and Nursing Care Analysed between Short and Long Term**



6.2.28 The reduced numbers of clients receiving a homecare package and overall reduced number of hours delivered is shown in Chart 4 below:

6.2.29 **Chart 4: Homecare - Number of Clients and Planned Hours**



6.3 Commissioning and Asset Management

6.3.1 Commissioning and Asset Management (C&AM) is showing an overspend position of £1.291m (January pressure of £1.232m) as set out in Table 20.

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 20: Commissioning and Asset Management (C&AM) Forecast Variation**

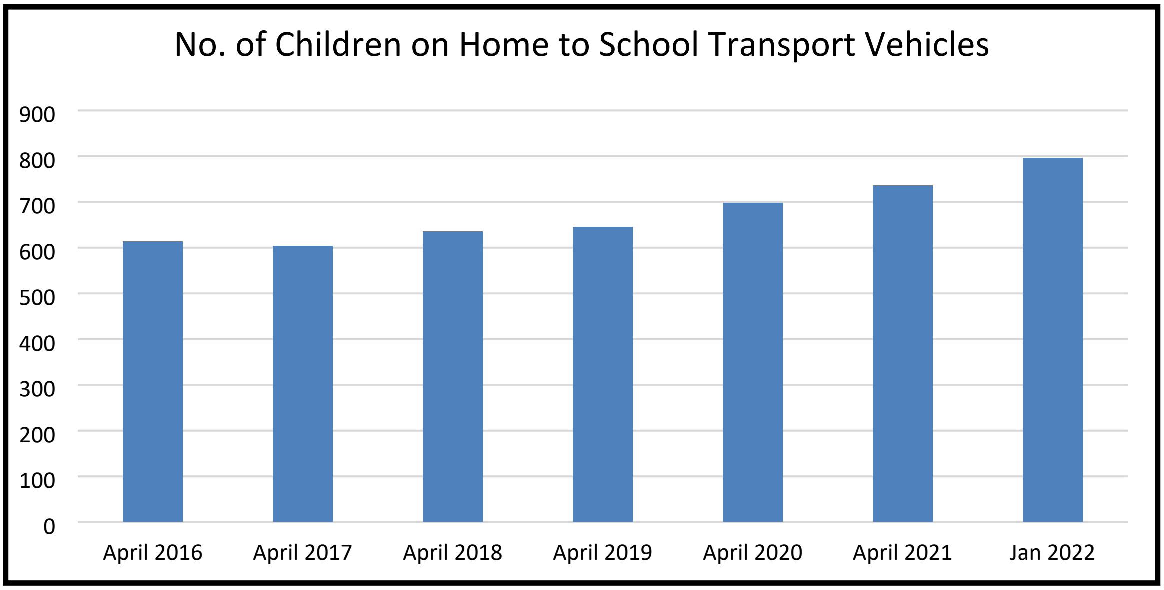
	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m	Change since Jan £m
School Funding & Statutory Staff Costs	5.410	5.295	(0.115)	(0.102)	(0.013)
Commissioning Service	0.427	0.360	(0.067)	0.000	(0.067)
Facilities & Fair Access	0.530	1.879	1.349	1.292	0.057
Community & Voluntary Sector Liaison	0.443	0.377	(0.066)	(0.042)	(0.024)
Strategic Property & Investment	1.986	2.311	0.325	0.170	0.155

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m	Change since Jan £m
High Needs Special Educational Needs	0.000	0.000	0.000	0.000	0.000
Property	(0.759)	(0.759)	0.000	0.000	0.000
Commissioning & Asset Management & Support	0.163	0.175	0.012	(0.002)	0.014
Procurement	0.149	0.002	(0.147)	(0.084)	(0.063)
Grand Total	**8.349**	**9.640**	**1.291**	**1.232**	**0.059**

6.3.4 The main ‘business as usual’ budget issues relate to Facilities and Fair Access which is showing an overspend of £1.349m (January forecast pressure of £1.292m). The overspend mainly relates to Home to School Transport, £1.262m. There are also overspends within catering services of £0.174m, due to increasing numbers of free school meals and the consequential impact on loss of paid income. Inflationary pressures within Catering are also having an impact, with RPI increasing by 7.8% across 2021/22 creating a pressure of attributable to inflationary pressures of approximately £0.119m. These overspends are partially offset by an underspend in Cleaning of £0.063m.

6.3.5 Within Facilities and Fair Access, the home to school transport position, an overspend of £1.262m, relates to the sustained increase in children with complex needs attending special schools. 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 7.2 to 7.3 for more details). As a result of the increase in demand for home to school transport for children with additional needs, the number of children in vehicles has risen from 614 in April 2016 to 773 for the autumn term in 2021 as shown in Chart 5 below. To address some of this pressure work is continuing on route rationalisation using the new ‘QRoute’ system.

6.3.6 **Chart 5: Increase in Numbers of Children Accessing Home to School Transport**



6.3.7 In addition to Facilities and Fair Access, within Strategic Property and Investment, the repairs and maintenance budget has outturned with an overspend of £0.325m due to the cost of essential repairs across the Authority's buildings. This is partially offset by recharges to capital budgets and other savings across this service area.

6.4 Environment, Housing & Leisure (EHL)

6.4.1 Environment, Housing & Leisure is reporting an outturn saving of £0.563m. The movement from the last Cabinet report (£0.544m) reflects reduced operational and staffing costs across Sport & Leisure (£0.165m), General Fund Housing (£0.140m), Waste & Recycling Contract Delivery and Management/Collection (£0.107m) and Cultural Services (£0.105m). The underspends across these areas mitigated the adverse variance change across Local Environment Services & Bereavement, £0.313m, as reduced income was received with the ongoing closure of one Cremator and repairs not expected to be completed until during the following financial year.

6.4.2 Included within the outturn underspend is a £0.253m contribution to the Waste Procurement reserve generated in part by holding the Waste Strategy posts vacant as well as reduced expenditure due to postponed waste-related projects, at agreement of Waste Management.

6.4.3 **Table 21: Forecast Variation in Environment Housing & Leisure**

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Cultural Services	6.883	6.776	(0.107)	(0.012)	(0.095)
Local Environmental Services	8.143	8.456	0.313	0.128	0.185

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Fleet Management	1.125	1.057	(0.068)	0.008	(0.076)
General Fund Housing	0.843	0.773	(0.070)	0.070	(0.140)
Head of Service and Resilience	0.250	0.204	(0.046)	0.063	(0.109)
Security & Community Safety	(0.002)	(0.065)	(0.063)	(0.053)	(0.010)
Sport & Leisure	2.831	2.641	(0.190)	(0.025)	(0.165)
Street Lighting PFI	4.717	4.717	0.000	0.000	0.000
Consumer Protection & Building Control	1.013	0.860	(0.153)	(0.011)	(0.142)
Planning	0.257	0.267	0.010	0.000	0.010
Transport and Highways	7.159	7.302	0.143	0.038	0.105
Waste Delivery & Management	11.441	11.109	(0.332)	(0.225)	(0.107)
GRAND TOTAL	**44.660**	**44.097**	**(0.563)**	**(0.019)**	**(0.544)**

6.4.4 The following paragraphs outline the pressures in each service area with details of any variances or movement greater than £0.100m.

