

North Tyneside Council

Report to Cabinet

Date: 27 June 2022

Title: 2021/22 Provisional Finance Outturn Report

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

Finance

Responsible Officer:

Janice Gillespie, Director of Resources

Tel: 643 5701

Wards affected:

All

PART 1

1.1 Executive Summary:

- 1.1.1 This report, and the supporting Annex 1 and its Appendices, set out details in respect of the provisional outturn for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2021/22.
- 1.1.2 The 2021/22 financial year was in many ways challenging, following the prolonged impact of the Covid-19 pandemic. The pandemic was unprecedented both in terms of magnitude and the sheer breadth of the disruption to everyday life in the Borough. Whilst Covid-19 has not disappeared, some sense of normality is returning, and although it would have seemed unlikely a year ago, new issues are emerging and overtaking the pandemic both in terms of the media attention, public consciousness, and areas of immediate concern for North Tyneside residents, such as the current 'cost of living crisis' which has seen the cost of energy, fuel and food rise far in excess of rises in wage levels.
- 1.1.3 The impact of both the challenges and opportunities, on the Authority and its financial position are described in more detail throughout Annex 1. The Annex continues to highlight the work that the Authority has undertaken during 2021/22, and in continuing to do so into 2022/23, to administer grants to support specific initiatives and individuals together with a range of Business Rate Relief and grant support to businesses. At the end of 2021/22, the Government provided over £14m

of grant support to enable the Authority to issue the £150 Council Tax Energy Rebate to residents, to help alleviate the impact of the rising energy costs, in the early months of 2022/23. At the time of writing, more than 76% of all such payments have been issued.

- 1.1.4 It is important to appreciate that many of the Authority's underlying financial pressures have not reduced. Many of the services with significant adverse variances in 2021/22 continued the trend from previous years including social care services, reflecting increasing demand for these services and the complex nature of the support that is needed.
- 1.1.5 The final outturn for the Authority has improved from the position reported to Cabinet in January with an overall movement of (£8.717m) leaving a surplus of (£5.815m). This is driven by two elements; firstly, there is a small business as usual overspend of £0.078m and secondly, a surplus of (£5.893m) generated as a result of an MRP Review.
- 1.1.6 As mentioned above, the full long-term impact of the pandemic is unknown, and the recent challenges presented by the war in Ukraine with its broader implications along with the current 'cost of living crisis' are expected to have a significant impact on the Authority's finances going into 2022/23 and beyond, as well as the finances of the residents of the Borough. 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 The purpose of this report is therefore to:
 - (a) Advise Cabinet of the provisional 2021/22 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 6, 7 and 8) together with a financial overview of the year and an outlook into 2022/23 with reference to considerations around the potential impact of Covid-19 on medium term financial planning (Annex 1, Section 1);
 - (b) Advise Cabinet of decisions made under the Reserves and Balances Policy (Annex 1, Paragraph 1.6, and Appendix A);
 - (c) Inform Cabinet of the Authority's Investment Plan spend during 2021/22, and the financing put in place (Annex 1, Section 9);
 - (d) Seek Cabinet approval for the receipt of £2.355m new revenue grants (outlined in Annex section 4);
 - (e) Seek Cabinet approval for reprogramming of £15.424m within the 2021/22 Investment Plan (Annex 1, Section 9, Paragraph 9.8 and Appendix C);
 - (f) Seek Cabinet approval for variations of £34.622m ready for the 2022-2027 Investment Plan (Annex 1, Section 9, Paragraph 9.22);
 - (g) Advise Cabinet of the Council's Treasury Management performance (Annex 1, Section 9);

- (h) Advise Cabinet of the performance of both Capital and Treasury Management Prudential Indicators (Annex 1 Section 10 and Appendix D); and
- (i) Note the changed methodology for the calculation of Minimum Revenue Provision (MRP) and the proposal to bring a more detailed report to the next Full Council meeting. (Annex 1, Section 1, 1.1.5)

