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North Tyneside Council

Finance Sub Committee

Monday, 25 November 2019

Monday, 2 December 2019 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm**.

Agenda Item		Page
1.	**Apologies for Absence** To receive apologies for absence from the meeting.	
2.	**Appointment of Substitute Members** To receive a report on the appointment of Substitute Members.	
3.	**Declarations of Interest and Notification of any Dispensations Granted** You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest. You are also invited to disclose any dispensation in relation to any registerable interests that have been granted to you in respect of any matters appearing on the agenda. You are also requested to complete the Declarations of Interests card available at the meeting and return it to the Democratic Services Officer before leaving the meeting.	
4.	**Minutes** To confirm the minutes of the meeting held on 17 September 2019.	
5.	**Welfare Reform - Financial update** To receive an update on the schemes that were implemented or revised as a consequence of on-going welfare reform.	**1 - 6**

Members of the public are entitled to attend this meeting and receive information about it. North Tyneside Council wants to make it easier for you to get hold of the information you need. We are able to provide our documents in alternative formats including Braille, audiotape, large print and alternative languages.

Agenda Item		Page
6.	**2018/19 Financial Management Report to 30 September 2019**	**7 - 76**

To receive budget monitoring report for the current financial year which reflects the forecast financial position as at 30 September 2019.

(This report will be considered at the Cabinet meeting on 25 November 2019).

7\. **Exclusion Resolution**

The Sub-Committee is requested to pass the following resolution:

Resolved that under Section 100A(4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

8\. **Business and Technical Partnerships Risks** **77 - 94**

To consider the attached report which details the risks rated as red contained within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with ENGIE and Capita.

Circulation overleaf …

Members of the Finance Sub Committee

Councillor Debbie Cox (Deputy Chair)
Councillor Anthony McMullen (Chair)
Councillor John Stirling
Councillor Paul Richardson
Councillor Naomi Craven
Councillor John O'Shea
Councillor Judith Wallace

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Meeting: **Finance Sub-Committee**

Date: **2 December 2019**

Title: **Welfare Reform - Financial update on**

- **Discretionary Housing Payments Fund**
- **Local Council Tax Support Scheme**
- **Local Welfare Provision Scheme**
- **Universal Credit**

Authors: Andy Scott, Tracy Hunter Tel: 0191 643 7150
643 7228

Service: Finance Service

Wards affected: All

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1. Purpose of the Report

1.1 This report provides a further update on the three schemes that were implemented or revised in April 2013 as a consequence of on-going welfare reform. The three schemes are:

- Discretionary Housing Payment Fund,
- Local Council Tax Support Scheme, and
- Local Welfare Provision Scheme.

1.2 In addition the current position on Full Service Universal Credit is also provided.

2. Recommendations

2.1 Finance Sub Committee are asked to note the content of this report.

3. Detail

<u>Discretionary Housing Payment Fund</u>

3.1 The Discretionary Housing Payment (DHP) fund is administered by Local Authorities on behalf of the Department for Work and Pensions (DWP) and provides much needed support to people in financial difficulties who have a shortfall between their rent and Housing Benefit (or Universal Credit including the housing element). It can also help towards moving costs to more affordable accommodation, including rent in advance and deposits.

3.2 We work closely with Citizens Advice and refer claimants to them where we feel they may benefit from budgeting and debt advice. This is working well and customers are engaging with support offered at the onset of a claim, it is hoped that if issues are dealt with at any earlier stage the need for DHP support may diminish as their financial circumstances improve.

3.3 We work closely with other parts of the council including our tenancy sustainment officers, housing advice team as well as other housing providers and the Community and Voluntary Sector. This ensures that those in most need are identified quickly and helped to claim as soon as possible.

3.4 DHP is temporary support but it can provide essential support just at the right time, providing residents the breathing space and the support that is needed to improve a very difficult situation.

3.5 The DHP policy is reviewed on an annual basis by the Mayor's Task Group for Welfare Reform. It is made up of officers, Member representation, officers from the MP office, Union, and a number of our Community and Voluntary Sector partners. By consulting with this group it ensures that DHP continues to be directed to those in most need and stakeholder involvement ensures the policy provides a wider view of the criteria for entitlement.

DHP financial for the financial year 2019/20

3.06 For 2019/20 we have been allocated £449,390; this is around £80,000 less than we received for the financial year 2018/19 and does present some challenges. The reduction of £80,000 means funding has had to be limited to shorter periods of time or less amounts paid to individuals. Table 1 shows the fund to date.

Table 1 – DHP Spend to date

	Amount of grant
Original Fund - DWP funding only	£449,390
Total Spend and committed	£408,219
Funding unallocated	£41,171

3.07 Assessed Claims

- 597 claimants made a successful claim (80%)
- 145 claimants made an unsuccessful claim (20%)

3.08 The reason for awards

- 3 claimants have custody of children
- 31 claimants are living in adapted property
- The remaining claimants receive a DHP because they advised that they are seeking employment, need short term help whilst they look for alternative accommodation or for other reasons

3.09 Of those paid a Discretionary Housing Payment**:**

- 363 are council tenants (61%)
- 234 are privately rented tenants (39%)

3.10 Requested reviews

- Since April 2019 there have been 34 reviews carried out with 19 changed in favour of the customer.

Local Council Tax Support Scheme

3.11 The Council Tax Support Scheme is a means tested support which helps those on low income pay their Council Tax. The maximum amount of support provided for working age claimants for the financial year 2019/2020 is 85% of the claimants Council Tax liability. Pensionable age claimants continue to receive up to 100% support.

3.12 The number of claimants to the scheme has reduced again and as at the end of September 2019 the number of claimants to the scheme was 17,372 split between 9,400 working age and 7,972 pensionable age claimants.

3.13 As at end of September 2019 the amount of Council Tax Support awarded since 1 April 2019 is £14,498,125.

3.14 The small changes to support over the years along with the removal of empty property discounts and the increases in Council Tax is making the in year collection more challenging but we do expect the long term collection rate to be unaffected at 98.5%. Residents who have difficulty in paying, are supported through flexible payment arrangements and access to debt advice and budget management where required.

3.15 We continue to fund Citizens Advice to provide outreach sessions in community venues and this ensures residents have easy access to advice on debt and benefit entitlements. Appointments for these are easily made through Customer Services and libraries and there is good take-up of these sessions. Citizens Advice also provide a telephone advice line for those who do not want or need face to face advice, and additional email contact is also provided.

Local Welfare Provision

Statistics for the period 1st April 2019 to 30th September 2019

3.16 There have been 863 applications for Local Welfare Support.

3.17 All 863 applications received a full screening. Further advice and information including signposting to our partner organisations was offered where this was appropriate.

3.18 There were 408 crisis applications eligible for further practical support (47%). These included applicants receiving food, utility support, baby items or baby food, essential household items, or clothing.

3.19 Spend for the period in respect of immediate practical support amounted to £4,133. This is in addition to the annual grant to the Food Bank of £26,500 which was paid again this year.

3.20 There is still funding with North East First Credit Union which allows the Authority to refer people with poor credit history who would be seen as higher risk customers, the opportunity to access reasonably priced loans. This was a one off funding; customers are charged interest which goes back into the fund to be used by other customers. Customers are referred initially to Citizens Advice who assess affordability and give assistance to maximise income and address any outstanding debts into affordable payments. Although this option is discussed with applicants who it would be suitable for the take up is very low, however it is an additional option available.

3.21 Of the applicants who were not provided immediate practical support, a summary of some of the assistance is as follows:

- Referrals to Bay Food Bank
- Liaison to resolve benefit issues with Department for Work and Pensions
- Referrals to a supported housing provider
- Referrals to Citizens Advice
- Liaison with HMRC for Child Tax Credits
- Working with other community support groups
- Liaison with their bank utility provider or employer
- Referral to other Children's Service support
- Support from the Salvation Army with vouchers (to be used in their shops mainly for clothing)

Universal Credit

3.22 Universal Credit Full Service is a new working age benefit that replaces 5 State benefits unless the customer meets certain criteria. The five benefits it replaces are:

- Housing Benefit (HB)
- Income Support (IS)
- Job Seekers Allowance Income Based (IB)
- Employment and Support Allowance Income Related (ESA)(IR)
- Tax Credits (Child Tax Credits and Working Tax Credits)

3.23 North Tyneside have been live with Full Service Universal Credit since 2nd May 2018 and we are seeing a steady movement of claimants to Universal Credit. Most recent figures show there are now 9,548 claimants on UC; of these 3,890 are in the 'required to look for work' group.

3.24 The UC working group continues to meet on a monthly basis, and we now have a wider representation of organisations attend including De Paul Charity. Collectively we can develop solutions to local problems and work better together by sharing our skills and knowledge across the wider group.

3.25 The Bay Food Bank attended the last meeting and it was discussed at length the issue of rising demand for food parcels. The group discussed next steps and a working group is to be set up led by the Chief Executive Officer to review the process of referrals to the food bank and how best we can support them in managing this.

3.26 An emerging issue was highlighted and discussed at the last meeting around the growing number of fraudulent claims to UC. This was discussed in detail around how this happens and what DWP have put in place to combat this.

3.27 Since April 2019 Citizens Advice have been contracted direct by the Department for Work and Pensions to deliver the Help to Claim Service. This provides a holistic approach to supporting claimants from the very beginning and regular feedback is showing this is working well with DWP targets being met. No confirmation has been provided at this point whether the contract with Citizens Advice will be extended.

3.28 Since Full Service UC was rolled out in North Tyneside in May 2018 we have seen a reduction of 4,134 in the number of working age residents claiming Housing Benefit. This represents a 37% reduction in working age caseload.

3.29 The impact of Full Service UC continues to be felt by our Housing department and they now have 2,864 tenants on Universal Credit as at 4th Nov 2019. 2,177(76.01%) of these are in arrears although it is worth noting that 69.57% of those on Universal Credit were already in arrears when they moved onto UC. The average arrears for those on UC is £752.96 (this has reduced since last quarter) compared to an average arrears of £433.40 for all tenants and £268.70 for those not on UC.

4. Background Information

The following background documents have been used in the compilation of this report and are available from:-

- Housing Benefit Circular S1/2019 – Details of the government contribution towards DHP for local authorities for the financial year 2019/20
- Discretionary Housing Payment Policy 2019/20

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Finance Sub-committee 2 December 2019

Cabinet Report 25 November 2019

2019/20 Financial Management Report to 30 September 2019

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North Tyneside Council
Report to Cabinet
25 November 2019

Title: 2019/20 Financial Management Report to 30 September 2019

Portfolios:	**Elected Mayor**	**Cabinet Member:**	**Norma Redfearn**
	Finance and Resources		**Councillor Ray Glindon**

Report from:	**Finance**	
Responsible Officer:	**Janice Gillespie, Head of Resources**	**Tel: 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

This report is the third monitoring report to Cabinet on the 2019/20 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 a further indication of the potential revenue and capital position of the Authority at 31 March 2020.

The report explains where the Authority continues to manage financial pressures. Like most local authorities, North Tyneside Council continues to face significant financial pressures. These were reported in the 2018/19 Outturn Report and continue to manifest in 2019/20.

In considering the financial outlook for 2019/20, Services have considered the financial pressures they will face and how they will mitigate these. The current forecast for the year is a projection of a residual gap of £4.809m, an improvement of £0.434m from July.

At this stage in the financial year, Cabinet will understand that there are still aspects of the £10.533m 2019/20 savings programme to be met to deliver the General Fund budget approved by Council on 21 February 2019. A number of sessions have already been held by the Senior Leadership Team to give early consideration as to the actions required to manage the financial risks identified for 2019/20, including what additional actions can be taken in line with the Authority's Efficiency Statement. As a result, £2.582m is included within the £4.809m overall pressure outlined above, which represent the residual balances of the challenging cross-cutting savings targets.

This is the third report of the financial year and necessarily reflects these known pressures the Authority will be required to manage during the rest of the financial year. As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority. It is anticipated that the overall in-year pressures will be manged by the Services, enabling the Authority to again deliver a balanced position at year end.

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 2019/20 Schools budgets, planning for 2020/21, Schools funding and the forecast outturn for the Housing Revenue Account as at 30 September 2019.

The report provides an update on the 2019/20 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval.