Sport & Leisure

6.4.5 Sport & Leisure is reporting an underspend of £0.190m which is an improvement of £0.165m from the last reported position to Cabinet. The main causes for the variance change are linked to Active North Tyneside funding meeting costs of the service over the original plan and other service costs were not incurred as expected due to the pendemic, as well as lower operational expenditure.

Waste Delivery & Management

6.4.6 Waste Management and Waste & Recycling Disposal also achieved net underspends of £0.189m & £0.143m respectively. The outturn variance overall improved by £0.107m mainly due to reduced staffing costs as a number of vacant posts remained unfilled due to recruitment challenges during the financial year as well as improved actual income being received across Special Collections & Commercial Waste.

Local Environmental Services

6.4.7 The main change within Local Environmental Services relates to the income shortfall in Bereavement, which has increased by £0.073m from the last reported position to Cabinet with ongoing repairs at the closed cremator now expected to finish until after the new financial year.

General Fund Housing

6.4.8 The saving against General Fund Housing is partly due to staff savings, plus the impact of costs being funded from new grants received. Additional grant funding accounts for most of the swing since the last reported position.

Consumer Protection & Building Control

6.4.9 A £0.120m pressure in the Capita managed budgets for taxi-licencing income has been mitigated by the Capita NTC Technical Partnership.

6.5 Regeneration and Economic Development

6.5.1 Regeneration and Economic Development (R&ED) is reporting an outturn pressure of £0.357m.

6.5.2 **Table 22: Forecast Variation for Regeneration and Economic Development**

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Business & Enterprise	0.757	0.653	(0.104)	(0.154)	0.050
Regeneration	0.449	0.767	0.318	0.229	0.089
Resources & Performance	0.372	0.515	0.143	0.075	0.068
Grand Total	**1.578**	**1.935**	**0.357**	**0.150**	**0.207**

6.5.3 The £0.207m adverse change in variance across the service since the last Cabinet report includes a £0.050m reduction in the actual underspends across Business & Enterprise, as well as an £0.089m increase in Operational and Premises expenditure incurred across Regeneration, linked in part to higher than expected expenditure across the Swans sites.

6.5.4 Additional adverse variances across Resources & Performance increased (by £0.068m) due to staffing pressures following a transfer of a member of staff from Capita to NTC. This pressure will be a one-off to 2021/22.

6.6 Corporate Strategy

6.6.1 Corporate Strategy is reporting an outturn underspend of £0.144m (table 23 below). There is an improved £0.172m variance change from the previous reported position to Cabinet. The main factor in the improved position is the £0.129m underspend linked to the Customer Service packages following finalisation of the the Pension Cap & Collar adjustments from the Equans NTC Stratgic Partnership. Improving income via staff recharges and reduced expenditure across Policy, Performance & Research on surveys and licencing, as well as additional Marketing income are also supporting factors contributing to the improved variance.

6.6.2 **Table 23: Forecast Variation Corporate Strategy**

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Children's Participation & Advocacy	0.264	0.244	(0.020)	(0.026)	0.006
Corporate Strategy Management	0.395	0.408	0.013	0.148	(0.135)
Elected Mayor & Executive Support	0.020	0.032	0.012	0.010	0.002
Marketing	0.297	0.213	(0.084)	(0.055)	(0.029)
Policy Performance and Research	0.154	0.089	(0.065)	(0.049)	(0.016)
Grand Total	**1.130**	**0.986**	**(0.144)**	**0.028**	**(0.172)**

6.7 Resources and Chief Executive Office

6.7.1 Overall, Resources and Chief Executive Office, has outturn with an overspend of £1.172m; an adverse movement of £0.508m since January. The main reason for the movement is a revised outturn for Revenues & Benefits; a movement of £0.595m.

6.7.2 **Table 24: Forecast Variation Resources and Chief Executive**

Service Areas	Budget £m	Outturn Mar £m	Variance Mar £m	Variance Jan £m	Change since Jan £m
Chief Executive	(0.077)	(0.188)	(0.111)	(0.107)	(0.004)
Finance	(1.944)	(1.842)	0.102	(0.008)	0.110
ICT	2.917	2.884	(0.033)	0.140	(0.173)
Human Resources & Organisation Development	0.578	0.608	0.030	(0.035)	0.065
Internal Audit	0.020	0.005	(0.015)	0.070	(0.085)
Revenues & Benefits	1.910	3.109	1.199	0.604	0.595
Grand Total	**3.404**	**4.576**	**1.172**	**0.664**	**0.508**

6.7.3 The Revenues and Benefits service is showing an overspend of £1.199m. This is due mainly to full case reviews being undertaken that has resulted in overpayments being identified on overpayments subsidy and a drop in enforcement income versus cost of collection. The full overspend for Revenues & Benefits is made up of:

- Subsidy reporting overspend of £0.487m which is due to eligible overpayments for which the Authority only receives 40% from the Department of Work and Pensions;

- Overpayment income is now showing an under-recovery of £0.625m, due to a reduction in caseload which is a consequence of less housing benefit claims impacying on both number of overpayments (caseload also impacted by write off of historical debt, see below);
- The movement in Bad Debt Provision is showing the opposite impact of the overpayment income., mainly caused by the write off of outstanding, historic debt for vulnerable people, with an improvement against budget of £0.259m; and
- Enforcement income reflects actual cost of collection based on the latest cost of collection statistics. This created an outturn reduction of income against budget of £0.600m, an increase of £0.196m following the year end commercial discussions held with Equans with regards to the reduction in costs of recovery charged to low income debtors.

6.7.4 There is a net overpsend of £0.084m across the remaining service areas within Resources. Changes at year end mainly caused by additional HR legal advice costs and increased bank charges are offset partially by vacancy savings.

6.7.5 The Chief Executive’s office is showing a saving of £0.111m, due to savings in staffing and other operational spend.

6.8 <u>Law and Governance</u>

6.8.1 Law and Governance is reporting a £0.893m overspend, an increased variance of £0.352m since the last reported position to Cabinet. This outturn reflects high cost pressures in Legal Services of £0.548m mainly relating to the high cost of employing locums covering vacant posts and £0.413m overspend for delivery of North Tyneside Coroner Services.

6.8.2 **Table 25: Forecast Variation for Law and Governance**

Service Areas	**Budget £m**	**Outturn Mar £m**	**Variance Mar £m**	**Variance Jan £m**	**Change since Jan £m**
Customer, Governance & Registration	(0.068)	(0.040)	0.028	0.033	(0.005)
Democratic and Electoral Services	0.039	0.104	0.065	0.022	0.043
Information Governance	0.170	0.009	(0.161)	(0.112)	(0.049)
Legal Services	(0.090)	0.458	0.548	0.383	0.165
North Tyneside Coroner	0.294	0.707	0.413	0.215	0.198
Grand Total	**0.345**	**1.238**	**0.893**	**0.541**	**0.352**

6.8.3 The variance change compared from the last reported position to Cabinet is due increased employee costs across Legal Services as the use of locums has been extended to the end of financial year. In addition, unforeseen operational expenditure associated with the North Tyneside Coroner service (i.e. NHS Body Storage, Post Mortems, Pathology costs.) were higher than previously expected, with late invoices being received relating to previous years’ service delivery.

6.8.4 The aforementioned overspends are partially offset by underspends within Information Governance mainly linked to income overachievement on services supplied to schools, as well as an overachievement on Land Charges income.

