

North Tyneside Council

Report to Cabinet

1 August 2022

Title: 2022/23 Financial Management Report to 31 May 2022

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

PART 1

1.1 Executive Summary:

This report is the first monitoring report to Cabinet on the 2022/23 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the first indication of the potential revenue and capital position of the Authority at 31 March 2023. The report explains where the Authority continues to manage financial pressures.

- 1.1.1 The 2021/22 financial year was highly complex for the Authority with the operational response to the pandemic requiring innovation, agility, professionalism, and partnership working. Like all local authorities, North Tyneside Council is continuing to feel the legacy impact of the Covid-19 pandemic and as such this report contains considerations to the potential financial impact the pandemic will have on the Authority in 2022/23. The Authority continues to see areas of pressure across Adults and Children's Social Care, but there are also significant impacts on income particularly across Sport and Leisure Services, and Catering Services.
- 1.1.2 In addition to pressures seen in previous financial years, a number of global issues have emerged in more recent months including the war in Ukraine, leading to more supply chain issues and adding to rising inflation. The impact of these factors is leading to what is being termed a 'cost of living crisis' and are all adding significant financial strain to the Authority's budgets. The potential impact of some of these pressures was foreseen, and a number of contingencies and reserves were set aside in the 2022-2026 Medium-Term Financial Plan to support the 2022/23 financial position. The initial review of the 2022/23 position is that these mitigations may not be

sufficient, and that the Authority will have to consider further actions to bring the General Fund budget in on target.

- 1.1.3 As said previously this report provides an early picture of the potential implications of these financial pressures and emerging risks and as such has been prepared, on a prudent basis. The current forecast sets out that prior to any further plans and mitigations, the Authority's approved net revenue budget of £163.512m is forecasting a pressure of £18.456m. Taking into account the planned use of reserves and contingencies the adjusted General Fund position, is a pressure of £9.605m. Further details on the General Fund position are included in section 1.5 of this report, as well as in the Annex to the report.
- 1.1.4 The Mayor and Cabinet will be aware of more recent increases in the Bank of England base rate, with an expectation that interest rates may continue to rise. In terms of the Authority's approach to Treasury Management the rates are still historically low and currently do not represent a longer-term risk to the Authority. As Cabinet would expect interest rates continue to be proactively monitored and cash flow management undertaken to secure the maximum return/minimum cost for the Authority in line with the Prudential Code
- In terms of the Housing Revenue Account, a small underspend of £0.070m is forecast, this will be sensitive to the impact of the "cost of living Crisis" on rent collection and will be closely monitored during the year.
- 1.1.5 The report includes details of any additional grants received by the Authority since the Budget was set. The report also advises Cabinet of the position so far on the 2022/23 Schools budgets and Schools funding.
- 1.1.6 In terms of the Investment Plan, early work has been undertaken to consider the impacts of supply chain issues and inflation pressures. The focus has been to manage within the current financial envelope across the plan which may lead to a delay in delivery of some planned activity. Any such implications will be considered at the Investment Programme Board and brought to the Mayor and Cabinet for consideration as part of the normal financial management process. There is currently a small variation of £0.365m as a result of the initial work undertaken to date.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 31 May 2022 (Annex sections 1, 2 and 3);
- (b) approves the receipt of £0.832m new revenue grants (as outlined in section 1.5.3 of this report);
- (c) notes the Authority's Investment Plan spend of £5.287m to 31 May 2022 and the financing of the Plan to the end of the year (Annex Section 4); and
- (d) approves variations of £0.365m for 2022/23 within the 2022-2027 Investment Plan (Annex Section 4).

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 28 May 2022.

1.4 Authority Plan and Policy Framework:

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

1.5 Information:

1.5.1 Financial Position

This report is the first monitoring report presented to Members on the Authority's 2022/23 financial position. It provides an early indication of the expected revenue and capital financial position of the Authority as at 31 March 2023. This report is an initial view, it is expected this will change over the coming months as the recovery to a pre Covid-19 position continues the impact of market conditions becomes clearer and management actions start to take effect.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2022/23 approved budget savings plans; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

1.5.2 General Fund Revenue Account

The Budget for 2022/23 was approved by full Council at its meeting on the 17 February 2022. The net General Fund revenue budget was set at £163.512m. This included £7.257m of savings to be achieved, of which £3.113m relates to new business cases included in the 2022-2026 Medium-Term Financial Plan, £1.607m of full year effect of prior year business cases and £2.537m of savings previously achieved by one-off mitigations and non-permanent solutions.