At the halfway point of the financial year this report also provides updates on the delivery of the Treasury Management Strategy, the Prudential Indicators and the performance of the Collection Fund.

1.2 Recommendations:

It is recommended that Cabinet:

(a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) as at 30 September 2019 (Annex sections 1, 5 and 6);

(b) notes the Authority's Investment Plan spend of £18.698m to 30 September 2019 and the financing of the Plan to the end of the year (Annex Section 7);

(c) approves variations of £10.506m within the 2019 – 2023 Investment Plan (Annex Section 7);

(d) approves the receipt of £0.162m of new Revenue grants and £10.000m capital grant;

(e) note the performance of the Treasury Management Strategy (Annex Section 8);

(f) note the performance against the Prudential Indicators (Annex Section 9);

(g) note the performance of the Collection Fund (Annex Section 10)

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 2 August 2019.

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 third monitoring report presented to Members on the Authority's 2019/20 financial position. It provides the third indication of the expected revenue and capital financial position of the Authority as at 31 March 2020.
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 2019/20 approved budget savings plans; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

General Fund Revenue Account:

The budget for 2019/20 was approved by full Council at its meeting on 21 February 2019. The net General Fund revenue budget was set at £155.730m. This included £10.533m of savings to be achieved (£6.875m relating to 2019/20).

The forecast overall pressure is estimated at £4.809m against an approved net budget of £155.730m. This is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £4.615m and Adult Services of £1.384m, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £3.656m of pressures in Corporate Parenting and Placements and £2.178m in Wellbeing and Assessment. The drivers for these pressures continue from 2018/19 and arise from:

- Continued growth in demand in Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk;
- Managing the costs of the shared pressure with the North Tyneside Clinical Commissioning Group around agreeing adequate levels of contributions for clients with health needs and to support social care; and
- Negotiations continuing with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs for 2019/20.

The other main areas of pressure exist within the Resources section, primarily due to additional costs within ICT Retained Services. It is anticipated that the overall outturn forecast will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

New Revenue Grants:

The following new Revenue grants have been received during the period August – September 2019:

Service	Provider	Grant	Purpose	Value (£m)
Environment, Housing & Leisure	Department of Health & Social Care	New Tobacco Burdens	To support implementation of the Tobacco Product Directive and Age of Sale nicotine Inhaling Products legislation	0.003
Commissioning & Asset Management	Department for Education	Extension of the Role of Virtual School Heads	To support the extension of this role of certain previously looked after children and make information and advice available	0.054
Health, Education, Care and Safeguarding	European Social Fund	North of Tyne – Working Homes	To support delivery of a housing employability framework	0.105
Total				**0.162**

School Funding:

Schools are required to submit their rolling three year budget plan by 31 May each year. The total planned deficit for 2019/20 is £5.045m. 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. As anticipated, 2018/19 was the fourth year of balances decreasing following a long term trend of rising balances in North Tyneside and the overall projected balances for 2019/20 continues this trend.

As well as school balances reducing overall, some individual schools continue to face significant financial challenges. There were nine schools with approved deficits in 2018/19 and five of these schools continue to be in deficit for 2019/20. Six schools are also new to deficit in 2019/20.

Cabinet will recall that the High Needs Block ended 2018/19 with a pressure of £0.920m. Initial forecasting of the budget position for 2019/20 indicated a similar level of pressure within the year of £0.952m. However, at September the anticipated pressure is now £2.616m reflecting the rise in demand for special school places within the Authority and a general increase in complexity of children supported in special schools and within mainstream schools. This increase in demand is in line with the national picture and the Authority is planning for places at the end of 2019/20 to total approximately 776. This compares to a total of 664 places at the beginning of 2018/19.

Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2020 of £7.585m, which are £3.714m higher than budget which was set at £3.871m. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous year's financial performance (£1.101m) but there is also an in-year estimated underspend of (£2.613m), against an in-year budget of £2.331m, due to additional income of (£0.496m) combined with reduction to expenditure of (£2.117m) which is linked to savings identified following the end of the Kier JV from April 2019.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of the end of September 2019, 2,850 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.

Investment Plan:

The 2019-2023 Investment Plan, as adjusted for proposed reprogramming, totals £210.933m (£75.000m 2019/20) and is detailed in table 20 of the Annex. The Annex to this report also sets out in Section 7 delivery progress to date, planned delivery for 2019/20, reprogramming and other variations identified through the Investment Programme Governance process.

1.5.2 Performance against Council Plan

The 2018-2020 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Council Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

Our People will:

- Be listened to so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence.
- Be cared for, protected and supported if they become vulnerable.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people.
- Be a thriving place for choice of visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.
- Offer a good choice of quality housing appropriate to need, including affordable homes.

- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, cycle ways, pavements, street lighting, drainage and public transport.
- Continue to regenerate Wallsend and Whitley Bay while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.

Our Economy will:

- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly by ensuring the right skills and conditions are in place to support investment, and create and sustain new high quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. 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 Council has seen costs within adult social care continue to rise. The number of adults supported in placements within Residential and Nursing Care and Homecare and Extra Care have risen during the second quarter on 2019/20. The increase in demand is combined with the individual needs of those clients increasing due to living longer with multiple complex conditions. Supporting those needs requires more intensive packages of care which are more expensive to provide. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

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

Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. In year data suggests that our LAC levels have risen steadily from 293 in September 2018 to 315 in September 2019 (as per Chart 4 in 4.2.25 of the Annex). There are a wide range of levels of care provided, with more complex cases now being faced. Increasing demand and complexity continues to drive financial pressure in 2019/20 and the Authority is forecasting a pressure of £3.656m in Corporate Parenting and Placements.

1.5.3 <u>Investment Plan</u>

An officer led review of the Investment Plan has resulted in proposals for variations of £10.506m of which more details are set out in Section 7 of the Annex to this report. The revised Investment Plan stands at £75.000m for 2019/20 and to the end of September 2019 spend of £18.698m had been incurred which represents 24.93% of the revised plan.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

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

Options 2

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

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex:	Financial Management Report to 30 September 2019
Appendix 1:	2019 – 2023 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance matters – Tel. (0191) 643 8109
David Dunford – (Acting) Senior Business Partner – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters- Tel. (0191) 643 5727
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052
Amar Hassan – Treasury Management matters – Tel. (0191) 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 via the links below or at the offices of the author:

(a) Revenue budget 2019/20
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201920.pdf

(b) Investment Plan 2019-23
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/2019-2023%20Financial%20Planning%20and%20Budget%20Process%20Final%20Report.pdf (page 22-25)

(c) Reserves and Balances Policy (Appendix G)
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/cabinet%20ex%20agenda%20for%2021%2001%202019_0.pdf
(page 128-133)

(d) Overview, Scrutiny and Policy Development Performance Report
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/6.%20OSPD%20Performance%20report%20%28June%202019%29.pdf

(e) Treasury Management Economic Commentary Detail Report

(f) LINK Interest Rate Forecast

(g) 2019-20 Treasury Management Upside Downside Risks

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 2 December 2019.

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 2019/20 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
• Head of Service	X
• Mayor/Cabinet Member(s)	X
• Chief Finance Officer	X
• Monitoring Officer	X
• Head of Corporate Strategy and Customer Service	X

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2019/20 Financial Management Report Annex

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SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 This report is the third monitoring report to Cabinet on the 2019/20 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 an indication of the potential revenue and capital position of the Authority at 31 March 2020. The report explains where the Authority continues to manage financial pressures as, in common with most local authorities, North Tyneside Council continues to face significant financial challenges. These were reported in the 2018/19 Outturn Report and continue to manifest in 2019/20.

1.2 The Authority's approved net revenue budget of £155.730m is forecast to outturn with a pressure of £4.809m (a pressure of £5.243m in July). The budget includes £6.875m of savings as agreed at Council on 21 February 2019. Table 1 in paragraph 1.7 below sets out the variation summary across the General Fund.

1.3 The most significant amount of these pressures continue to exist within Health, Education, Care and Safeguarding, primarily relating to demand and complexity driven pressures within adults and children's social care. Children's Services are forecasting a year end pressure of £4.615m (up from a forecasted pressure of £3.775m at July) and Adults Services are forecasting a pressure of £1.384m (an improvement from the £2.596m pressure in July). As Members will recall from 2018/19, the Authority is currently holding two contingency balances centrally for Children's (£2.616m) and Adults (£1.800m). Further details are contained within this report in Section 4.2.

1.4 On-going pressures relate to the previous Customer Journey Programme and the development of the Outsystems software. Further details can be found in section 4.7 of this report.

1.5 In Environment, Housing & Leisure (EHL) prudent forecasts suggest that the outturn position will be a pressure of £0.353m, an improvement of £0.232m since the last report. The main pressures are staffing, energy and rates. The Service is committed to delivering a balanced position and is continuing to work on identifying options around the remaining pressures. Further details can be found in section 4.4.

1.6 Central Items is forecasting an underspend of £3.320m, representing an improvement of £0.386m since the last report. This includes contingencies of £4.636m, which, if allocated, would produce pressures in Central Items of £1.316m. These pressures are a result of Central Items holding the targets for the cross-cutting savings proposals, partially offset by forecasted underspends generated by management actions around Strain on the Fund and the Authority's Treasury Management Strategy.

1.7 Table: 1 2019/20 General Fund Revenue Forecast Outturn as at 30 September 2019

	Gross Expenditure as at September 2019			Income as at September 2019			Net Expenditure as at September 2019			July 2019
	Budget	**Forecast**	**Variance**	**Budget**	**Forecast**	**Variance**	**Budget**	**Forecast**	**Variance**	**Variance**
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Health, Education, Care and Safeguarding	178.534	189.203	10.669	(110.701)	(115.371)	(4.670)	67.833	73.832	5.999	6.371
Commissioning and Asset Management	207.440	211.635	4.195	(185.277)	(189.081)	(3.804)	22.163	22.554	0.391	0.182
Environment, Housing and Leisure	71.425	74.164	2.739	(29.290)	(31.676)	(2.386)	42.135	42.488	0.353	0.585
Regeneration and Economic Development	2.193	2.281	0.088	(1.022)	(0.994)	0.028	1.171	1.287	0.116	0.142
Corporate Strategy	1.785	2.034	0.249	(1.587)	(1.702)	(0.115)	0.198	0.332	0.134	0.157
Chief Executive	0.406	0.368	(0.038)	(0.486)	(0.486)	0.000	(0.080)	(0.118)	(0.038)	(0.064)
Resources	79.829	72.257	(7.572)	(78.338)	(69.774)	8.564	1.491	2.483	0.992	0.839
Law and Governance	3.666	4.650	0.984	(3.811)	(4.613)	(0.802)	(0.145)	0.037	0.182	(0.035)
Central Items	16.059	12.739	(3.320)	(15.108)	(15.108)	0.000	0.951	(2.369)	(3.320)	(2.934)
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	20.013	20.013	0.000	0.000
Total Authority	**581.350**	**589.344**	**7.994**	**(425.620)**	**(428.805)**	**(3.185)**	**155.730**	**160.539**	**4.809**	**5.243**

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £6.875m in 2019/20 approved by Council in February 2019 bring the total savings the Authority has had to find in the nine years following the 2010 Comprehensive Spending Review (CSR) to £126.951m.

2.2 **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
Total Savings	**126.951**

2.3 In addition to the £6.875m of savings proposals required in 2019/20, £3.658m of prior year savings require a permanent solution in 2019/20. These savings were successfully achieved by in-year management actions during 2018/19. The total amount of savings that need to be achieved in 2019/20 is therefore £10.533m.

2.4 In tracking progress made against each individual saving proposal, a total of £7.753m, representing 74% of the target, is already forecast to be saved in 2019/20 (July, £7.470m and 71%). These figures include mitigating items of £1.400m comprising of the £1.100m of management actions which have been identified as achievable via Central Items in 2019/20 and a further £0.300m additional health income which is mitigating a savings target within HECS. A prudent approach is taken to reporting efficiency savings and they will only be reported as achieved in the forecast position when the impact can be seen flowing into the general ledger. As such it is projected that 26% of the target still needs to be achieved (July, 29%).