6.8.5 Included within the outturn is the utilisation of (£0.078m) of Covid-19 support grant to be used to meet income shortfall forecasts made up of (£0.071m) and (£0.007m) for Legal Services and Registration of Births, Deaths & Marriages Wedding Venue Hire respectively.

6.9 **Central Items**

6.9.1 Central Items is forecasted to be in surplus by (£11.809m), an improvement of (£3.604m) since the January report. The change is primarily due to two factors; a (£5.893m) balance generated following the MRP Review offset by a £2.480m charge resulting from the ICT Deed Of Variation (DOV) settlement and compensation payment. The surplus figure within Other Central Items of £5.916m includes the contingency budgets of £5.404m of which £3.116m of that budget provision relates to the pressure being experienced in Children's Services. The other main areas impacting the position are summarised below:

- Strain on the fund savings of (£1.325m), due to minimum in-year costs anticipated this financial year;
- Minimum revenue provision savings of (£0.081m);
- Interest savings on borrowing of (£1.286m) (January, £1.200m), both of these arising from re-profiling of the Investment Programme and use of cash balances to minimise borrowing;
- In-year savings on pay award and apprenticeship levy budget of (£0.285m);
- In-year savings on Section 31 grants of (£0.283m);
- Shortfall of income generated by the Trading Company of £0.226m; and,
- Various small overspends totalling £0.044m.

6.9.2 Corporate and Democratic Core includes pension out of revenue savings of (£0.169m), savings within HRA support services recharges of (£0.119m) partially offset by miscellaneous overspends of £0.015m.

6.9.3 **Table 26: Forecast Variation Central Budgets and Contingencies**

Service Areas	Budget £m	Outturn 21/22 £m	Variance 21/22 £m	Variance Jan £m	Change since Jan £m
Corporate & Democratic Core	1.496	1.223	(0.273)	0.000	(0.273)
Other Central Items	(6.282)	(18.091)	(11.809)	(8.478)	(3.331)
Grand Total	**(4.786)**	**(16.868)**	**(12.082)**	**(8.478)**	**(3.604)**

SECTION 7 - SCHOOLS FINANCE

Schools Balances in 2021/22

7.1 Schools have concluded their 2021/22 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 decreased from a surplus of £3.721m at the start of the year to a closing surplus of £3.398m. This position is significantly better, by £9.391m, than the forecast at the start of the year when the outturn was expected to be an overall deficit of £5.993m. The most recent monitoring performed with schools during the year and completed in February 2022 showed an overall forecast deficit balance of £3.565m. 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 2021/22 is still to be quantified and won't be known until late July 2022). The reported position across 2021/22 is analysed below in Table 22 by phase:

7.2 In 2021/22 seven schools transferred to the Bishop Bewick Catholic Education Trust (BBCET), becoming academy schools and as such are not reported in the 2021/22 outturn for maintained schools. These schools left the Authority with a combined outturn balance of £1.081m. The outturn for these schools in 2020/21 was £0.875m, which is included in the 2020/21 outturn position in Table 27.

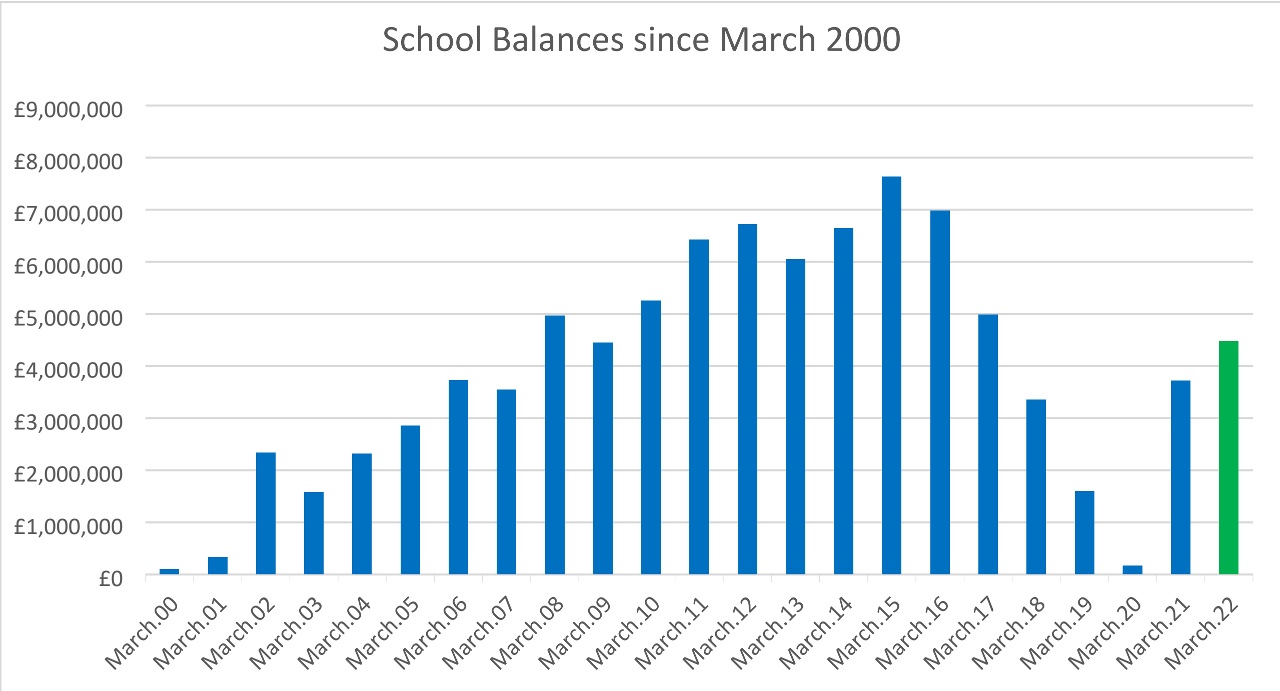
7.3 **Table 27: Maintained School balance position against plan Surplus/ (Deficit) - committed and uncommitted**

Phase	Outturn 2020/21 £m	Budget Plan 2021/22 £m	Monitoring 1 2021/22 £m	Monitoring 2 2021/22 £m	Provisional Outturn 2021/22 £m	Actual Movement from 2020/21 £m
Nursery	0.124	0.082	0.074	0.089	0.086	(0.038)
First	1.291	0.832	0.910	0.841	1.410	0.119
Primary	5.180	3.061	3.537	3.543	5.816	0.636
New Acedemies	0.875	0.000	0.000	0.000	0.000	(0.875)
Middle	1.013	0.414	0.506	0.630	1.408	0.395
Secondary	(5.577)	(9.808)	(8.915)	(8.558)	(5.943)	(0.366)
Special / PRU	0.815	(0.574)	(0.014)	(0.110)	0.621	(0.194)
Total	**3.721**	**(5.993)**	**(3.902)**	**(3.565)**	**3.398**	**(0.323)**

7.4 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.