Prior to any mitigation, the Authority's approved net revenue budget is forecast to outturn with a pressure of £18.456m. Table 1 below sets out the initial variation summary across the General Fund.

The Authority, as you would expect at this stage of the financial year, is taking a prudent approach to forecasting including in relation to the on-going impact of Covid-19 which currently is forecast to add pressures of £5.551m to the General Fund in 2022/23. These pressures are primarily where fees and charges income has yet to return to pre-pandemic levels, where additional fixed term staff are employed to cover increased demand or to enable front-line service provision to continue unimpacted by employees needing to self-isolate. In addition to Covid-19, global market pressures exist around the Authority's supply chain and current inflation levels, these combined add a further £5.293m to the overall pressure. The remaining £7.612m relates primarily to staffing and other income related pressures across the services.

As part of the 2022-2026 Medium-Term Financial Plan (MTFP) agreed by Council in February £2.200m was set aside from the Change Reserve to support additional

pressures in Home to School Transport (£1.800m), Special Educational Needs (£0.400m), additional children's social care provision (£1.200m) and for the development of the Customer Relationship Management programme (£0.200m).

In addition to the use of the Change Reserve, £2.000m was also set aside to create a Covid-19 Reserve as part of the 2022-2026 MTFP, this included (£0.650m) to support additional caseloads within Children's Services, (£0.350m) to support Home to School Transport and (£1.000m) to support reduced fees and charges income following the pandemic.

Within the 2022-2026 MTFP, £0.150m was identified as planned use of the Insurance Reserve to support additional Repairs and Maintenance costs within the Authority's Commissioning & Asset Management Service Area. The use of this funding has been included in Table 2.

Included within the position for Central Items is (£7.713m) of contingencies; of which (£3.116m) is being used to offset the pressures in Children's Social Care, (£1.301m) is supporting the under achievement of savings targets and (£2.335m) is being used to support the non-energy related inflationary pressures being faced by the Authority. Further to this balance, an additional (£3.050m) was set aside in the 2022-26 MTFP to support anticipated pressures in 2022/23. Of this (£1.300m) is being used to support energy related inflationary pressures, (£0.964m) supporting non-energy related inflationary pressures and (£0.786m) supporting pressures relation to Special Guardianship Orders (SGO) within Children's Services. With the allocation of this support, the Authority has been able to release a provision of (£0.300m) previously held on the balance sheet to support increased SGO costs.

The Authority was able to carry forward from 2021/22, £2.962m of Covid-19 related central Government grants. Of this (£1.811m) has been committed and is reflected in the £18.456m position reported in Table 1. The remaining balance of £1.151m is available to support on-going Covid-19 legacy pressures and is reflected in the revised position shown in Table 2.

With the inclusion of the planned support from the 2022-2026 MTFP, the adjusted General Fund position, as shown in Table 2, is a pressure of £9.605m. This reflects the continuing impact of Covid-19 being £2.400m over the support funding allocated. The main areas impacted are within Environment & Leisure where Sports and Leisure income from fees and charges continues to be lower than pre-pandemic levels. Initial projections suggest income will be higher than in 2021/22 but still only 80% of the income levels achieved pre-pandemic in 2019/20. Significant pressures also exist in Children's Services, where the response to the impact of Covid-19 has seen staffing levels increase to manage a significant increase caseloads and demand for services for Children. This is not unique to North Tyneside and is being seen across the region and nationally.

The Inflation Rate has recently reached 9.1% and this is much higher than when the allocations were made in the 2022-2026 MTFP. This is forecast to add a further £3.029m in respect of both energy and non-energy related inflationary pressures. The majority of the inflation issues being in Adults Services across the external care market and contractual costs within Commissioning & Asset Management for catering supplies and the cost of Home to School Transport.