2.5 **Table 3: Efficiency Savings by Service at September 2019**

Service	2019/20 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
Regeneration and Economic Development	0.103	0.075	0.000	0.028
Central Items	6.058	2.376	1.100	2.582
Commissioning & Asset Management	0.176	0.176	0.000	0.000
Corporate Strategy	0.042	0.022	0.000	0.020
Environment, Housing & Leisure	0.886	0.886	0.000	0.000
Health, Education, Care & Safeguarding	3.268	2.818	0.300	0.150
Total	**10.533**	**6.353**	**1.400**	**2.780**

2.6 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 main variations in relation to the savings still to be achieved are outlined in the sections below.

Central Items

2.7 The £2.582m of savings targets, currently forecast as still needing achievement, relate to cross-cutting targets from the following Efficiency Statement categories; A Focus on the Social Care Customer Experience (£0.903m), How We Are Organised (£0.687m) and Delivering Our Fees & Charges Policy (£0.992m).

2.8 These ambitious cross-cutting savings proposals were identified as being challenging to achieve and, as such, Cabinet and SLT have been working to formulate a permanent solution to meet these targets. In the previous financial year, the Authority was able to take advantage of its Treasury Management Strategy to secure in-year mitigations to offset these targets. Continued benefits of this Strategy have enabled management actions of £1.100m to be identified, which will provide in-year mitigations to these targets in 2019/20. SLT is continuing to work on identifying further activity, actions and plans to achieve the residual target.

2.9 One of the cross-cutting savings targets that is yet to be achieved relates to a proposal to maximise the Authority's resources in relation to sourcing, supply chain and commercials. The initial business case was developed in 2017/18 and included an ambitious target of £2.000m to be delivered by the end of 2018/19. A range of work has been performed in 2017/18 and 2018/19 which has allowed the Authority to realise £0.408m of this saving. A further £0.400m is expected to be achieved during 2019/20 and management actions of a further £0.200m are expected to be available to support the delivery of this target in 2019/20. Despite the level of work performed so far, the residual target remains a significant challenge for the Authority. SLT is working on developing new activities, actions and plans to deal with this residual target.

Central Items – Procurement

2.10 The review of the Procurement arrangement with ENGIE has proven that the original savings targets were overestimated. The Authority has a track record of delivering greater than anticipated savings from Procurement than previously expected. The Authority has already delivered substantial Procurement savings, which can be demonstrated within Construction but this has mostly been seen within the Housing Revenue Account. Following work completed in the early part of 2019/20, it is now estimated that the Authority can deliver a further £0.400m of savings within the General Fund from Procurement.

Central Items – Management

2.11 The initial management savings target was £2.500m and to date the Authority has achieved £1.300m. Actions currently underway which may have an impact and generate further savings are:

- Contracted Services returning in-house;
- Redesigning Housing & Construction with wider impact on Environment Housing & Leisure; and
- Service restructures.

Central Items – Customer Service / Community Hubs

2.12 The initial savings target was £2.000m and to date the Authority has achieved £0.600m. Currently it is expected that a maximum of £0.200m can be achieved from the Community Hubs project due to a range of factors such as the Authority's commitment to its Customer Services offer, its commercial boundary with ENGIE and property costs at Wallsend and Whitley Bay. Through a range of available management actions, the Authority may be able to allocate an additional £0.300m against these tasks to reduce the overall residual balance.

Health, Education, Care and Safeguarding

2.13 HECS is forecasting to deliver £2.818m (86%) of its targets at this stage in the year. Savings targets which still require achievement as at September 2019 are an amount of £0.100m relating to the implementation of assistive technology under the Efficiency Statement category of A Focus on the Social Care Customer Experience and £0.050m relating to generating new income streams under Leading Sector-Led Improvement. A target relating to 2018/19 in relation to the revision of quality bandings for care homes has been met in year by additional CCG income of £0.300m with arrangements progressing to permanently deliver this saving from 2020/21.

2.14 A prudent view is being taken around savings to be achieved as these are delivered over the course of the year by on-going robust review and management actions rather than as a one-off activity with a discrete start and end date as in, for example, a staffing restructure. These targets are all viewed as on track in terms of management actions and the management within HECS is confident of delivering fully against targets in cash terms in due course.

However, at this stage in the year, these savings have been assumed as still requiring achievement whilst careful monitoring of actual results continues.

SECTION 3 – NEW REVENUE GRANTS

3.1 The following new revenue grants have been received or notified during August and September 2019.

Table 4: Grants Received or Notified in August and September 2019

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Environment Housing and Leisure	Department of Health and Social Care	New Tobacco Burdens	To support implementation of the Tobacco Product Directive and Age of Sale Nicotine Inhaling Products legislation	0.003
Commissioning and Asset Management	Department for Education	Extension of the Role of Virtual School Heads	To support the extension of this role to certain previously looked after children and make information and advice available	0.054
Health, Education Care and Safeguarding	European Social Fund (via Northumberland County Council)	North of Tyne – Working Homes	To support delivery of a housing employability framework.	0.105
Total				**0.162**

SECTION 4 – SERVICE COMMENTARIES

4.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2019/20, with forecasts being prepared on a prudent basis. Meetings have taken place with Lead Members to review the 2018/19 outturn, the initial outlook for 2019/20 and the quarter one position. Further meetings are scheduled on a quarterly basis with officers, the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members to discuss the in-year finance and performance position. Heads of Service and their senior teams will also attend to discuss plans in progress to mitigate any pressures.

4.2 Health, Education, Care & Safeguarding (HECS)

4.2.1 HECS is forecasting a pressure against its £67.833m net controllable expenditure budget of £5.999m. This represents an improvement of £0.372m since the July forecast variance of £6.371m. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

4.2.2 **Table 5: Forecast Variation for HECS at September 2019**

	Budget £m	Forecast £m	Variance Sept £m	Variance July £m
Corporate Parenting and Placements	16.495	20.151	3.656	2.898
Early Help and Vulnerable Families	1.236	1.302	0.066	0.068
Employment and Skills	0.546	0.543	(0.003)	(0.015)
Integrated Disability and Additional Needs Service	2.269	3.226	0.957	0.800
School Improvement	0.088	0.027	(0.061)	0.024
Regional Adoption Agency	0.000	0.000	0.000	0.000
Children's Services Sub-total	**20.634**	**25.249**	**4.615**	**3.775**
Wellbeing, Governance & Transformation	2.299	2.285	(0.014)	0.017
Disability & Mental Health	31.259	30.502	(0.757)	0.560
Wellbeing & Assessment	10.299	12.477	2.178	2.048
Integrated Services	2.919	2.827	(0.092)	(0.120)
Business Assurance	0.318	0.387	0.069	0.091
Adult Services Sub-total	**47.094**	**48.478**	**1.384**	**2.596**
Public Health	0.105	0.105	0.000	0.000
Total HECS	**67.833**	**73.832**	**5.999**	**6.371**

Main budget pressures across HECS

4.2.3 In addition to its normal complex budget management, HECS has been required to deal with a combination of pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage and negotiations continue around ensuring funding contributions from NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.

4.2.4 The main factor behind the total pressure is significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. There has been a rise in the number of children in care to 315 from 304 at July 2019 (see 4.2.25 below) and this, in addition to an increased forecast for respite costs for children with a disability, explains the increased budget variance at September for children's services. In addition to third party care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs. Within adult services, cost pressures remain in relation to third party care provision especially in relation to older people. There has, however, been an increased income contribution from the NHS to support clients with complex mental health needs and to reflect inflationary pressures in social care for services which prevent admission to hospital and facilitate earlier discharge. This increased income has offset increased third-party payments within adult services and has partially offset increased costs relating to the higher numbers of children in care resulting the overall reduction in budget pressure of £0.372m.

Adult Services

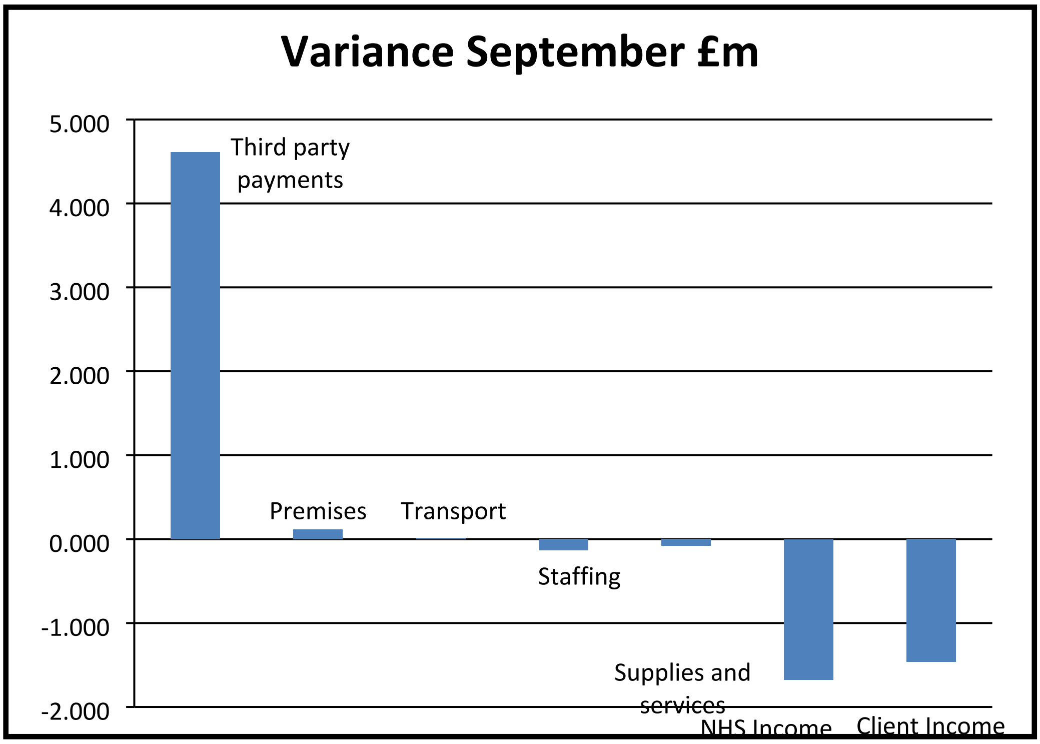
4.2.5 In Adult Services, there is a reduced pressure of £1.384m, which has improved by £1.212m from the reported position in July.

4.2.6 The improvement in position relates mainly to increased income contributions from the NHS. The Better Care Fund Agreement for 2019/20 between the Authority and the North Tyneside Care Commissioning Group has now been finalised and submitted to the Department of Health. The agreement included £0.490m of additional funding to reflect inflationary pressures within social care services which support residents in their own homes and prevents admissions to hospital or facilitates earlier discharge from hospital. In addition, there have been new s117 Mental Health Aftercare contributions for specific clients with complex mental health needs agreed totalling £0.500m. Two clients with Learning Disabilities, who have overriding health needs, have moved into continuing healthcare and their needs are now expected be met by NHS funding for the remainder of the financial year leading to a £0.200m reduction in forecasted costs for the Authority.

4.2.7 The remaining pressure relates to third party payments for care provision which is £4.613m above budget levels. There are also smaller pressures relating to premises costs (£0.116m) and transport (£0.013m). These pressures are partially offset by a higher than budgeted level of contributions from the NHS (£1.675m), and from client contributions (£1.466m). There are underspends against staffing budgets and supplies and services of £0.135m and £0.082m respectively. The demand pressures were foreseen by Cabinet and backed by £1.800m of contingencies held centrally.

4.2.8 The factors behind the overall pressure of £1.384m are represented graphically below:

Chart 1: Breakdown of Budget Variances within Adult Social Care



4.2.9 In common with most local authorities, North Tyneside Council has seen demand for adult social care continue to rise as the success story of longer lifespans means there are many more people with care and support needs arising from a mixture of physical health and mental health conditions including dementia and frailty in old age. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

4.2.10 In order to manage this demand as effectively as possible and ensure that the most intensive services are targeted at those in the greatest need, HECS has been going through transformation to develop an asset-based approach that focuses on enhancing an individual's strengths and informal support networks to maximise their independence. This has had the impact of containing the overall size of the population in receipt of services with a cost to the Authority, but the average cost of those services has increased due to the increased average complexity of the needs of those clients.