7.5 The outturn position for 2021/22 is significantly better than predicted during the year, this is now the second year since 2015 of improved balances in North Tyneside. In 2020/21 the main reason was due to reduced investment and operational costs with schools being partially shut and attributable costs being funded by Covid grants. These balances then flowed into 2021/22 and schools are still catching up with investment, which will be included in the commitment values identified in July. Chart 6 below sets out the long-term trend of balances at March:

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



School Deficits

7.7 Cabinet will recall from the previous finance updates 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.

7.8 There were six schools identified with planned deficits in 2021/22, including two classed as structural deficits, which were supported with a total approved deficit value of £13.799m. Schools Forum and senior officers worked closely and collaboratively with these schools during the year, with all schools improving their closing position against their budgeted deficit and contributing to an improved outturn of £11.832m, a movement of £1.967m. The progress of individual schools is outlined in Table 28 below:

7.9 **Table 28: Provisional Outturn – Schools in deficit**

Deficit School Positions 2021/22	Deficit Approval £m	Provisional Outturn £m	Improvement £m
Greenfields	(0.084)	(0.065)	0.019
Ivy Road	(0.198)	(0.139)	0.059
Longbenton	(2.618)	(2.095)	0.523
Monkseaton High	(5.689)	(5.328)	0.361
Norham	(3.969)	(3.684)	0.285
Beaconhill	(1.241)	(0.521)	0.720
Total	**(13.799)**	**(11.832)**	**1.967**

7.10 Cabinet should note that all six schools are expected to remain in deficit for 2022/23. In addition to these schools with planned deficits in 2022/23, an additional three schools have informed the Authority that they expect to need to apply for a licenced deficit agreement in 2022/23. Consequently, nine schools are expected to request deficit approval in 2022/23. Initial deficit challenge sessions will have taken place during June and July 2022. Full details of deficit approval applications will be reported to Cabinet Members as part of financial management reports during 2022/23.

2022/23 Dedicated Schools Grant (DSG) Outturn

7.11 After allowing for school allocations, the 2021/22 DSG account of £157.061m (after removing academy funding) is showing a net deficit balance of £12.851m. This compares to a deficit of £7.932m in 2020/21. 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.

7.12 Within the individual blocks of the DSG, the closing balance on the High Needs block is a pressure of £13.512m, which increased by £4.792m in 2021/22 from £8.720m in 2020/21. This is partially offset by an underspend of £0.533m on 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

7.13 Cabinet will recall that the High Needs block outturn in 2020/21 was an adjusted overspend of £8.720m. This pressure has continued in 2021/22 with the provisional in-year outturn of £4.792m giving an overall deficit of £13.512m. 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.

7.14 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 29 below;

7.15 **Table 29: Breakdown of High Needs Pressures at March 2022**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	15.571	2.019	Pressure on places for children with Profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	4.120	1.604	Pressures in mainstream top-ups
Out of Borough	2.890	1.006	Additional costs of the most complex children currently not able to be supported in the Borough
Commissioned services	3.888	0.163	
Subtotal	**26.469**	**4.792**	
2020/21 brought forward balance		8.720	
Cumulative Outturn		**13.512**	

7.16 The Department for Education (DfE) 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 discuss a transfer for 2021/22 with Schools Forum which was not supported pending the completion of the High Needs Recovery Plan.

High Needs Recovery Plan

7.17 North Tyneside is an outlier in terms of the number of Education Health and Care Plans currently in use. The most recent figures suggest that the Authority are around 1% above the national average in terms of whole population. This has a significant impact on all the services that work with our children and young people with additional needs.

7.18 An informal discussion with the Education Skills and Funding Agency (ESFA) took place on 16 June 2021 where the Authority outlined its progress in relation to a recovery plan for high needs expenditure. These proposals have been shared with stakeholders including Schools Forum on 7 July. A draft DSG Management Plan was submitted to the ESFA by 13 August and the plan sought to address the High Needs deficit by 2025/26. The themes of the recovery plan link clearly to our SEND Inclusion Strategy and our Ambition for Education:

- Improved Graduated Approach to support more young people to have success in their local school;
- Review of Commissioned Services with a focus on maintaining young people in their local school;
- Annual reviews are focussed, timely and include ‘value for money’;
- The banding and mechanisms the Authority uses to fund schools are brought in line with our graduation aspirations;
- Use of capital funding to address issue around capacity;
- More effective place planning and projection is used to ensure that there are sufficient resources in place; and
- Ensuring that the Authority are working with our partners and stakeholders.

Early Years Block

7.19 The Early Years block has ended the year with a cumulative deficit of £0.093m. This included a brought forward surplus of £0.198m from 2020/21.

7.20 An adjustment to funding takes place in July 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.

SECTION 8 - HOUSING REVENUE ACCOUNT (HRA)

Outturn in 2021/22

8.1 The HRA shows a surplus of £0.442m against the in-year 2021/22 Budget, plus a £0.047m improvement in the budgeted brought forward balances, which cumulatively brings the HRA to £0.489m better than the budgeted position for 2021/22. The overall position is shown in Table 30 below and shows a position that has improved during the course of the year, but with some significant movements across different areas of expenditure. The figures include any remaining impact of all identified HRA and in-house construction service-related Covid-19 costs.

8.2 **Table 30: Outturn Variance Housing Revenue Account**

	FULL YEAR – 2021/22			Jan 2022 Variance £m
	Full Year Budget £m	Outturn Actual £m	Outturn Variance £m	
INCOME				
Rental Income	(60.995)	(60.866)	0.129	(0.096)
Other Rental Income - Shops & Offices etc.	(0.356)	(0.434)	(0.078)	(0.047)
Interest on Balances	(0.050)	(0.074)	(0.024)	0.000
PFI Credits	(7.693)	(7.693)	0.000	0.000
TOTAL INCOME	**(69.094)**	**(69.067)**	**0.027**	**(0.143)**
EXPENDITURE				
Capital Charges – Net Effect	12.968	12.954	(0.014)	0.000
HRA Management Costs	10.875	10.020	(0.855)	(0.046)
PFI Contract Costs	9.737	10.037	0.300	0.300
Repairs	12.350	13.020	0.670	(0.005)
Revenue Support to Capital Programme	10.551	11.445	0.894	0.000
Contribution to Major Repairs Reserve – Depreciation	13.276	12.357	(0.919)	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.280	0.735	(0.545)	(0.487)
Pension Fund Deficit Funding	0.000	0.000	0.000	0.000
TOTAL EXPENDITURE	**71.037**	**70.568**	**(0.469)**	**(0.238)**
NET POSITION 2021/22	**1.943**	**1.501**	**(0.442)**	**(0.381)**
BALANCES BROUGHT FORWARD	**(4.955)**	**(5.002)**	**(0.047)**	**(0.047)**
BALANCES TO CARRY FORWARD	**(3.012)**	**(3.501)**	**(0.489)**	**(0.428)**

Outturn Variance Analysis

8.3 Rental income saw a budget under-recovery of £0.051m mainly due to a significant drop-off in general needs dwellings income (£0.277m below budget, this was partly attributable to the increased number of Right to Buys (RTB) in-year which saw 167 sales the highest annual total since self-financing was introduced in 2012. However, this was offset by improvements elsewhere with Service charge income continuing to perform strongly and coming in £0.069m better than budget, as did temporary and dispersed income (£0.047m better than budget), Garage rents (£0.033m better than budget), and income from commercial properties and properties rented to HECS for various client groups came in well above budget (£0.078m).