The remaining balance of £4.176m is attributable to pressures considered to be 'Business as Usual'. Finance officers are continuing to work with Cabinet, the Senior Leadership Team and other senior officers across the Authority to review Business as Usual activity in a number of key areas:

- Children's Services – staffing & placements;
- Children's risks and the likelihood of crystallisation;
- SEND pressures;
- Adults Social Care – demand assumptions;
- Adults Social Care risks and the likelihood of crystallisation;
- Unachieved savings targets;
- Commissioning & Asset Management – Impact of SLA reductions;
- Law & Governance Structure – use of locums; and
- Revenues & Benefits position – overpayments.

The aim of this work will be to ensure actions are in place to bring It is anticipated that the outturn forecast for normal activities in on balance and it is anticipated the position will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

Table: 1 2022/23 General Fund Revenue Forecast Outturn as at 31 May 2022

Services	Budget	Forecast May	Variance
	£m	£m	£m
Health, Education, Care and Safeguarding	76.822	95.698	18.876
Public Health	1.925	1.925	0.000
Commissioning & Asset Management	7.111	11.494	4.383
Environment & Leisure	37.034	37.635	0.601
Regeneration & Economic Development	10.221	10.550	0.329
Corporate Strategy	0.541	0.683	0.142
Chief Executive Office	(0.076)	(0.076)	0.000
Resources	2.538	3.470	0.932
Law & Governance	0.320	1.044	0.724
General Fund Housing	1.596	1.801	0.205
Central Items	5.299	(2.437)	(7.736)
Support Services	20.181	20.181	0.000
Total Authority	163.512	181.968	18.456

Table: 2 2022/23 Adjusted General Fund Revenue Forecast Outturn Position as at 31 May 2022

Service	Covid Pressures	Inflationary Pressures	Other BAU Pressures	Total
	£m	£m	£m	£m
Total Authority	5.551	5.293	7.612	18.456
Planned use of Change Reserve	0.000	0.000	(2.200)	(2.200)
Planned use of Covid-19 Reserve	(2.000)	0.000	0.000	(2.000)
Planned use of Insurance Reserve	0.000	0.000	(0.150)	(0.150)
Planned use of Contingencies	0.000	(2.264)	(0.786)	(3.050)
Planned release of Provision	0.000	0.000	(0.300)	(0.300)
Planned use of Covid-19 Grants	(1.151)	0.000	0.000	(1.151)
Totals	(3.151)	(2.264)	(3.436)	(8.851)
Revised Pressure	2.400	3.029	4.176	9.605

1.5.3 Delivery of Budget Savings Proposals

New savings of £4.720m were agreed as part of the Budget approved by Council in February 2022 so the total savings the Authority has had to find in the eleven years following the 2010 Comprehensive Spending Review (CSR) as planned to 2022/23 come to £134.268m.

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 are outlined in the sections below.

New savings were proposed for 2022/23 of £3.113m combined with £1.607m of savings targets that were agreed in prior years budget setting processes for delivery in 2022/23. Savings targets of £2.373m within Health, Education, Care and Safeguarding (HECS) and £0.164m within Commissioning & Asset Management (C&AM) were met in 2021/22 through Covid grants, alternative management actions or through one-year funding sources. These targets still require permanent achievement increasing the total savings brought forward from prior year business cases to £4.144m. The overall target to achieve in 2022/23 is therefore £7.257m.

Table 3 – Full Year Effect of Prior Year Business Cases

Service	2021/22 Targets £m	Projected Delivery £m	In Year Actions £m	Yet to be achieved £m
HECS – Adults	0.350	0.350	0.000	0.000
HECS – Children’s	2.923	0.000	0.000	2.923
E&L	0.520	0.520	0.000	0.000
C&AM	0.346	0.260	0.000	0.086
Central	0.005	0.005	0.000	0.000
TOTAL	4.144	1.135	0.000	3.009