4.2.11 Pressures within external payments for care provision total £4.613m above budget. These are analysed into the following service types:

Table 6: Analysis of Adult Services Care Provision Pressure by Service Type

Type of Service	September £m	July £m
Residential and Nursing Care	3.162	2.662
Homecare and Extra Care	1.106	0.959
Other Community-Based Care	0.345	0.680
Total	**4.613**	**4.301**

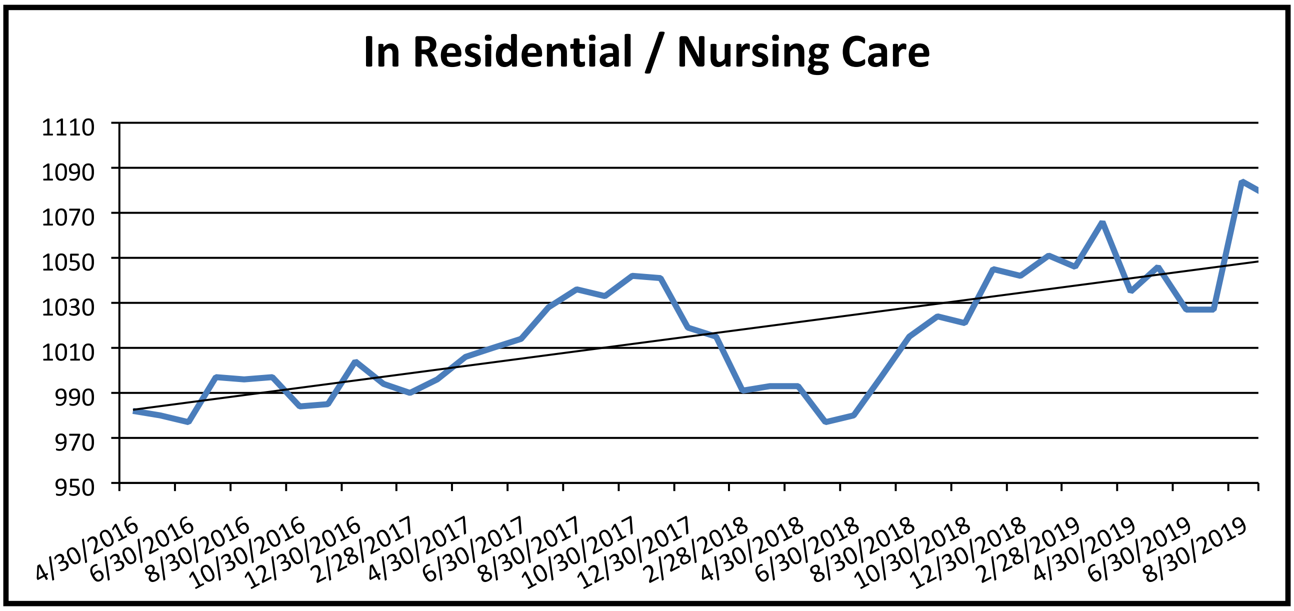
Residential and Nursing Care

4.2.12 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066. Internal processes to monitor the use of short-term placements have been strengthened and numbers of placements overall had fallen in the first part of 2019/20 (1,027 at July 2019). However, there are still challenges, for example the option to move clients from short-term placements to community provision diminishes after longer lengths of stay in short-term placement as clients lose skills and family concerns increase around risks at home.

4.2.13 Alternative provisions of services are being identified for short-term placements to prevent admission to long-term residential care such as reablement services, community based intermediate care or extra care provisions. HECS is continuing a focused review of all short-term placements with support from colleagues from sheltered accommodation and with a view to maximising the appropriate use of assistive technology to identify exit plans for those people needing to move on from short-term residential placements.

4.2.14 The numbers of placements overall for residential and nursing care has, however, increased in August and September from 1027 to 1077. The comparative numbers in residential and nursing care in July and September 2018 were 994 and 1023 and this clearly shows the significant increase in client numbers during 2019/20. The rising numbers of clients placed in residential and nursing care has led to an increase in pressure for this type of service to £3.162m (£2.662m in July). HECS is continuing to review all placements made through an internal panel and is examining individual cases and the flow of clients through the whole system to understand the causes of this increased level of demand. The movement in numbers placed in residential and nursing care is shown in Chart 2 below.

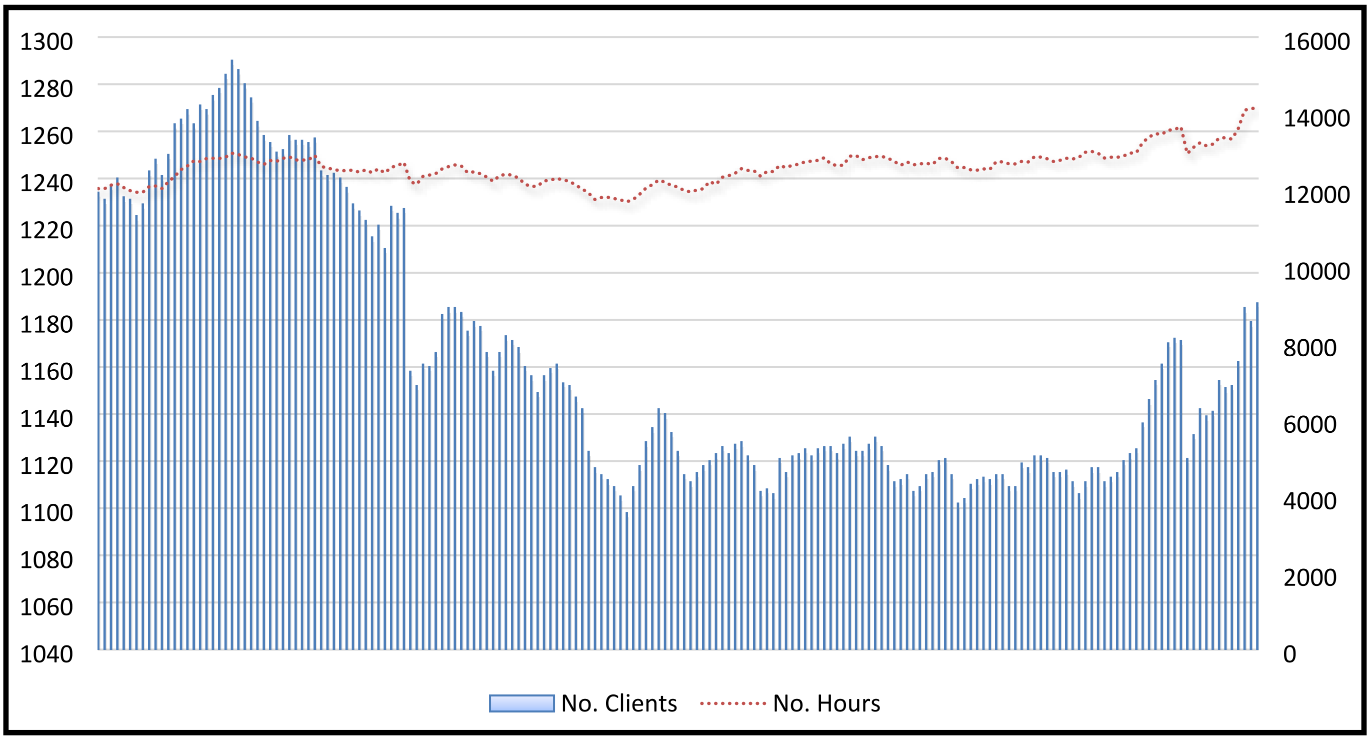
Chart 2: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



<u>Homecare and Extra Care</u>

4.2.15 As reported during 2018/19, the Authority, in line with the national trend, has seen an in increase in the number of homecare hours provided despite a fall in the total number of clients receiving this type of service. It is noted, however, that the number of clients is now starting to rise. In April 2019 there were 1117 clients, by July this had risen to 1142 and in September there were 1187. The rise in numbers of clients and in hours delivered has increased the budget pressure for homecare and extra care to £1.106m (July, £0.959m). The movement in client numbers and hours delivered is shown in Chart 3 below:

4.2.16 **Chart 3: Trend in Annual Cost per Client of Homecare/Extra Care Services**



4.2.17 HECS is working hard to continue to embed the asset-based approach by re-engineering the customer pathway through the service to ensure that assessments are proportionate and that clients receive the appropriate level of support to meet their needs to the extent that they are eligible under the Care Act as cost-effectively as possible. Work is continuing to develop further technology solutions to meet needs related to areas such as medication prompts and shopping in a more cost-effective way.

CCG Income and Better Care Fund Contributions

4.2.18 There has been an increase in income of £1.190m relating to contributions from health. This relates to support for clients with complex mental health needs under s117 Mental Health Aftercare (£0.500m) and continuing healthcare contributions have been agreed for two clients with complex needs arising from learning disabilities (£0.200m). Following completion of the Better Care Fund Agreement for 2019/20 in September, an additional contribution of £0.490m has been included within Wellbeing and Assessment in accordance with the Agreement for inflationary pressures in social care for services which prevent admission to hospital and facilitate earlier discharge.

Client Income

4.2.19 Client contribution income has improved since July by £0.405m and is now forecasted to over-recover against budget by £1.466m. This includes an additional £0.120m relating to the full year impact of the new contributions policy agreed by Cabinet in 2018. Client contributions have increased in line with the increased numbers of clients in residential, nursing and homecare services.

HECS continues to apply national guidelines to financial assessments of all relevant clients to ensure that appropriate contributions are made towards the care provided.

Premises

4.2.20 There are pressures of £0.116m in premises costs relating mainly to rent for respite premises for clients with a learning disability and accommodation costs for teams based within the community.

Children's Services

4.2.21 In Children's Services the £4.615m pressure relates mainly to demand pressures of £3.656m in Corporate Parenting and Placements and £0.957m in Integrated Disability and Additional Needs, which were foreseen by Cabinet and backed by £2.616m of contingencies held centrally. The forecast has increased by £0.840m since the last report mainly due to increased externally provided placements for children in care and increased anticipated expenditure and grant reduction related to respite services for children with a disability.

Corporate Parenting and Placements

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

Table 7: Analysis of Pressures in Corporate Parenting and Placements

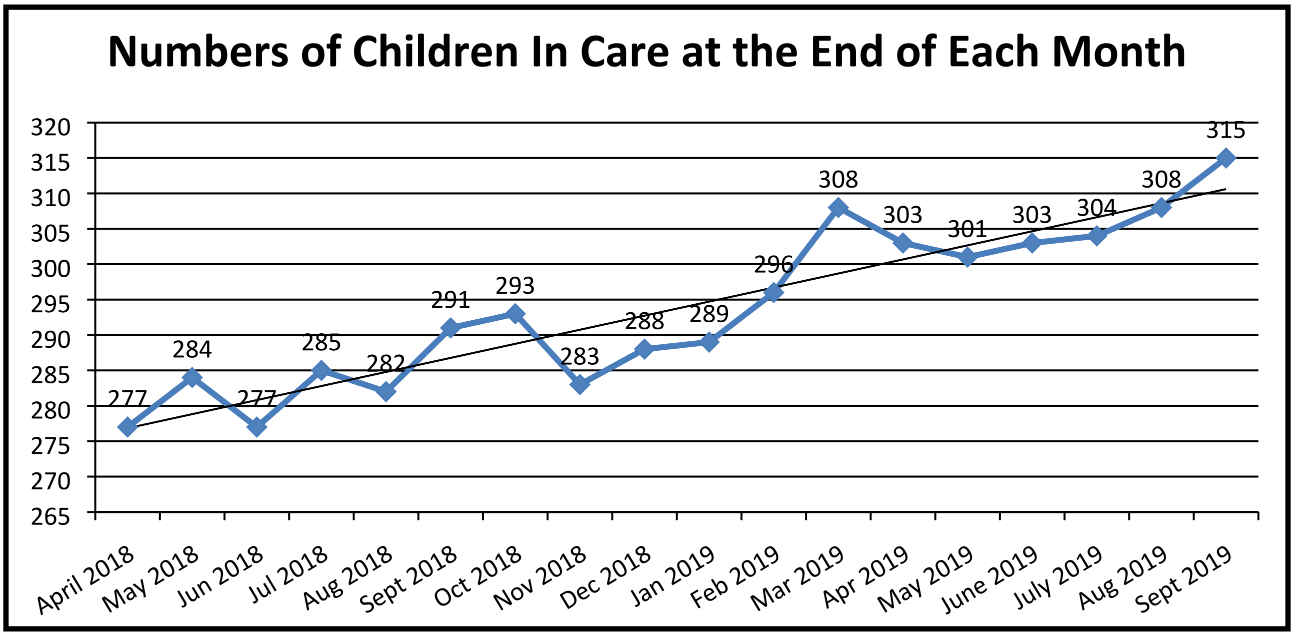
Type of Service	Budget 2019/20 £m	Variance September £m	Variance July £m
Care provision – children in care	9.186	2.809	2.016
Care provision – other children	3.202	0.392	0.425
Management and Legal Fees	0.098	0.123	0.120
Social Work	3.965	0.328	0.333
Safeguarding Operations	0.044	0.004	0.004
Total	**16.495**	**3.656**	**2.898**

4.2.23 The increase of £0.758m since the last report relates mainly to four new residential placements (£0.369m) and two new supported accommodation placements (£0.104m). Also, the extension of four residential placements (£0.263m) and four supported accommodation placements (£0.202m) have contributed to the increase. This has been partially offset by one residential placement which did not go ahead (£0.097m) and changes to two external residential placements (£0.083m).