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, Debt Management Expenses, and the Minimum Revenue Provision (MRP) equivalent set aside to repay debt. Overall, the net position for Capital charges shows as £0.014m under budget for 2021/22;
- Revenue contribution to the funding of Capital outlay – there was an increased call of £0.894m on this element of direct revenue financing of capital spend for 2021/22 which is a direct result of the actual Depreciation charge discussed below, and purely compensates for the reduction against budget of that charge; 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, this is based on the calculation of a "true" charge at year-end, which was £0.919m below the budget provided. However, the budgeted contribution forms a critical part of the financing of the HRA Investment Plan, and hence the additional revenue contribution to capital mentioned above was made to compensate for the shortfall in Capital Financing, with no detriment overall to either the bottom line for the HRA, or the financing of the Capital Investment Plan.

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

8.5 The outturn position for management costs has improved significantly over the course of the year, and particularly over the last quarter to result in a £0.855m under-spend against budget. A range of factors resulted in a significant movement in outturn figures for management costs, with the main changes being:

- Pension Strain on the Fund - reduced pension costs this year for housing management staff departures (£0.058m);
- Vacancy & Pay Award Contingency savings (£0.370m);
- General Office Expenses, Postage and Telephone Costs – (£0.080m);
- Increased water rates commission (£0.042m);
- Windfall on Water rates reconciliation & Miscellaneous Income (£0.068m);
- Budget savings due to delays in process for Unified Systems Review (£0.148m);
- Reduced Housing Management Training Costs (£0.057m);
- Reduced costs and grant income re lost rental income for Temporary & Dispersed Units (£0.153m);
- Reduced court costs re rent arrears due to pandemic (£0.080m); and
- Other Miscellaneous Cost Reductions across range of areas (£0.090m).

These reductions have been offset in some areas by overspends in the following areas:

- Increased costs of ICT support mainly relating to Rentsense (£0.046m);
- Sheltered Housing Management recgharges from HECS (£0.050m);
- Increases Energy Costs re Communal Blocks (£0.027m);
- Communal Utility Costs re Sheltered Schemes (£0.044m); and
- Range of other miscellaneous variances across the service (£0.117m).

8.6 As reported in previous years a number of delegated decisions have been made to utilise PFI Reserve funds to support other areas of the HRA, namely, the purchase of the new fleet for Property Services, and payment of a settlement agreement with PFI Contractors S4NT and Galliford Try totalling in the region of £4.000m overall. Plans were made to restore the balance on the reserve over the following seven years. However, the opportunity was taken two years ago 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 £0.300m 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 reason for the £0.300m overspend against this element of the budget.

8.7 For the second year in a row the HRA Repairs Budget has ended the year with a significant overspend against budget (£0.670m). The adverse variance in 2020/21 of £1.474m related almost entirely to the impact of Covid-19 on the service. This year, as well as continuing to deal with some residual issues linked to the pandemic, the borough, in common with most of the country, was hit by multiple storms, causing disruption and unprecedented damage to roofing, walls and fences. A major programme of works was put together to tackle the damage, utilising both revenue and where possible capital resources within the Investment Plan. The vast majority of those works was completed in-year with some residual works to be picked up as part of the 2022-23 programme of works. In addition to the adverse weather, the aftermath of the pandemic and the commencement of the conflict in Ukraine have seen huge inflationary pressures, material shortages and increased fuel costs, all of which have increased pressures on budgets and led to reduced returns for the resources available. This will continue to be a challenge for some time to come, as we head towards a period of stagflation and economic uncertainty.

8.8 Rent Arrears again flattened out in the last few months of the year and further reduced the call on the in-year Bad Debt Provision (£0.441m); the call on contingency did increase in the last few months due mainly to outstanding contributions to the Tyne & Wear Shared Homes Scheme (£0.097m), and transitional protection came in slightly under budget (£0.012m). So overall the significant swings across different service areas during the last quarter of the year saw an overall improvement in the bottom line of £0.442m in-year and £0.489m including brought forward balances.

Rent Arrears and Bad Debt Provision

8.9 Arrears are made up of two elements:

- Current Tenant Arrears and,
- Former Tenant Arrears

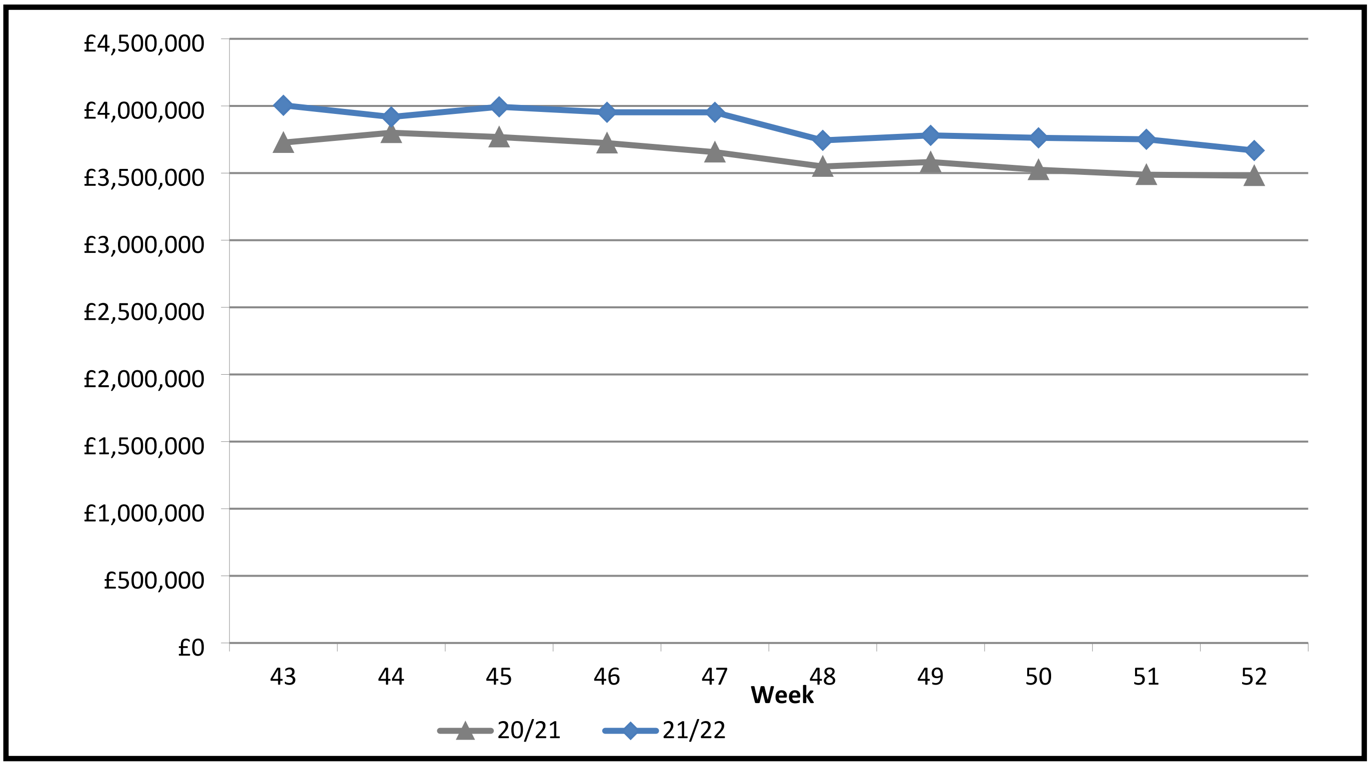
8.10 **Table 31: Rent Arrears**

Date	Current Arrears	Former Arrears	Total Arrears	Change Year on Year
	£	£	£	£
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
31/03/2022	3,694,219	2,461,646	6,155,865	345,819

8.11 Arrears have risen significantly over the last three years as illustrated in the table above. The initial fear that the pandemic would lead to an even higher rate of increase was unfounded, and since then the rate of increase has continued to slow down, albeit we are now seeing arrears exceed £6.000m which is double the level held in 2015-16.