1.2 Recommendations:

1.2.1 It is recommended that Cabinet:

- (a) Notes the provisional 2021/22 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 6, 7 and 8) together with a financial overview of the year (Annex 1, Section 1);
- (b) Notes the decisions made under the Reserves and Balances Policy (Annex 1, Paragraphs 1.6, and Appendix A);
- (c) Notes the Authority's Investment Plan spend during 2021/22, and the financing put in place (Annex 1, Section 9);
- (d) Approves the receipt of £2.355m new revenue grants (outlined in Annex section 4);
- (e) Approves reprogramming of £15.424m within the 2021/22 Investment Plan (Annex 1, Section 9, Paragraph 9.8 and Appendix C);
- (f) Approves reprogramming of £34.622m ready for the 2022-2027 Investment Plan (Annex 1, Section 9, Paragraph 9.22);
- (g) Notes the Council's Treasury Management performance (Annex 1, Section 10);
- (h) Notes the performance against the Capital and Treasury prudential indicators (Annex 1 Section 10 and Appendix D); and
- (i) Notes the changed MRP methodology.

1.3 Forward Plan

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 27 May 2022.

1.4 Council plan and policy framework.

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

1.5 Information - Executive Summary

- 1.5.1 Annex 1 to this report sets out the provisional outturn for 2021/22 for the General Fund, the Housing Revenue Account, Schools Finances and the Investment Plan. It also provides a summary position on the achievement of the Treasury Management Strategy during the year together with the associated Prudential Indicators for capital and treasury.

- 1.5.2 **Strategic Issues:** The end of the financial year 2019/20 saw the beginning of the Covid-19 Pandemic and the impact 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 during 2021/22. There has been sustained support to the Social Care Sector for both Adults and Children's in 2021/22. The Authority has been responsible for acting as agent for a number of grants to support the businesses in the borough and again this continued throughout 2021/22.
- 1.5.3 There have been a range of financial interventions introduced by the Government, these are set out in section 5 of the Annex. The Authority had received its share of the Government's Local Support Grant of £5.576m to support council services in 2021/22. £1.476m from the 2020/21 award was still available to support 2021/21 so the total funding available was £7.052m. 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 on Covid-19 into 2022/23.
- 1.5.4 Cabinet is aware that Local Authorities were also compensated for losses incurred against their sales, fees and charges budgets in quarter 1 of 2021/22. 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, the balance being born by the Authority.
- 1.5.5 In addition to receiving support for council services, the Authority received grants to support the businesses in the borough. £12.773m was received and £11.731m was brought forward from 2020/21. A total of £18.240m was paid across to businesses. The remaining balance of £6.264m was transferred to reserve and £6.262m is being held in anticipation of repayment to Central Government. This relates to the Business Support Top-up, Local Restrictions Grants, Additional Restrictions Grant, Restart Grant and Omicron Hospitality & Leisure Grant, where the schemes have ended and the authority was awarded more funding than was required.
- 1.5.6 £4.258m was allocated to the Authority to support our residents, including financial support for our most vulnerable and also to allow the Authority to put in place measures to allow residents to continue to enjoy our coastline, town centers and the many attractions throughout the borough, when restrictions allowed. A balance of £6.908m was brought forward from 2020/21 and £9.277m was spent during 2021/22. £1.889m was carried forward to 2022/23. The majority of the funding carried forward related 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. The Authority has a range of proposals to spend this funding to help contain outbreaks as the country continues to recover from the pandemic.
- 1.5.7 £5.418m was provided by government to help support the Care home market and had a brought forward figure of £0.544m from 2020/21 meaning the total available

funds were £5.962m. The majority of these funds were passed directly to care homes with a total allocated in 2021/22 of £5.666m. The balance of £0.296m carried forward have been committed to be spent in 2022/23. The Authority also received £2.572m to support its schools which along with £0.309m brought forward from 2020/21 meant that £2.881m was available for 2021/22. £2.637m was allocated to support schools to ensure children were not detrimentally impacted by being unable to attend classes in school. The remaining balance of £0.244m is to be allocated in early 2022/23.