Care Provision – Children in Care

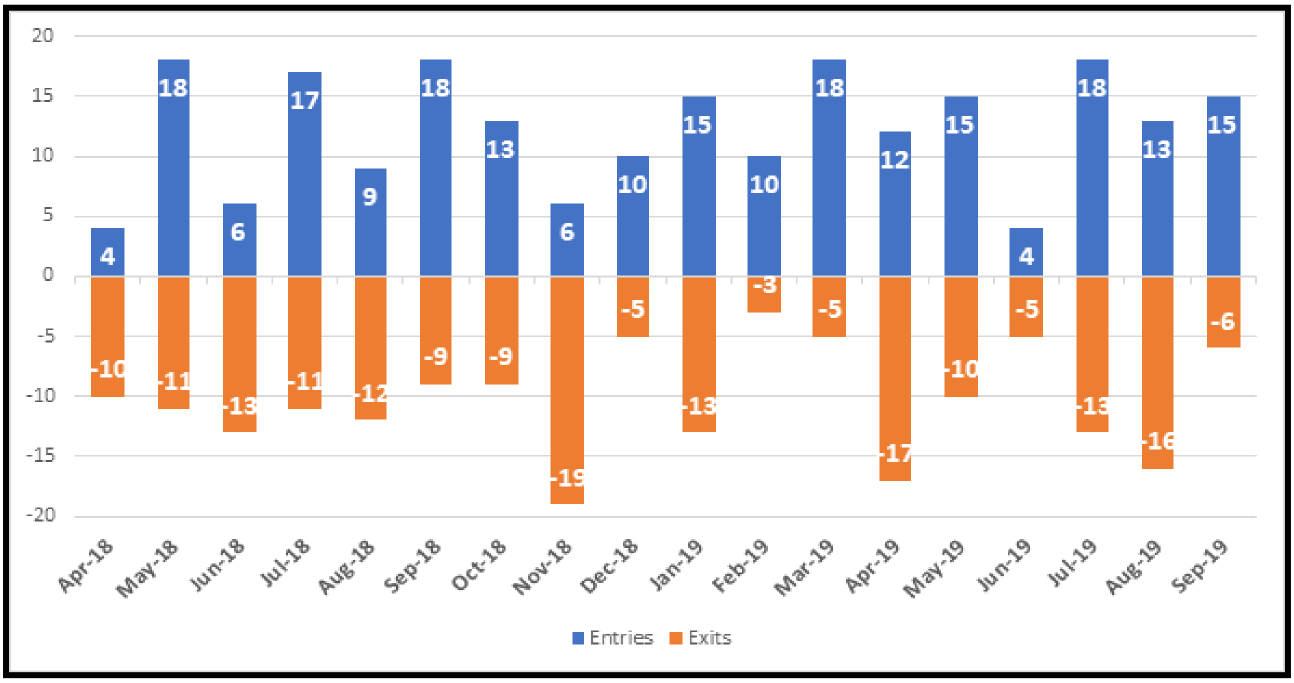
4.2.24 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases felt nationally. Numbers were, however, steady through 2018/19 before rising to 308 at the year end. Although the number of children in care fell slightly from this during the first few months of the financial year, they rose to 315 at the end of September 2019.

4.2.25 **Chart 4: Children in Care at the End of Each Month**



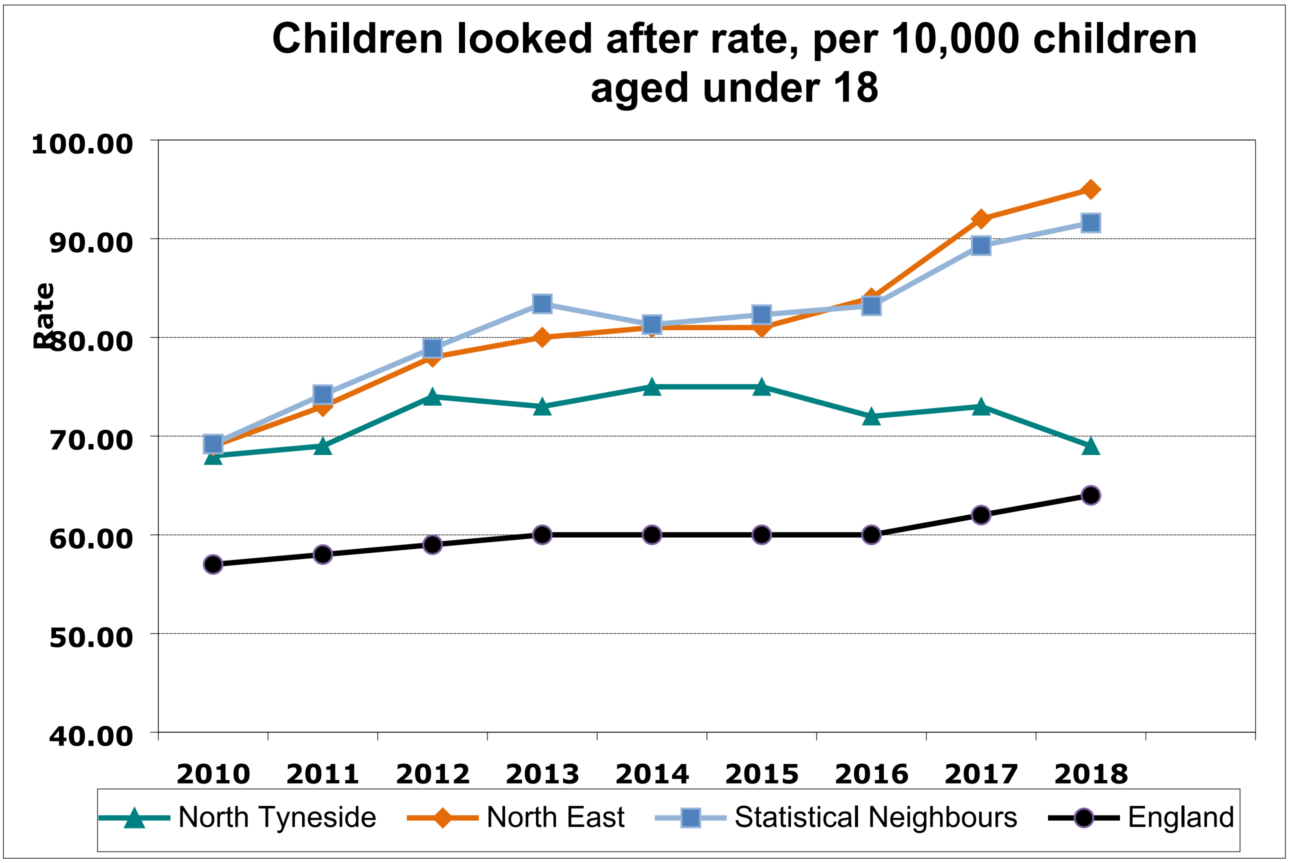
4.2.26 Delays within the court system continue to impact on the numbers of children leaving care. The pattern of children leaving care has proven to be much more volatile in 2019 as compared to 2018 but with a general pattern of less children leaving care, as shown in Chart 5 below.

Chart 5: Detailed Movement in the Numbers of Children in Care



4.2.27 The most recent available national comparators from 2017/18, as demonstrated by Chart 6 below, shows that North Tyneside, although above the England average, performed well within the North East region in relation to the rates of children in care. Updated 2018/19 figures will be available later in the autumn.

4.2.28 **Chart 6: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



4.2.29 In addition to the recent rise in overall numbers of children in care since February 2019, resulting mainly from delays in legal processes, placement mix also continues to change. Placements for adolescents (particularly males) with a combination of risks including aggressive behaviour, offending, substance use and sexualised behaviour are increasingly difficult to source. This has resulted in the use of more costly bespoke individual placements, where it is not suitable to place young people in group environments. This is demonstrated in the table below where the main pressure results from residential placements which, in terms of total bed nights, represents only 7% of provision by bed nights but is very costly amounting to 33% of the overall placement cost. The average cost of a residential care placement at present is £0.252m; however, this is very volatile and is dependent on the individual needs of the cohort of children and young people in externally provided residential placements at a point in time. External supported accommodation can also be expensive and there is currently a cohort of four young people with very complex needs being supported at an average cost in excess of £0.005m per week.

4.2.30 **Table 8: Forecast cost, forecast variance, average placement cost and placement mix**

Placement Type	19/20 Forecast Variance	Average Annual Placement cost (£m)	19/20 Bed nights	Placement Mix	No. of children Sept 19	No. of children July 19
External Residential Care	1.502	0.252	8,109	7%	26	24
External Fostering	0.121	0.038	10,691	9%	22	24
In-House Fostering Service	0.113	0.020	77,839	68%	214	208
External Supported Accommodation	1.050	0.150	3,589	3%	12	12
Other*	0.023	various	14,090	13%	41	36
Total	**2.809**		**114,318**	**100%**	**315**	**304**

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

4.2.31 Children's Services has been successful in reducing the use of externally provided supported accommodation, which is the next most expensive form of provision after residential care. This has been achieved by making full use of the Authority's in-house provision jointly working with the housing team and supporting young people who have been involved in risk taking behaviour with stable and resilient staff teams. This has allowed the placement of young people within internal services that may otherwise have required an external placement at significant additional cost.

Care Provision – Children not in care

4.2.32 The pressure of £0.392m 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 £2.616m established in Central Items in 2018/19 was, in part, intended to mitigate against these costs.

Management and Legal Fees

4.2.33 There is a pressure in management staffing costs of £0.020m and general operating expenses of £0.050m within the overall pressure of £0.123m. There is also a prudent assumption of achievement of 50% of the savings target in relation to sector-led improvement income leaving a £0.050m pressure as yet to be achieved.

Social Work

4.2.34 Within the overall pressures of £2.898m for Corporate Parenting and Placements, there are staffing pressures of £0.335m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net pressure is due to the need to establish an additional team, to support with case load management (£0.150m) and market supplement payments (£0.180m). At the time of reporting, no agency staff are currently required and case loads are in line with good practice.

Integrated Disability and Additional Needs

4.2.35 There is a pressure of £0.957m at September 2019 which is an increase of £0.157m since the last report. This increase relates to a higher forecast for respite services for children with a disability (£0.047m) and the removal of a forecast grant income for Special Educational Needs of £0.110m which is now not anticipated. Within this service area, in addition to respite placement cost pressures of £0.373m, there are pressures relating to operational staffing costs within in-house residential services of £0.200m, and an associated unachieved health income target of £0.085m. There are pressures relating to the delivery of the Authority's statutory duties in relation to Special Educational Needs and Disability (SEND) with additional management capacity and loss of grant funding forecast to cause a pressure of £0.117m. There are also staffing pressures of £0.182m in Educational Psychology partly relating to cover arrangements associated with maternity leave.

4.3 **Commissioning and Asset Management**

4.3.1 Commissioning and Asset Management (C&AM) is forecasting a pressure of £0.391m as set out in Table 9. This is a worsening of £0.209m compared to the previously reported variance of £0.182m. The increased budget variance is due to a higher forecast within repairs and maintenance within the Property service area. Commissioning and Asset Management is currently reviewing the volume and type of work undertaken and planned to ascertain if any expenditure reductions can be identified.