8.12 Chart 7 below shows the value of current rent arrears in 2021/22 compared to the same period in 2020/21. The Housing team is continually working proactively with tenants to minimise arrears.

8.13 **Chart 7: Current Arrears - Feb-Mar 2021/22 compared to 2020/21**



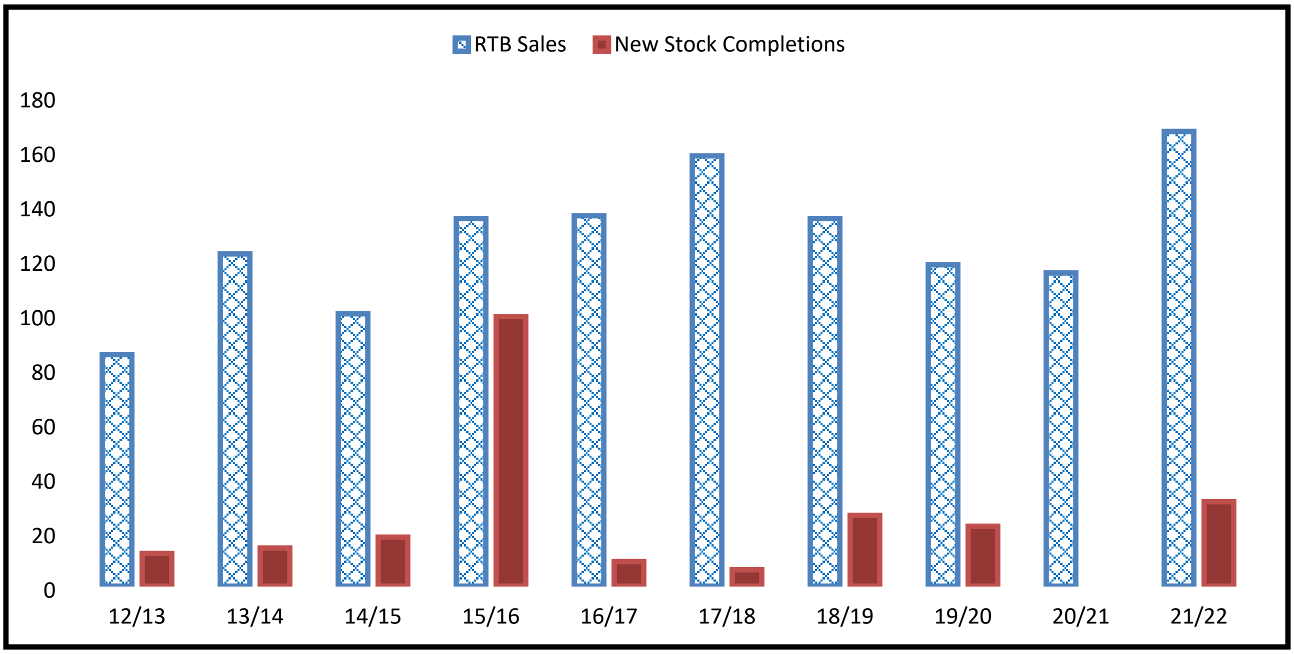
8.14 The main mechanism for helping to manage arrears is the Bad Debt Provision (BDP), which at the start of 2021/22 stood at £4.743m on the HRA Balance Sheet with the budget for the 2021/22 contribution at £1.029m. Because of the slowdown in the rate of increase in the level of arrears, the outturn in-year BDP requirement reduced significantly to £0.588m, this was £0.441m under budget for 2021/22 and included writing-off £0.246m of bad debt during the year, all of which resulted in a carry forward Bad Debt Provision at year-end of £5.085m.

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 2022, there were 3,712 tenants of North Tyneside Homes on Universal Credit with arrears totalling £3.668m. This is up by 406 tenants and £0.204m of arrears from the beginning of the year when there were 3,306 tenants on UC with arrears of £3.464m.

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 2021-22 have not only climbed back to pre-pandemic trend levels, but 2021-22 saw the highest number of RTB sales since the changes introduced back in 2012 with 167 RTB sales.

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.

2021/22 Capital Expenditure

9.3 The initial 2021/22 Investment Plan Budget was £68.611m (£42.249m General Fund and £26.632m 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 £78.469 (£49.423m General Fund and £29.046m Housing). Table 32 below summarises these changes:

Table 32: 2020/21 Investment Plan – Summary of changes to Budget

	£m
Investment Plan approved by full Council – 18 February 2021	68.611
Reprogramming from 2020/21	18.398
Reprogramming to 2022/23	(28.907)
Other variations (net)	20.367
Revised Investment Plan	**78.469**

9.4 Actual capital expenditure in 2021/22 totalled £63.045 (£53.830m in 2020/21), comprising General Fund expenditure of £36.287m and £26.758m on Housing Schemes.

9.5 Table 33 below compares the actual capital expenditure for 2021/22 with the revised Budget for the year, as well as the actual spend for 2020/21 for comparison:

Table 33: Comparison of Capital Expenditure to Revised Budget for 2021/22

Actual Capital Expenditure 2020/21 £m		Revised Capital Budget 2021/22 £m	Actual Capital Expenditure 2021/22 £m	Variation from Budget over / (under) £m
33.468	General Fund	49.423	36.287	(13.136)
20.362	Housing	29.046	26.758	(2.288)
53.830	**Total**	**78.469**	**63.045**	**(15.424)**

9.6 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.

9.7 Across all capital projects, further reprogramming of £15.424m has been identified and it is requested that Cabinet approve the carry forward of this amount into the 2022/23 Investment Plan. A detailed breakdown of this amount is included in **Appendix C**.

9.8 The major achievements delivered as part of the capital investment programme in 2021/22 include:

(a) Completion of projects including.

- Public Sector decarbonisation scheme.
- 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, including Rising Sun and Riverdale Children’s home refurbishments works
- Wallsend Customer First Centre - internal fit out and improvements.
- Investment in North Tyneside Trading Company
- Northern Promenade.
- Surface water management
- 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.

- Ambition for North Tyneside
- Saville Street / Bedford Street Public Realm
- Howard Street Cultural Quarter

- Transforming Cities
- Weetslade & Westmoor Roundabouts Highways
- 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

9.9 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.

9.10 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.

9.11 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.

9.12 The total capital expenditure of £63.045m has been financed as shown in table 34 below:

Table 34: 2021/22 Capital Financing

	2021/22 Capital Financing £m
Council Contribution	
Prudential (Unsupported) Borrowing – General Fund	6.792
Capital Receipts -General Fund	0.702
Capital Receipts – HRA	1.110
Direct Revenue Funding - General Fund	0.599
Direct Revenue Funding – HRA	11.679
Major Repairs Allowance	13.231
Contribution from Reserves	0.227
	34.340
External funding	
Specific Government Grants	27.460
ERDF	0.507
Capital Grants and Contributions	0.738
	28.705
	63.045

9.13 Total Prudential borrowing for the General Fund was £6.792. During the year £6.410m of General Fund capital receipts were generated, which adding the balance caried forward (£2.588m) gave an available balance of £9.011m. £0.702m have been used to finance expenditure in 2021/22, £5.125m have been used to repay loans, £0.100m used to repay debt, leaving a balance of £3.073m to be carried forward for future years.