Table 4 – Business Cases Relating to 2022/23

Service	2022/23 Targets £m	Projected Delivery £m	In Year Actions £m	Yet to be achieved £m
HECS – Adults	0.600	0.000	0.000	0.600
HECS – Children’s	0.300	0.000	0.000	0.300
C&AM	0.400	0.000	0.000	0.400
Central	0.250	0.250	0.000	0.000
Resources	1.563	1.563	0.000	0.000
TOTAL	3.113	1.813	0.000	1.300

Within HECS, Adults Services are projecting to achieve the full £0.350m relating to business cases brought forward from prior years. Within the CYPL pressure of £14.372m, £3.223m relates to the achievement of savings targets. In the previous financial year these savings have been significantly impacted by Covid-19 and as such, achievement has been supported by Central Government Covid-19 grants. With these grants not available in 2022/23 and on-going demand-led pressures already impacting

the service, current projections are for all CYPL savings to remain unachieved in 2022/23.

Finance Officers continue to attend meetings with senior managers and the Head of Service across adult and children's services and individual managers have assigned responsibilities to pursue deliverability of existing schemes and to identify alternative proposals during 2022/23.

The forecast assumes that LMB will approve the 15p increase in paid school meals commencing September 2022. School meals increases have been delayed for two years so previous income targets for 2020/21 & 2021/22 are also included in these figures. If not approved by LMB the undeliverable element will increase. The schools leaving the SLA are confirmed so £0.025m of the 2022/23 savings target for paid school meals and SLA income will not be delivered. £0.030m of the cleaning savings target is forecast to be met. Of the £0.486m yet to delivered £0.066m is undeliverable and £0.420m is yet to be identified.

All savings in these services are forecasted to be achieved.

1.5.4 New Revenue Grants

The following revenue grants have been received during April and May 2022:

Service	Grant Provider	Grant	Purpose	2022/23 value £m
Environment & Leisure	Football Foundation	Football Foundation Goal Post Replacement Programme	Football Foundation grant schemes to fund socketed fixed position aluminium football stadium goals, Junior and senior freestanding football goal posts, unique anti-vandal steel fixed position football goals and spectator crowd barriers.	0.006
Health, Education, Care and Safeguarding	Department for Education	Children's Social Care Innovation Programme Staying Close Provision	Establishing a 6 bedroom 'Staying Close' supported accommodation with a shared management team working between Sycamore House (existing residential children's home) and Elm House (Staying Close provision).	0.285
Commissioning and Asset Management	European Social Fund (via DWP)	Step to Employment	To support residents aged 29 and over along a journey into employment / self-employment.	0.023
Public Health	Department for Environment, Food & Rural Affairs	Port Health Transition Fund	Support with the financial implications of preparing for the new regime of sanitary checks on EU-GB imports of animal products.	0.031

Service	Grant Provider	Grant	Purpose	2022/23 value £m
Environment & Leisure	Trees for Cities	Trees for Cities	Working with local communities to cultivate lasting change in their neighbourhoods – whether it is revitalising forgotten spaces, creating healthier environments or getting people excited about growing, foraging and eating healthy food.	0.020
Environment & Leisure	Forestry Commission / Newcastle City Council	Local Authority Treescape Fund	Funding to plant trees within the borough	0.014
Regeneration and Economic Development	North of Tyne Combined Authorities	2022 Mouth of the Tyne Festival Collective	Funding provided to promote the economic growth and regeneration of the North of Tyne region, with businesses and organisations coming together to boost the visitor economy in an extended period around the Mouth of the Tyne Festival with special one-off shows in a range of venues	0.100
Regeneration and Economic Development	Department for Transport (DfT)	Local Authority Capability Fund (active travel)	To support the development of infrastructure projects to the new standards set out, including updating previous plans (such as LCWIPs) as necessary; <ul style="list-style-type: none"> • To promote increased levels of physical activity through walking and cycling for everyday journeys; • To support access to new and existing employment, education, and training. 	0.252

Service	Grant Provider	Grant	Purpose	2022/23 value £m
Resources	Department for work and pensions	HB Circulars S52021	The funding is intended to meet New Burdens incurred by LAs as a result of the following areas of Welfare Reform: Discretionary Housing Payment (DHP) administration, Benefit cap, Single Fraud Investigation Service (SFIS), Universal Credit (UC) New Burdens including: Housing Benefit (HB) maintenance on a UC case -Natural migration to UC	0.101
Total				0.832

1.5.5 School Funding

Schools are required to submit their rolling three-year budget plan by 31 May each year. The total planned deficit for 2022/23 is £5.532m. Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures, which continue to be compounded by rising employment costs.