4.3.2 **Table 9: Commissioning and Asset Management Forecast Variation**

	Budget £m	Forecast £m	Variance Sept £m	Variance July £m
School Funding & statutory staff costs	18.288	18.288	0.000	0.000
Commissioning Service	0.384	0.384	0.000	0.000
Child Protection independent assurance and review	0.674	0.694	0.020	0.020
Facilities and Fair Access	0.636	0.823	0.187	0.170
Community and Voluntary Sector Liaison	0.439	0.431	(0.008)	0.000
Strategic Property and Investment	0.802	0.802	0.000	0.000
High needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	0.815	1.015	0.200	0.000
Commissioning & Asset Management & support	0.154	0.154	0.000	0.000
Procurement	(0.029)	(0.037)	(0.008)	(0.008)
Total Commissioning & Asset Management	**22.163**	**22.554**	**0.391**	**0.182**

4.3.3 In addition to Property, there are budget pressures relating to Facilities and Fair Access where there are inflationary pressures of £0.042m within Catering and £0.040m in Cleaning. In addition, there are pressures within Home to School Transport of £0.130m due to the increasing number of pupils attending special schools. There has been a 5% increase in the specific Consumer Price Index for food and beverages over the last three-year period which on an annual spend of £2.200m equates to a pressure of £0.110m across the Service; this has been partially mitigated by cost efficiencies and by raising additional income.

4.3.4 C&AM is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services and within Home to School Transport work is actively progressing on route rationalisation using the new QRoute system.

4.4 **<u>Environment, Housing & Leisure (EHL)</u>**

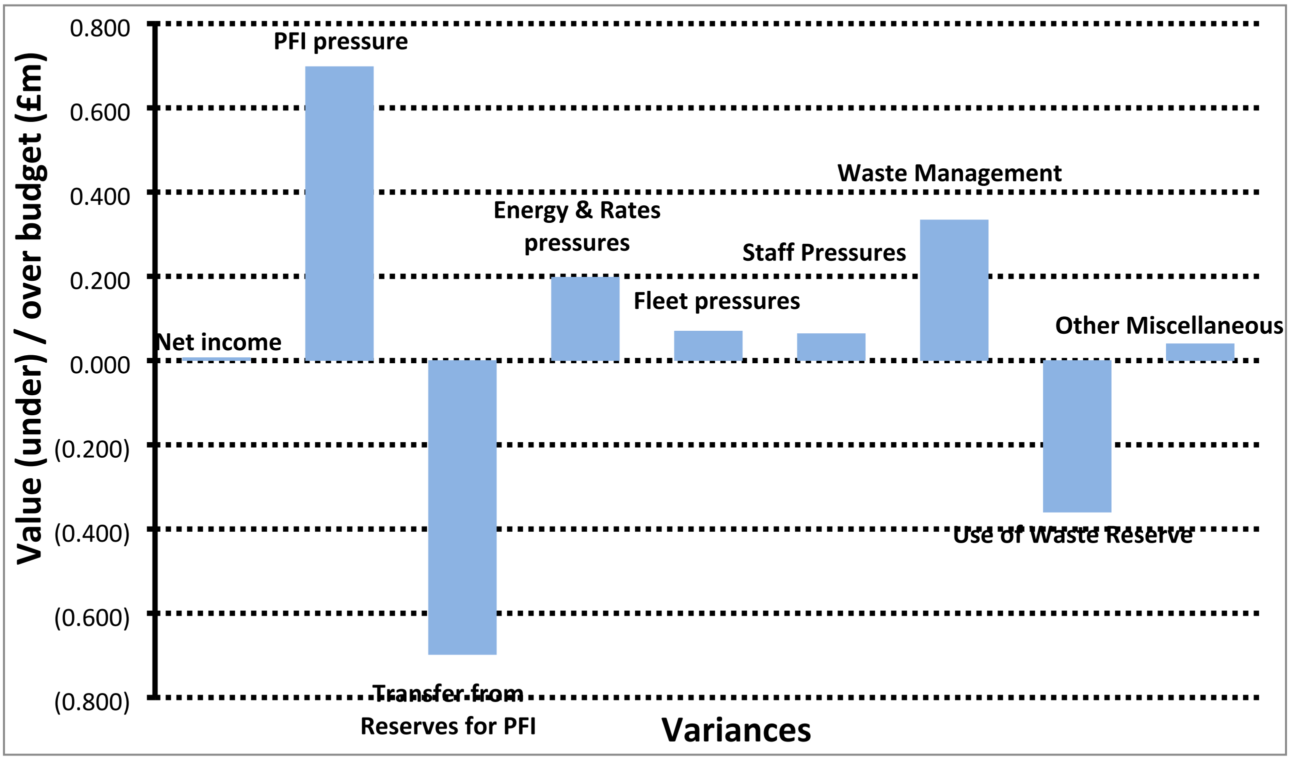
4.4.1 EHL is forecasting a pressure of £0.353m against the £42.135m budget, as set out in Table 10 below, which is an improvement of £0.232m from the forecast at July. This forecast position and improvement is in line with EHL's record of managing pressures through each financial year and there is still an expectation to be able to manage out these pressures in their entirety. This monitoring position reflects a £0.698m transfer from reserves to cover Private Finance Initiative (PFI) pressures and £0.263m transfer from the reserves specifically related to pressures from the Kerbside/Home Recycling Disposal Contract renewal. EHL remains committed to delivering a balanced position.

4.4.2 **Table 10: Forecast Variation in Environment Housing & Leisure**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	July 2019 Variance (£m)
Sport & Leisure	3.101	3.316	0.215	0.216
Cultural Services	6.925	7.038	0.113	0.171
Security & Community Safety	0.301	0.296	(0.005)	(0.019)
Fleet Management	0.808	0.878	0.070	0.106
Waste and Recycling Disposal	7.130	7.029	(0.101)	(0.051)
Waste Management	3.707	3.784	0.077	0.122
Local Environmental Services	7.249	7.250	0.001	0.054
Head of Service and Resilience	0.133	0.181	0.048	0.042
Street Lighting PFI	4.396	4.396	0.000	0.000
Consumer Protection & Building Control	0.928	0.886	(0.042)	(0.042)
Transport and Highways	6.328	6.331	0.003	0.003
Planning	0.217	0.217	0.000	0.000
General Fund Housing	0.912	0.886	(0.026)	(0.017)
Total	**42.135**	**42.488**	**0.353**	**0.585**

4.4.3 The main pressures, identified in Chart 7 below, are Street-lighting PFI of £0.698m, pressures on energy and rates across the service areas of £0.295m and waste pressures of £0.263m directly related to the renewal of the kerbside materials recycling contract. In addition, there are pressures in Fleet Management due to the capital financing of the new vehicles of £0.070m and net staffing pressures across the EHL service of £0.267m, plus smaller pressures associated with income generation shortfalls and other miscellaneous operational spend.

4.4.4 **Chart 7: EHL Underlying Pressures and Achieved Mitigation Savings 2019/20**



4.4.5 The following paragraphs 4.4.6 to 4.4.18 outline the pressures in each service area;

Sport and Leisure

4.4.6 Sport and Leisure is predicting a pressure of £0.215m, reflecting no movement since July. Whilst income budget targets around gyms have increased by £0.600m compared to 2018/19, EHL is still expecting a £0.159m improvement against these revised targets.

4.4.7 The improved income is offsetting historical pressures within Sport and Leisure around staffing and energy and rates costs. EHL is planning to mitigate the overall pressures by continuing the promotional work which was successful in 2018/19 and saw increases to the numbers using leisure facilities across the year.

Cultural Services

4.4.8 Cultural Services within North Tyneside are showing a forecast pressure of £0.113m, which includes historical pressures due to energy and rates costs and income generation shortfalls. This has improved by £0.058m since July's forecast position due to focussing on staffing and other operational costs.

4.4.9 EHL is expecting to mitigate the pressure primarily by maximising the return from the Playhouse, along with continued close management of operational expenditure.

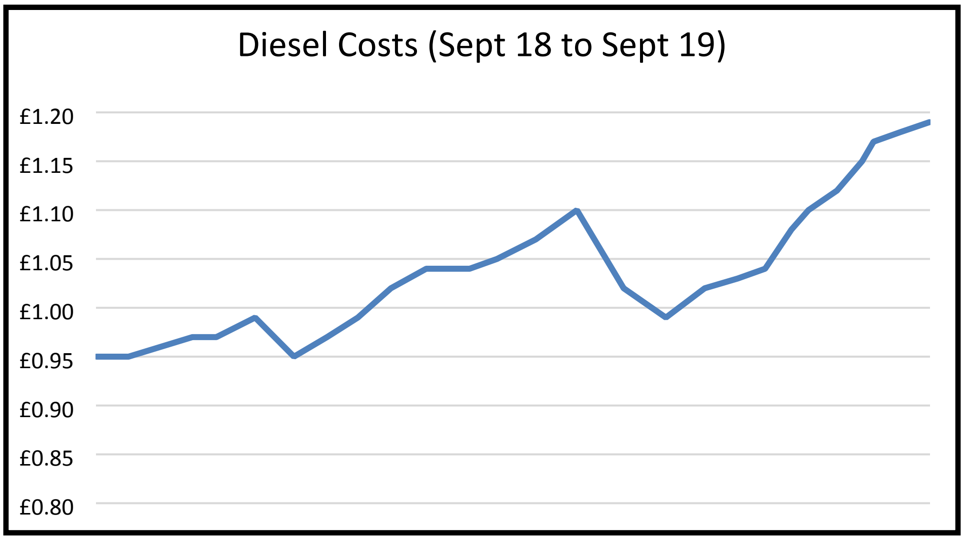
Security and Community Safety

4.4.10 This service area has reviewed and realigned both structure and finances to increase its overall viability. Following this review, it is forecasting a significant improvement over the outturn pressure of £0.054m in 2018/19, in fact forecasting an underspend of (£0.005m) as at September 2019.

Fleet Management

4.4.11 Fleet Management is now forecasting a £0.070m pressure, mainly in relation to absorbing increased capital financing costs for newly purchased vehicles. This service area is prudently forecasting other costs, such as vehicle maintenance and other operational expenditure whilst managing the increasing cost of fuel used within the fleet, as outlined in Chart 8 below. In past years the additional cost of financing new vehicles has been successfully offset by the associated reduction in servicing and maintenance costs of newer vehicles and EHL is working hard to identify further mitigating savings to deliver a balanced budget position.

4.4.12 **Chart 8: Indicative fuel costs for last 12 months**



Waste Management including Recycling and Disposal

4.4.13 Waste Management are predicting pressures relating to kerbside materials recycling contract costs, which are planned to be mitigated by use of all available waste resources. Operational increases to routes due to new housing developments across North Tyneside account for other pressures, leaving a net saving of £0.024m.