- 1.5.8 **General Fund Revenue Budget:** The budget for 2021/22 was approved by full Council at its meeting of 18 February 2021. The net General Fund revenue budget was set at £150.154m including efficiency savings of £4.537m. The monitoring report up to 31 January 2022 projected a pressure of £2.902m and the final position is a underspend of (£5.815m). This is driven by two factors. There is a business-as-usual deficit of £0.078m, which has arisen substantially from pressures in Children's Social Care, Facilities and Fair Access and Law & Governance. It is proposed to cover this deficit via a £0.078m drawdown from the Strategic Reserve. In addition to the business-as-usual position there is also a surplus of (£5.893m), which is as a result of an MRP review resulting in a lower charge of MRP being made than the Authority had budgeted for in 2021/22. The balance of (£5.893m) is proposed to be transferred to a new MRP earmarked reserve. Following these transfers, the General Fund will outturn on budget.
- 1.5.9 **Housing Revenue Account:** The Housing Revenue Account has year-end balances of £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.
- 1.5.10 **School Finances:** School Balances have decreased from £3.721m to £3.398m, these balances include a significant amount of committed funds and the permitted carry forward of grants for the remainder of the academic year.
- 1.5.11 **Investment Plan:** The final capital expenditure for the year was £63.045m, with a recommendation noted above for Cabinet to approve reprogramming of £15.424m into 2022/23.
- 1.5.12 **Treasury Management:** The Authority has acted in line with the agreed strategy that the security of the Authority's resources is of greater importance than returns on investments. The level of investments at 31 March 2022 was £60.794m (£22.000m with HM Treasury, £25.000m with other local authorities, and £13.794m with banks and other deposits). The level of borrowing (excluding PFI) was £397.443m (down from the 2020/21 level of £417.913m) which is well within the capital financing requirement agreed as part of budget setting. This is primarily due to continued level of internal borrowing and receipt of grant funding.
- 1.5.13 **Reserves, Balances and Provisions:** As part of the 2021/22 final accounts, a full review of all provision and reserves has been undertaken to ensure that appropriate consideration has been given to known liabilities, risks and uncertainties that remain in future years; in particular where conditions associated with Covid-19 grant funding require that unspent monies are carried into future years.

1.5.14 **New Revenue Grants:** The following revenue grants have been received during 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
Health, Education, Care and Safeguarding	Home Office	Unaccompanied Asylum Seeking Children (UASC) - Exceptional Spend	All local authorities supporting UASC and UASC care leavers are eligible 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	0.219

Service	Grant Provider	Grant	Purpose	2021/22 value £m
			<p>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.</p>	
<p>Environment, Housing & Leisure</p>	<p>Home Office</p>	<p>Homes for Ukraine</p>	<p>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. 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.</p>	<p>0.800</p>

Service	Grant Provider	Grant	Purpose	2021/22 value £m
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
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

Service	Grant Provider	Grant	Purpose	2021/22 value £m
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
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

1.6 Decision options:

Option 1

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

Option 2

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

Option 1 is the recommended option.

1.7 Reasons for recommended option:

It is recommended that Cabinet agree the proposals set out in section 1.2 of this report as it forms part of the 2021/22 Final Accounts process. Reprogramming of the Investment Plan will ensure successful delivery of projects included within the Investment Plan.

1.8 Appendices:

Annex 1	2021/22 Provisional Finance Outturn Report
Appendix A	Reserves & Balances
Appendix B	Investment Plan Financing Summary
Appendix C	Investment Plan Summary of Variations
Appendix D	Prudential & Treasury Indicators

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel 643 5701

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

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

Darrell Campbell – Housing Revenue Account matters – Tel 643 7052

Amar Hassan – Investment Plan and Corporate Finance matters – Tel 643 5747

1.10 Background information:

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

- (a) Revenue Budget 2021/22 (P).

https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Revenue%20Budget%202021_22.pdf

- (b) Approved Investment Plan 2021-26 (P).

<https://democracy.northtyneside.gov.uk/documents/s5460/Appendix%20D%20i%20-%202021-2026%20Investment%20plan%20-%20FINAL.pdf>

- (c) Council Reserves and Balances Policy (P) – Appendix G
<https://democracy.northtyneside.gov.uk/documents/s5467/Appendix%20G%20Reserves%20and%20Balances%20Policy%202021-22.pdf>
- (d) Investment Programme Board – End of year report 2021/22 (available at offices of author)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

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

2.2 Legal

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

2.3 Consultation/community engagement

Internal consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Senior Leadership Team and Senior Finance Officers. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 13 September 2022.

Community engagement

The 2021/22 budget was agreed after widespread consultation in line with the Authority's approved Budget Engagement Strategy. Appendix F of the 2021/22 Financial Planning and Budget Process report to Council on 18 February 2021 provides details of the consultation.

2.4 Human rights

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

2.5 Equalities and diversity

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

2.6 Risk management

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

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

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