9.14 For Housing, capital receipts of £8.766m were received during 2021/22, of which £1.874m were pooled and paid across to central government leaving a balance of £6.892m available for financing. This balance plus the brought forward receipts of £8.262m gave an available balance of £15.154m. Of this £1.110m was used to finance 2021/22 capital spend and £4.383m was set aside to repay debt leaving a balance of £9.661m to be carried forward into 2022/23.

9.15 Table 35 below shows the movement in capital receipts during 2021/22 including receipts received during 2021/22 (identified in paragraphs 9.14 and 9.15 above), receipts brought forward at 1 April 2021, receipts used to finance the 2021/22 Investment Plan, receipts set aside to repay debt and loans, and receipts carried forward at 31 March 2022.

Table 35: Movement in Capital Receipts during 2021/22

	Receipts brought forward 1 April 2021 £m	**Net Unusable Receipts received £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 2022 £m**
General Fund	2.588	0.003	(6.410)	(0.704)	0.100	(5.125)	3.073
Housing	8.262		(7.325)	(1.110)	4.383	0	10.094
Total	**10.085**	**(0.03)**	**(13.735)**	**1.814**	**4.483**	**(5.125)**	**13.167**

9.16 The Authority also used the below funding from specific Government grants. These grants included:
- £5.618m Education and Schools Capital funding;
- £8.101m Transport and Infrastructure funding; and,
- £2.845m Relating to public sector decarbonisation
- £1.402m Better Care Fund (including Disabled Facilities Grant)
- £1.590m Green Homes

9.17 Capital Grants and Contributions used in the year included:
- £2.867m Section 106 contributions;
- £2.500m Getting Building Fund
- £1.287m Heritage Action Zone

9.18 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 34 above.

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

International Financial Reporting Standards (IFRS) adjustments to Capital Expenditure in 2021/22

9.20 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.

9.21 During 2021/22 spend of £0.284m was incurred under the street lighting PFI contract.

Variations to the 2022-2027 Investment Plan

9.22 March 2021/22 variations of £9.654m and reprogramming of £15.414m to the Investment Plan have been identified and are included in table 36. Table 36 also includes variations of £34.622m relating to additional / new gateways and grant determinations which require Cabinet approval for 2022/23.

9.22.1 **Table 36: 2022 - 2027 Investment Plan changes identified**

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Approved Investment Plan – Council 17 February 2022	**64.632**	**51.594**	**49.829**	**47.561**	**51.358**	**264.974**
Reprogramming/Variations						
2021/22 March Cabinet 2021/22 Outturn	9.654 15.419	0.000 -0.005	0.000 0.000	0.000 0.000	0.000 0.000	9.654 15.414
Gateway/Grant Determination Variations for 2022-2027 Variations	24.210	8.837	1.071	0.252	0.252	34.622
Total Variations	**24.210**	**8.838**	**1.071**	**0.252**	**0.252**	**34.622**
Revised Investment Plan	**113.915**	**60.426**	**50.900**	**47.813**	**51.610**	**324.664**

Review of the Authority's Minimum Revenue Provision (MRP) Methodology

9.23 Local Authorities are required by statute to make a charge to their revenue account to provide for the repayment of debt resulting from capital expenditure, known as Minimum Revenue Provision ("MRP").

9.24 The statutory duty to provide Minimum Revenue Provision (MRP) was introduced by regulation 27 and 28 of the Local Authority (Capital Financing and Accounting) (England) Regulation 2003 (SI 2003 3146).

In 2008, amendment regulation 4(1) of the SI 2008 4141 revised the former regulation 28. In the new regulation 28, the detailed rules are replaced with a simple duty for an authority each year to make an amount of MRP which it considers to be "prudent". The regulation does not itself define "prudent provision".

> *"A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent"*

9.25 The Statutory Guidance refers to the meaning of prudent provision as:

> *"The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their CFR. In doing so local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits".*

The Authority currently uses a straight-lined approach to provision for MRP, and is calculated by dividing the value of the asset by the useful life of the asset.

9.26 As part of the 2021-2025 Medium-Term Financial Plan the Authority stated an intention to undertake an MRP review encompassing the methodology for charge as well as the underlying calculations. During the year the Authority engaged with our Treasury advisors Link to carry out a review of the Authority's MRP methodology. This work was completed in March 2022 and the change in methodology has resulted in a reduced MRP charge delivering a £5.893m surplus in 2021/22. This will be used as an earmarked reserve to strengthen the Authority's financial resilience in a time of continued cost pressures as well as rising inflation and interest rates.

9.27 A report was taken to IPB during 2021/22 which outlined the challenges the Authority may face in 2022/23 as a result of rising costs and inflation due to continued supply chain issues following the conflict in Ukraine and Russia, and as the world continues to recover from COVID. The update in the methodology will provide a reduction in the MRP charge which can be put to an earmarked reserve that would be used to mitigate the rising costs and inflation within the Investment plan and provide the Authority additional resilience to deliver on the Authority's Ambition.

9.28 A prudent option needs to ensure that the MRP repayment period is reasonably proportionate with the period over which the capital expenditure provides benefits. The proposed methodology is based on a simplified approach that uses an average asset life for all unsupported borrowing. This would reduce the unsupported CFR repayment term to 25 years, so enabling the Authority to write down the debt liability over 40 years earlier than under the current methodology.

9.29 The reduction in the debt liability period is considered a prudent approach as it is based on the Authority's weighted average life of assets to which the expenditure relates and repays the debt liability much earlier. It provides the additional flexibility, material savings and is the optimum strategy available to the Authority.

9.30 CIPFA supports the use of the annuity debt repayment charge method for calculating MRP. Their publication "Practitioners Guide to Capital Finance in Local Government 2019 edition" states;

- *The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.*
- *The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, considering the real value of the amounts when they fall due.*
- *The annuity method would then be a prudent basis*

9.31 In terms of MRP the annuity method is considered a prudent approach as it reflects the time value of money (i.e., the impact of inflation) as well as providing a charge that is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years.

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 2021/22 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 17 February 2021);
- a mid-year (minimum) treasury update report (Cabinet 29 November 2021); 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 delivered by Link, the Authority's advisors on the 10 November 2021 and 1 December 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 37 below shows the actual capital expenditure and how this was financed. Further details of this are shown in table 34 in section 9 of this report.

Table 37: Actual Capital Expenditure and its Financing

	2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
General Fund	33.468	49.423	36.287
HRA	20.362	29.046	26.758
Total Capital Expenditure	**53.830**	**78.469**	**63.045**
Financed in-year (grants, contributions, and capital receipts)	40.684	66.345	56.078
Unfinanced Capital Expenditure (Prudential borrowing)	13.146	12.124	6.967

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). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

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 38 below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

Table 38: Gross Borrowing against the CFR

	2020/21 Actual £m	2021/22 Estimate £m	2021/22 Actual £m
CFR General Fund	310.323	305.029	301.139
CFR HRA	313.049	307.662	303.279
Total CFR	**623.372**	**612.691**	**604.418**
Gross borrowing position	528.206	504.945	504.728
Under/over funding	95.166	105.937	99.690

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 **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.