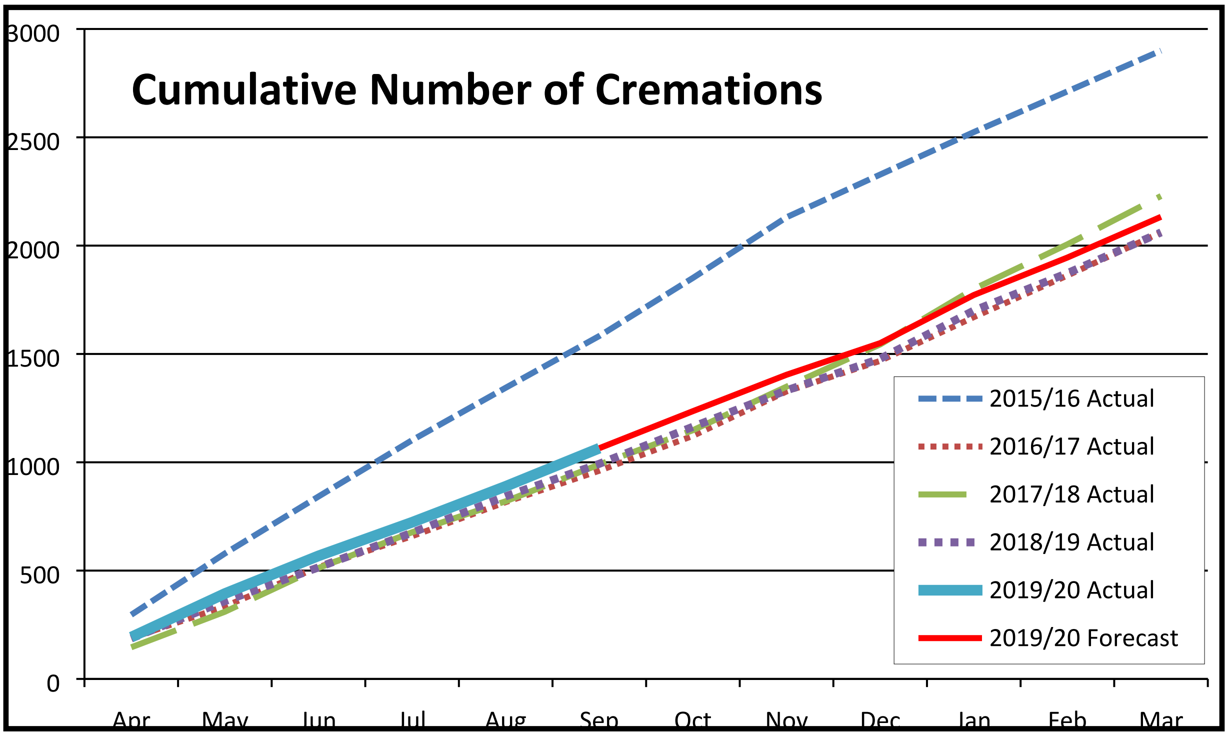
4.4.14 EHL are seeing the proportion of household reuse, recycling and composting continue to show improvement since the introduction of alternate weekly collections.

Local Environmental Services

4.4.15 Local Environmental Services is predicting a forecast break-even position, mainly relating to an expected income shortfall in Bereavement of £0.048m being offset by one-off reduced capital costs for the Cremator works at Tynemouth Crematorium of (£0.058m).

In previous years this area has achieved or surpassed income targets, but 2018/19 reflected the lowest burial and cremation numbers for four years, as reflected in Chart 9. As previously reported in July, EHL will review and implement new bereavement charges in the autumn, with an expectation this will help mitigate against the current shortfall. Local Environmental Services will continue to manage overall costs and look for opportunities to make additional savings whilst closely reviewing the income levels.

4.4.16 **Chart 9: Annual Number of Cremations (2015/16 to 2019/20)**



Street Lighting PFI

4.4.18 The Street Lighting PFI is predicting a cost pressure for 2019/20 of £0.698m, mainly caused by increased energy costs. As the Authority has planned for this issue, this pressure will be mitigated by a draw-down from the PFI reserve, established for this purpose and this will deliver a balanced budget position.

Consumer Protection & Building Control

4.4.19 In 2018/19 this service area reported an outturn pressure of £0.090m, including a £0.122m shortfall in taxi licensing. In 2019/20 Capita, the Authority's Technical Services partner, has agreed to undertake a review of the service to mitigate this pressure and the risk to the Authority.

4.5 **Regeneration and Economic Development**

4.5.1 Regeneration and Economic Development is forecasting a pressure of £0.116m at 30 September 2019 as summarised in Table 11 below:

4.5.2 **Table 11: Forecast Variation for Regeneration and Economic Development**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	July 2019 Variance (£m)
Regeneration	0.309	0.408	0.099	0.105
Business & Enterprise	0.754	0.754	0.000	0.021
Resources & Performance	0.108	0.125	0.017	0.016
Total	**1.171**	**1.287**	**0.116**	**0.142**

4.5.3 The pressures result from a forecast shortfall against budget for berthing fee income of £0.153m and for rental income for business units at the Swans Centre for Innovation of £0.092m. These pressures are partially offset by savings in supplies and services at Swans Quay mainly relating to security services, plus further operational savings in Business & Enterprise.

4.6 **Corporate Strategy**

4.6.1 Corporate Strategy is forecasting a pressure of £0.134m as set out in Table 12 below, an improvement of £0.023m from July mainly due to improvements in operational costs. Corporate Strategy is looking to partly mitigate the pressures through the year by continuing to identify opportunities to increase income and continuing to reduce non-essential spend.

4.6.2 **Table 12: Forecast Variation Corporate Strategy**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	July 2019 Variance (£m)
Corporate Strategy Management	(0.019)	0.010	0.029	0.027
Policy, Performance & Research	(0.059)	(0.064)	(0.005)	(0.015)
Marketing	0.092	0.179	0.087	0.108
Elected Mayor and Executive Support	(0.003)	0.000	0.003	0.003
Children's Participation & Advocacy	0.187	0.207	0.020	0.034
Total	**0.198**	**0.332**	**0.134**	**0.157**

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast pressure of £0.954m within Resources and Chief Executive Office worsened by £0.179m from £0.775m in July. The movement mainly relates to an in-year cost of the HR restructure of £0.074m, plus an increased pressure in Revenues & Benefits of £0.028m and an increased forecast cost of the Customer

Journey programme by £0.050m.

4.7.2 **Table 13: Forecast Variation Resources**

Resources	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	Variance July £m
Chief Executive	(0.080)	(0.118)	(0.038)	(0.064)
ICT Retained Services	1.891	2.502	0.611	0.561
Finance Service	(0.328)	(0.076)	0.252	0.224
Human Resources & Organisational Development	(0.072)	0.057	0.129	0.054
Total Resources	**1.411**	**2.365**	**0.954**	**0.775**

4.7.3 Within ICT Retained Services the main pressures relate to continuing staffing pressures associated with the Customer Journey project of £0.212m. There is an on-going pressure of £0.262m relating to the Outsystems software development and hosting platform for the production of custom applications. The increase in pressure from July is in relation to increasing the previously forecasted pressures on Customer Journey by £0.050m.

4.7.4 Also within ICT Retained Services are budget pressures within Digital Strategy of £0.401m, which relate to ICT costs for systems which are outside the ENGIE contract. These include telephony, network and storage support and maintenance packages amongst other smaller items.

4.7.5 Human Resources (HR) is showing a pressure of £0.129m due to the costs of the new restructure adding to existing staffing pressures following the transfer of HR back to the Authority from ENGIE.

4.7.6 Within Finance (Revenues, Benefit and Customer Services), there has been a reduction in recovery of Housing Benefit Overpayments from debtors on-going benefit payments. This is due to claimants moving across to Universal Credit and Housing Benefit Overpayments being allocated a lower priority payment from Universal Credit than other debts which are deemed priority such as rent and Council Tax. Fewer Housing Benefit Overpayments are being created as the number of claims to Housing Benefit reduces, which has also led to a reduction in forecast income, but this element is largely offset by a reduction in the bad debt provision. A review of the overpayment income targets and forecasts is on-going.

4.8 **<u>Law and Governance</u>**

4.8.1 Law and Governance is forecasting a pressure of £0.182m, with increased pressures due to further use of locums to cover vacant posts within Legal Services. In addition, there is a cost pressure within Democratic and Electoral Services associated with canvassing related activities due to the increased number of elections held in year.

4.8.2 **Table 14: Forecast Variation for Law and Governance**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	July 2019 Variance (£m)
Customer, Governance and Registration	(0.075)	(0.071)	**0.004**	0.029
Democratic and Electoral Services	(0.064)	(0.015)	**0.049**	0.006
Information Governance	(0.113)	(0.089)	**0.024**	(0.022)
Legal Services	(0.186)	(0.104)	**0.082**	0.024
North Tyneside Coroner	0.293	0.316	**0.023**	(0.072)
Total	**(0.145)**	**0.037**	**0.182**	**(0.035)**

4.8.3 In addition to these areas mentioned in 4.8.1, the other service areas within Law & Governance are all showing small pressures due to increased operational spend.

4.9 **Central Items**

4.9.1 The forecast outturn at September 2019 set out in Table 15 below reflects an underspend of £3.320m on central budgets, including contingency budgets relating to pressures in adult and children's social care of £4.416m. This is an improvement of £0.386m resulting from increased savings in interest (£0.500m) partially offset by reduced miscellaneous savings (£0.114m).

4.9.2 **Table 15: Forecast Variation Central Budgets and Contingencies**

	Budget £m	Forecast £m	Variance Sept £m	Variance July £m
Corporate & Democratic Core	9.545	9.545	0.000	0.000
Other Central Items	(8.594)	(11.914)	(3.320)	(2.934)
Total Central Items	**0.951**	**(2.369)**	**(3.320)**	**(2.934)**

4.9.3 Within Other Central Items there are several areas where spend and income is forecast to deviate from budget. Continued savings have been identified resulting from the application of the Authority's Treasury Management Strategy. There is a saving of £1.462m (July, £0.962m) relating to Public Works Loan Board loans taken out at a lower rate of interest than budgeted for (£0.355m) and a reduction in borrowing costs resulting from higher internal borrowing (£1.107m). In addition, reprogramming within the Investment Plan has delivered a credit against Minimum Revenue Provision of £0.370m. Of this total saving, an amount of £1.100m has been proposed as in-year mitigation to the cross cutting savings targets which are yet to be permanently saved as outlined in sections 2.7 to 2.9. There is also a saving against budget of £0.600m for Strain on the Fund costs. There are contingency budgets of £4.636m including the £4.416m held against pressures in social care. There is a total of £0.104m other smaller savings which has reduced by £0.114m since the July report.

4.9.4 These underspends are partially offset by savings targets forecast as still to be fully achieved. These relate to the following Efficiency Statement Categories; A Focus on the Social Care Customer Experience, How We Are Organised and Delivering Our Fees and Charges Policy.

SECTION 5 - SCHOOLS FINANCE

Update on the Position of Deficit Schools

5.1 Cabinet will recall that in July eleven schools indicated that they needed the Authority's approval to set a deficit budget as part of schools' budget setting processes for 2019/20. Formal approval has now been granted to nine of these schools, with the other two recognised as in structural deficit and discussions continue to develop a recovery plan in line with the Authority's Scheme for Financing Schools.

5.2 The first set of budget monitoring for the financial year was completed in October. Forecast results have been established for the deficit schools and are shown below. This position shows an overall improvement of £0.117m across the deficit schools against the budgeted plan.

5.3 **Table 16: Schools seeking deficit approval for 2019/20**

School	Outturn 2018/19 £m	Budget Plan 2019/20 £m	Monitoring 1 position £m	Improvement / (Decline) £m
St Aidan's R C Primary	(0.022)	(0.027)	(0.018)	0.009
Fordley Community Primary	(0.033)	(0.015)	(0.015)	-
Forest Hall Primary	(0.000)	(0.014)	(0.019)	(0.005)
Holystone Primary	(0.034)	(0.053)	(0.047)	0.006
Ivy Road Primary	(0.223)	(0.288)	(0.289)	(0.001)
St Bartholomew's C of E Primary	(0.005)	(0.018)	(0.007)	0.011
Marden High	(0.533)	(0.513)	(0.530)	(0.017)
Norham High	(1.462)	(2.299)	(2.257)	0.042
Longbenton High	(1.544)	(2.194)	(2.193)	0.001
Monkseaton High	(3.485)	(4.420)	(4.388)	0.032
Beacon Hill	0.301	(0.210)	(0.171)	0.039
TOTAL	**(7.040)**	**(10.051)**	**(9.934)**	**0.117**

5.4 Additional governance arrangements and monitoring meetings have been put in place with schools in deficit. School Improvement, HR and Finance officers will continue to meet with Head Teachers and Governing Body representatives to monitor the specific requirements of each individual school's deficit approval.

Pay Award Grant

5.5 Details of the pay award for teachers, payable from September 2019, were announced by Government in July 2019. This involves uplifts at 2.75% for all teacher pay ranges. These new pay rates have been built into the school's budget monitoring tool and were forecasted in the first set of monitoring with schools for 2019/20 which took place in September and October 2019. The Department for Education (DfE) announced that a grant will be paid to all schools to offset 0.75% of the additional impact of the pay award above the 1% rise which was originally planned, leaving 1% pay award unfunded and an unplanned pressure on schools.