Cabinet will recall that the High Needs Block ended 2021/22 with a pressure of £13.512m. The initial forecast of the Budget position for 2022/23 indicates an anticipated in-year pressure of £3.413m reflecting a further rise in demand for special school places, producing a cumulative deficit balance of £16.924m.

1.5.6 Housing Revenue Account (HRA)

The HRA is forecast to have year-end balances at 31 March 2023 of £3.139m. These balances are £0.070m higher than budget which was set at £3.069m.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of early June 2022, 3,809 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored as the year progresses to identify any adverse impacts on the Budget position.

1.5.7 Investment Plan

The approved 2022-2027 Investment Plan totals £325.029m (£114.280m 2022/23) and is detailed in table 22 of the Annex. The Annex to this report also sets out in Section 6 delivery progress to date, planned delivery for 2022/23, reprogramming and other variations identified through the Investment Programme Governance process.

An officer led review of the Investment Plan has resulted in proposals for variations of £0.365m of which more details are set out in Section 6 of the Annex to this report. The

revised Investment Plan stands at £114.280m for 2022/23 and to the end of May 2022 spend of £5.287m had been incurred which represents 4.64% of the revised plan.

Significant inflationary pressures are being experienced across the UK, and senior officers within the Authority have undertaken a review of inflationary impact to the Investment Programme. Supply issues and rising costs are being reviewed and to date the Authority anticipates no impact to the cost of the capital. However, there may be an impact on the delivery of some planned activity. The corporate risk register includes risks for such inflationary pressures to the investment plan.

1.5.8 Performance against Council Plan

The 2021-2025 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Medium-Term Financial Plan and Budget are set. The Council Plan, "Building A Better North Tyneside", has five key themes as set out below;

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

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

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

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

Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funding. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Data for LAC levels suggest that, whilst fluctuating, there is a general trend of a steady increase in numbers (as per Section 3.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

1.6 Decision Options:

The following decision options are available for consideration by Cabinet:

Option 1

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

Options 2

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

1.7 Reasons for Recommended Option:

Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex : Financial Management Report to 31 May 2022
Appendix 1: 2022 – 2027 Investment Plan

1.9 Contact Officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance and Schools matters – Tel. (0191) 643 8109
David Dunford – Corporate Finance and General Fund matters – Tel. (0191) 643 7027
Amar Hassan – Investment Plan matters - Tel. (0191) 643 5747
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

1.10 Background Information:

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

- (a) Revenue budget 2022/23
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%202022_23.pdf
- (b) Investment Plan 2022-27
<https://democracy.northtyneside.gov.uk/documents/s7911/Appendix%20D%20i%20-%202022-2027%20Investment%20plan%20-%20FINAL.pdf> (Agenda reports pack 17th February 2022 - Appendix D(i))
- (c) Reserves and Balances Policy
<https://democracy.northtyneside.gov.uk/documents/s7919/Appendix%20G%20-%202022-23%20Reserves%20and%20Balances%20Policy.pdf> (Agenda reports pack 17th February 2022- Appendix G)
- (d) Overview, Scrutiny and Policy Development Performance Report
<https://democracy.northtyneside.gov.uk/documents/s7921/Appendix%20I%20-%202022-23%20Report%20of%20the%20Overview%20Scrutiny%20and%20Policy%20De>

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and Other Resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 14 September 2022.

2.2 Legal

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

2.3 Consultation/Community Engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation / Engagement

The 2022/23 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

2.4 Human Rights

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

2.5 Equalities and Diversity

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

2.6 Risk Management

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

2.7 Crime and Disorder

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

2.8 Environment and Sustainability

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

PART 3 - SIGN OFF

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