Table 39: Actual financing costs as a proportion of net revenue stream

	2021/22 £m
Authorised limit	1,175.000
Maximum gross borrowing position during the year	524.728
Operational boundary	635.000
Average gross borrowing position	510.267
Financing costs as a proportion of General Fund net revenue stream	17.14%
Financing costs as a proportion of HRA net revenue stream	28.02%

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 40 below:

Table 40: Treasury Position as at 31 March

Borrowing Position	31 March 2022 Principal £m	Rate/Return %	31 March 2021 Principal £m	Rate/Return %
Fixed Rate Funding:				
-*PWLB long - term	249.250	3.62	249.250	3.62
(HRA-Self Financing)	128.193	3.49	128.193	3.49
-Market **(LOBO's)	20.000	4.35	20.000	4.35
-Temporary	0.000	0.00	20.000	0.85
Total External Debt	**397.443**	3.61	**417.443**	3.48
CFR	**497.133**		**512.609**	
Over (Under) borrowing	**(99.690)**		**(95.166)**	

*Public Works Loan Board **Lender Option Borrower Option

Table 41: The maturity structure of the external debt portfolio was as follows:

	31 March 2022 Actual £m	31 March 2021 Actual £m
Within 12 months	5.000	20.000
12 months and within 24 months	14.000	5.000
24 months and within 5 years	23.575	34.000
5 years and within 10 years	44.900	43.475
10 years and within 20 years	82.200	77.200
20 years and within 30 years	53.575	58.575
30 years and within 40 years	113.193	115.000
40 years and within 50 years	61.000	65.193
Greater than 50 years	0.000	0.000

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

10.5 Investment Portfolio

Table 42: Treasury and Non-Treasury Investments

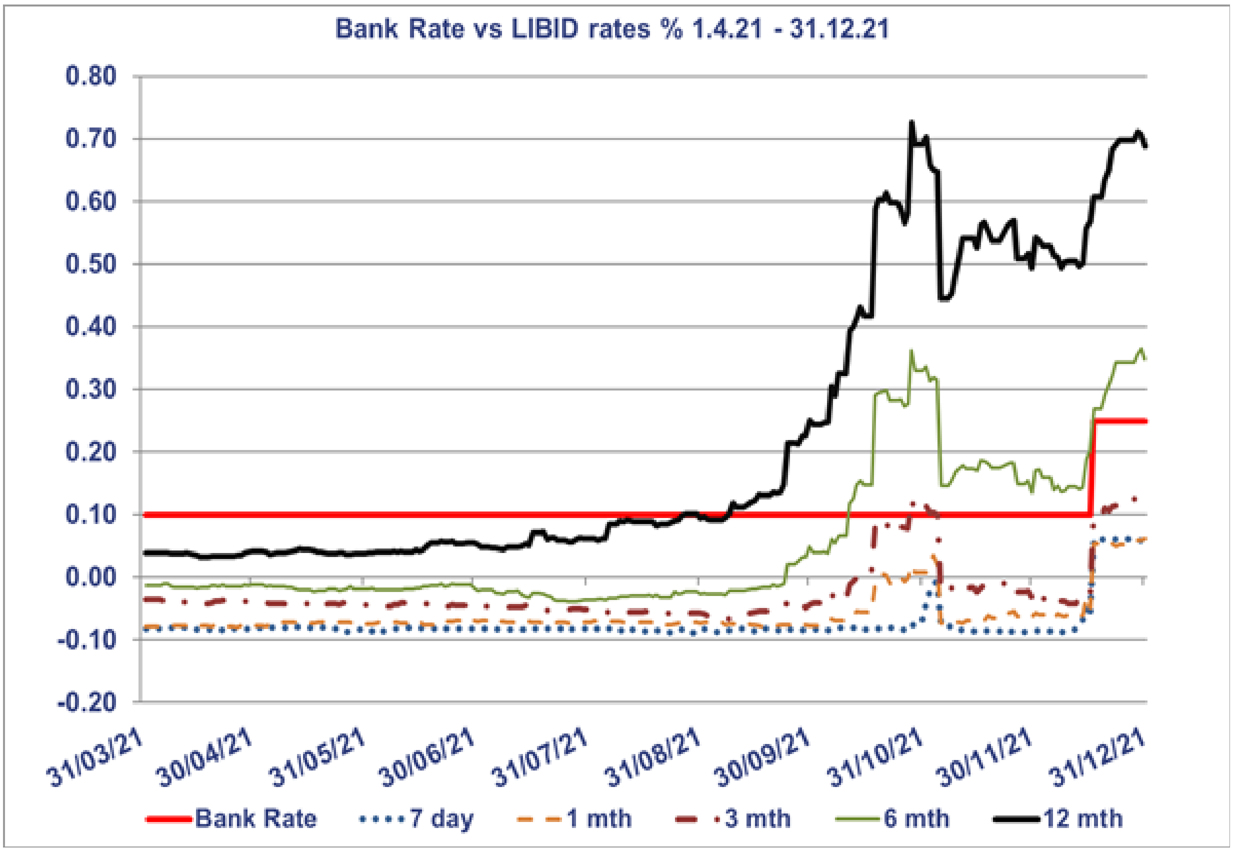
Treasury investments	**Actual 31 March 2022 £m**	**Actual 31 March 2021 £m**
DMADF (H M Treasury)	22.000	14.000
Other Local Authorities	25.000	27.500
Deposit Accounts	10.000	5.000
Other Bank Balances	3.794	2.089

Non-Treasury investments	**Actual 31 March 2022 £m**	**Actual 31 March 2021 £m**
Joint venture	0.000	0
Companies	0.000	4.665
TOTAL NON-TREASURY INVESTMENTS	**0.000**	**4.665**

10.5.1 Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and managed surplus funds by undertaking inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

10.5.2 The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied large 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 remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

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 forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.

Chart 10: Interest Rate View

Link Group Interest Rate View			10.5.21								
	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	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

10.6.6 Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.
At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

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 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 a further rise in short-dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze.

10.7 Borrowing Outturn for 2021/22

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 remains need for the Authority to undertake new long-term borrowing during 2021/22.

10.7.2 There is no short-term borrowing outstanding for the Authority.

10.7.3 Maturing long-term loans of £5.000m were repaid in 2021/22 as detailed in Table 43 below:

Table 43 - Maturing Long-Term Loans repaid during 2021/22

Principal £m	Interest Rate %	Date Repaid
5.000	0.89	01 October 2021

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.

10.8 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 18 February 2021. 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 44: Core Cash Balances

Balance Sheet Resources	**31 March 2022 £m**	**31 March 2021 £m**
Balances	14.980	15.722
Earmarked reserves	85.777	99.716
Insurance Provisions	3.698	3.816
Usable capital receipts	13.167	10.851
Total	**117.622**	**130.105**

10.8.4 **Investments held by the Authority** - The Authority maintained an average balance of £25.300 of internally managed funds invested with the Debt Management Office (DMO). An average balance of £5.000m was held 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 £25.000m outstanding with other local authorities. This balance generated a weighted average return for the Authority of 0.12%.

10.8.5 Internally managed funds earned a total investment income was £0.100m compared to a budget of £0.023m.

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