

North Tyneside Council

Report to Cabinet

19th September 2022

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

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

PART 1

1.1 Executive Summary:

This report is the second 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 second indication of the potential revenue and capital position of the Authority at 31 March 2023. The report explains where the Authority continues to face financial pressures and the plans to address these.

- 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 sets out 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 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 £19.115m. Taking into account the planned use of reserves and contingencies the adjusted General Fund position, is a pressure of £10.963m. 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.
- 1.1.5 In terms of the Housing Revenue Account, a small overspend of £0.064m is forecast. This position is likely to be impacted by the "cost of living crisis", especially on rent collection levels, and will be closely monitored during the year.
- 1.1.6 The report includes details of the 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.
- 1.1.7 In terms of the Investment Plan, initial 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.

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 July 2022 (Annex sections 1, 2 and 3);
- (b) approves the receipt of (£1.381m) new revenue grants (as outlined in section 1.5.3 of this report);
- (c) notes the Authority's Investment Plan spend of £16.000m to 31 July 2022 and the financing of the Plan to the end of the year (Annex Section 4); and
- (d) approves variations of £4.280m 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 17 June 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 second monitoring report presented to Members on the Authority's 2022/23 financial position. It provides an indication of the expected revenue and capital financial position of the Authority as at 31 March 2023. The view in this report is expected to change over the coming months as the recovery to a pre Covid-19 position continues, the impact of market conditions becomes clearer, further inflationary factors become apparent 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 £19.115m. Table 1 below sets out the initial variation summary across the General Fund.

The Authority, as would be expected 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 £4.082m 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 £3.687m to the overall pressure. The remaining £11.346m 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 (£3.296m) is being used to support the non-energy related inflationary pressures being faced by the Authority. Further to this balance, an additional (£2.264m) 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. 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 Special Guardianship Order costs.

The Authority was able to carry forward from 2021/22, (£2.962m) of Covid-19 related central Government grants. Of this (£1.724m) has been committed and is reflected in the £19.115m position reported in Table 1. The remaining balance of (£1.238m) 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 £10.963m. This reflects the continuing impact of Covid-19 being £0.844m 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 10.1% and this is much higher than when the allocations were made in the 2022-2026 MTFP. This is forecast to add a further £1.423m 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 £8.696m 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 – review of the level of overpayments and subsequent recovery.

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 July 2022

Services	Budget	Forecast July	Variance July	Variance May	Change since May
	£m	£m	£m	£m	£m
Health, Education, Care and Safeguarding	76.822	94.804	17.982	18.876	(0.894)
Public Health	1.925	1.925	0.000	0.000	0.000
Commissioning & Asset Management	6.918	11.714	4.796	4.383	0.413
Environment	37.034	37.993	0.959	0.601	0.358
Regeneration & Economic Development	10.221	10.653	0.432	0.329	0.103
Corporate Strategy	0.541	0.925	0.384	0.142	0.242
Chief Executive Office	(0.076)	(0.076)	0.000	0.000	0.000
Resources	2.538	3.470	0.932	0.932	0.000
Law & Governance	0.320	1.486	1.166	0.724	0.442
General Fund Housing	1.789	1.994	0.205	0.205	0.000
Central Items	(5.299)	(2.442)	(7.741)	(7.736)	(0.005)
Support Services	20.181	20.181	0.000	0.000	0.000
Total Authority	163.512	182.627	19.115	18.456	0.659

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

Service	Covid Pressures	Inflationary Pressures	Other BAU Pressures	Total
	£m	£m	£m	£m
Total Authority	4.082	3.687	11.346	19.115
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)	0.000	(2.264)
Planned release of Provision	0.000	0.000	(0.300)	(0.300)
Planned use of Covid-19 Grants	(1.238)	0.000	0.000	(1.238)
Totals	(3.238)	(2.264)	(2.650)	(8.152)
Revised Pressure	0.844	1.423	8.696	10.963

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 comes 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 year's 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	0.048	0.000	2.875
Environment	0.520	0.520	0.000	0.000
C&AM	0.346	0.255	0.000	0.091
Central	0.005	0.005	0.000	0.000
TOTAL	4.144	1.178	0.000	2.966

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 £12.720m, £3.175m relates to the non-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 Heads of Service across adult and children's services, and individual managers have been assigned responsibilities to pursue deliverability of existing schemes and to identify alternative proposals during 2022/23.

The forecast assumes that Lead Members will continue to be supportive of the planned 15p increase in paid school meals due to commence in September 2022. Due to the impact of the Pandemic 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 the price increase is not applied due to the ongoing cost of living crisis the undeliverable element of this savings target 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 £0.491m yet to delivered £0.050m is undeliverable and £0.441m is yet to be identified.

All savings in the other service areas are forecasted to be achieved.

1.5.4 New Revenue Grants

The following revenue grants have been received during June and July 2022:

Service	Grant Provider	Grant	Purpose	2022/23 value £m
Commissioning and Asset Management	Department for Education	Local Service Support Grant	Extended Rights for Free Home to School Travel for 2022-23	0.037
Commissioning and Asset Management	European Social Fund (via DWP)	Building Steps for Young People to a Brighter Future	To support residents aged 18 - 29 and over along a journey into employment / self-employment.	0.048
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.	0.044
Regeneration and Economic Development	Without Walls Consortium Ltd.	Touring Network Partnership 2022	Towards the cost of supporting the following artist companies, scheduled to present performances at Mouth of the Tyne Festival (The festival).	0.020
Environment, Housing & Leisure	Northumbria Police & Crime Commissioner	Violence Reduction Unit - Summertime violence fund	To support local organisations in communities across Northumbria who provide locally designed support for vulnerable people, diversionary activities or who seek to turn things around and improve their local neighbourhood through directly reducing and combatting the impact of crime and Anti-Social Behaviour.	0.016
Health, Education, Care and Safeguarding	Department of Health & Social Care	Charging Reform Implementation Support Grant 22-23	The grant provides support to local authorities in England towards expenditure lawfully incurred or to be incurred by them in funding adult social care charging reform implementation. The grant covers the planning and preparation costs associated with charging reform to recruit additional staff to manage the increased demand for assessments and the implementation of the care account module. This is a non-ringfenced contribution towards local authorities to implement charging reform.	0.097
Health, Education, Care and Safeguarding	Department of Health & Social Care	Market Sustainability & FCOC Grant	The purpose of this grant is to support local authorities to prepare their markets for reform of the adult social care system, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care.	0.696

Service	Grant Provider	Grant	Purpose	2022/23 value £m
Public Health	Department of Health & Social Care	Supplemental Substance Misuse Treatment and Recovery Grant	Increased drug and alcohol treatment commissioning capacity, covering adults and/or young peoples' services	0.423
Total				1.381

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 £13.511m. The 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 £3.005m. These balances are £0.064m lower 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, 3,915 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 £4.280m of which more details are set out in Section 6 of the Annex to this report. The revised Investment Plan stands at £116.459m for 2022/23 and to the end of July 2022 spend of £16.000m had been incurred which represents 13.7% 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 July 2022
Appendix 1: 2022 – 2027 Investment Plan

1.9 Contact Officers:

Jon Ritchie – 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
David Mason – 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%20Development%20Committee%20Jan%202022.pdf> (Agenda reports pack 17th February 2022 – Appendix I)

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 15 November 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 crime and disorder implications directly 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