High Needs Block

5.6 Cabinet will recall that the High Needs block ended 2018/19 with a pressure of £0.920m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund. This overall pressure in the High Needs block is in line with the national and regional picture and Members will be aware of the high level of interest in special needs provision and associated funding issues in the national media.

5.7 The forecast at September 2019 for the High Needs block has worsened since the last report with an anticipated in-year pressure of £2.616m reflecting a rise in demand for special school places within the Authority and a general increase in complexity of children supported in special schools and within mainstream schools. The total number of special school places the Authority is planning for at the end of 2019/20 is approximately 776. This compares to a total of 664 places at the beginning of 2018/19. These additional places create pressures in relation to place funding of £10,000 per place and the associated top-up funding reflecting each child's level of need. A breakdown of the in-year pressure is shown in Table 17 below:

5.8 **Table 17: Breakdown of High Needs In Year Pressures at September 2019**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	11.004	1.329	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	3.520	0.507	Pressures in pre 16 top ups
Out of Borough	1.225	0.758	Increased numbers of external school places due to higher numbers of children with more complex needs
Commissioned services	3.977	0.022	
Subtotal	**19.726**	**2.616**	

5.9 The Government announced indicative levels of funding for 2020/21 for the Schools block and High Needs block in October 2019. This shows an increase in High Needs funding of £2.900m which should address the in-year level of pressure which has developed in 2019/20. Discussions will continue with Schools Forum around funding for the High Needs block in 2020/21 and the associated programme of reviews of commissioned services and Additionally Resourced Provision designed to ensure that the offer is meeting the needs of children within the Borough and is providing value for money.

Early Years Block

5.10 The Early Years block outturn for 2018/19 was a surplus of £0.881m. Indications for 2019/20 continue to show that services can be delivered within the budget available.

Future Funding of Schools

5.11 A programme of work is in progress with schools to consider future funding factors, based on the National Funding Formula (NFF) used by the DfE. Schools have been consulted on a potential move from the Local Funding Formula (LFF) used by the Authority to a 50% adoption of NFF from 2020/21.

5.12 The Authority will have final approval on any changes to the funding regime and this will be addressed in a separate finance cabinet report. The Authority is continuing to work with the Schools Forum finance sub group to review modelling the conversion of the Authority's LFF to the NFF. The process will continue in line with the key milestones outlined below:

5.13 **Table 18: Process to Agree the Schools Allocation Formula for 2020/21**

	Task	**Timescales**
1	To review the current formula	complete
2	Suggest a number of scenarios showing how it could be changed to move towards the National Funding Formula	complete
3	Model the scenarios	complete
4	Analyse the impact	complete
5	Agree proposal for Schools Forum	complete
6	Schools Forum agree proposals to consult on (12 September)	complete
7	Consult with all schools (providing support to interpret)	complete
8	Results of consultation back to Schools Forum	13 November 19
9	The Authority decides on the allocation formula taking into account views of schools and Schools Forum	November 19
10	The Authority submits individual school allocations based on the agreed formula to the DfE	January 20

SECTION 6 - HOUSING REVENUE ACCOUNT

6.1 The forecast set out in Table 19 below is based on the results to September 2019 and reflects improvements following the end of the Kier Joint Venture and the creation of the new Housing Property and Construction Service. As this is the first year of running with this new service, EHL were conservative in budgeting for the impact, whilst expecting a more efficient service. The values of efficiencies are now becoming apparent and the relative forecasts have been amended accordingly. Further details are being presented to Cabinet on 25 November 2019 in the 'Construction Project – Delivery and Benefits Realised' report. There are two main areas showing improvements: the cost of the repairs and the management-related costs of the new service. The total £2.117m saving identified below is a permanent saving to the base budget and will be built into the HRA 30-year business plan going forward. These include an over-achievement of rental income of (£0.496m) combined with in-year savings within repairs (£0.634m) as well as the forecast underspend within the project team (£1.712m), which is due to complete its work in December 2019.

6.2 **Table 19: Forecast Variance Housing Revenue Account**

	FULL YEAR - 2019/20			Variance July 2019
		Forecast Outturn		
	Full Year Budget £m	Forecast Actual £m	Sept 2019 Variance £m	£m
INCOME				
Rental Income	(58.697)	(59.193)	(0.496)	(0.061)
Rental Income - Shops & Offices	(0.275)	(0.275)	0.000	0.000
Interest on Balances	(0.050)	(0.050)	0.000	0.000
PFI Credits	(7.693)	(7.693)	0.000	0.000
	(66.715)	**(67.211)**	**(0.496)**	**(0.061)**
EXPENDITURE				
Capital Charges - Net Effect	12.110	12.110	0.000	0.000
HRA Management Costs	12.036	10.324	(1.712)	(1.000)
PFI Contract Costs	9.641	9.641	0.000	0.000
Repairs	11.959	11.325	(0.634)	(0.500)
Revenue Support to Capital Programme	9.053	9.053	0.000	0.000
Contribution to Major Repairs Reserve – Depreciation	12.392	12.392	0.000	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.000	1.229	0.229	0.000
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	69.046	**66.929**	**(2.117)**	**(1.500)**
	2.331	**(0.282)**	**(2.613)**	**(1.561)**
BALANCES BROUGHT FORWARD	**(6.202)**	**(7.303)**	**(1.101)**	**(1.101)**
BALANCES TO CARRY FORWARD	**(3.871)**	**(7.585)**	**(3.714)**	**(2.662)**

6.3 Rental income continues to perform well due to the continued reduction in the number of empty homes being maintained, leading to a forecast over-recovery against budget (£0.360m). Income from Garages also continues to perform above budget (£0.026m). Service charge income (including furniture packs) has also seen an improvement and this now expected to perform ahead of budget (£0.110m).

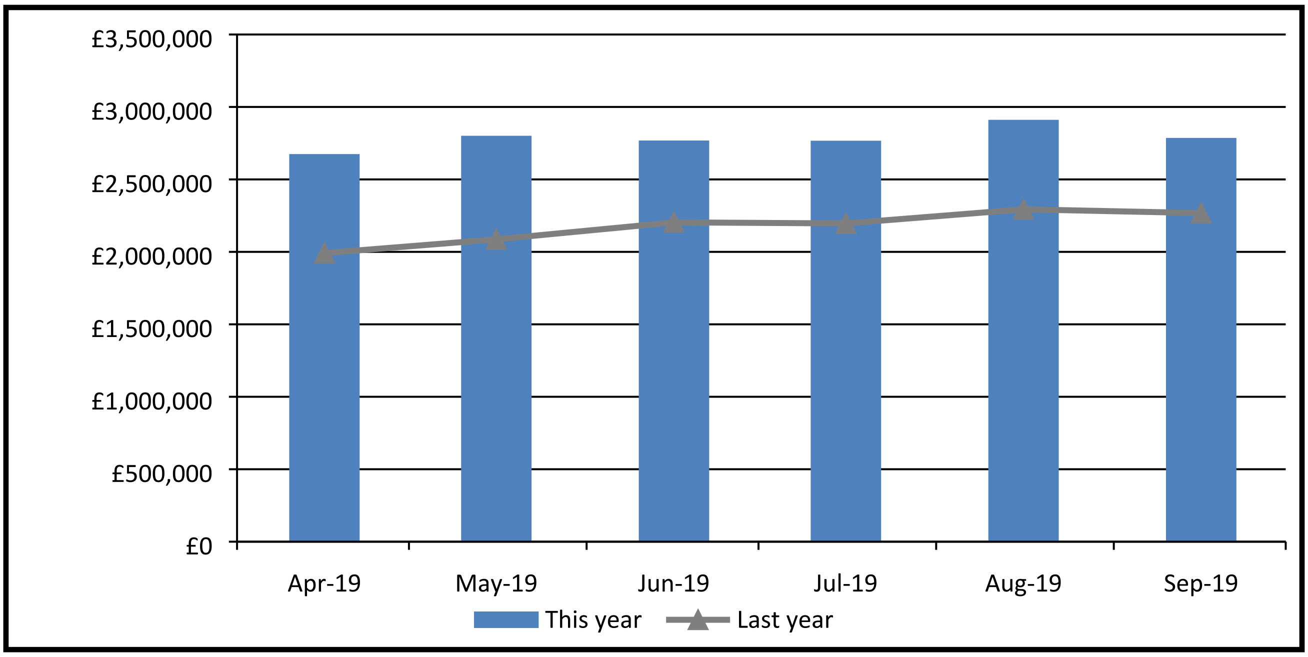
6.4 The current situation regarding arrears, partially due to the impact of Universal Credit, is continuing to increase. As a result of this, the bad debt provision held on the balance sheet is forecast to increase by £0.229m more than the budgeted level.

6.5 Based on this half year performance, the rental income could continue to improve throughout the remainder of 2019/20, however, some of this improved position may be offset by the continuing impact of Universal Credit and the potential continued increase in the bad debt provision, both of which will be closely monitored throughout the year.

Rent Arrears

6.6 The level of rent arrears has risen in the first six months of 2019/20 as compared to 2018/19, the value of arrears has risen by £0.616m compared to this period last year. Chart 10 below shows the value of rent arrears in 2019/20 compared to the same period in 2018/19. A team is working proactively with tenants to minimise arrears and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. For the first time in the last 15 years, there was a pressure on the bad debt provision in 2018/19, with a pressure again forecast in 2019/20. This is mainly in relation to changes caused by Universal Credit.

6.7 **Chart 10: Rent Arrears in 2019/20 compared to 2018/19**

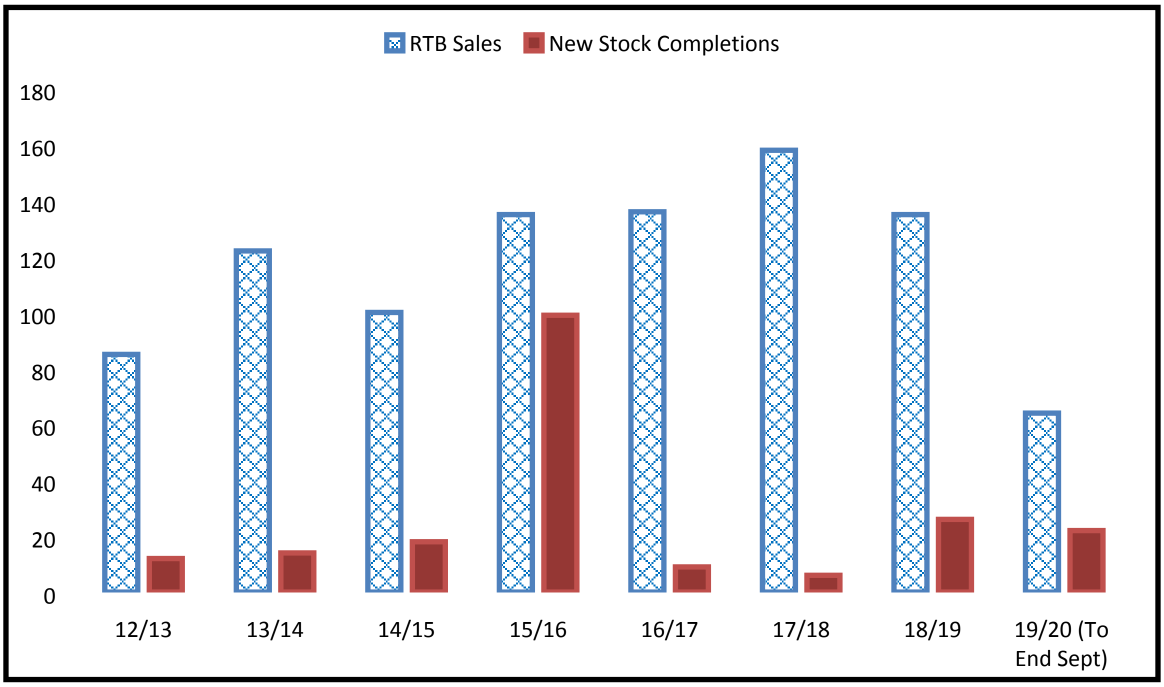


6.8 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 1 April 2019 there were 2,005 tenants of North Tyneside Homes on Universal Credit with arrears totalling £1.163m. At September 2019 there were 2,850 tenants on Universal Credit with related arrears of £1.830m.

Right to Buy (RTB) Trends

6.9 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 11 below shows the trend in RTB sales since that time.

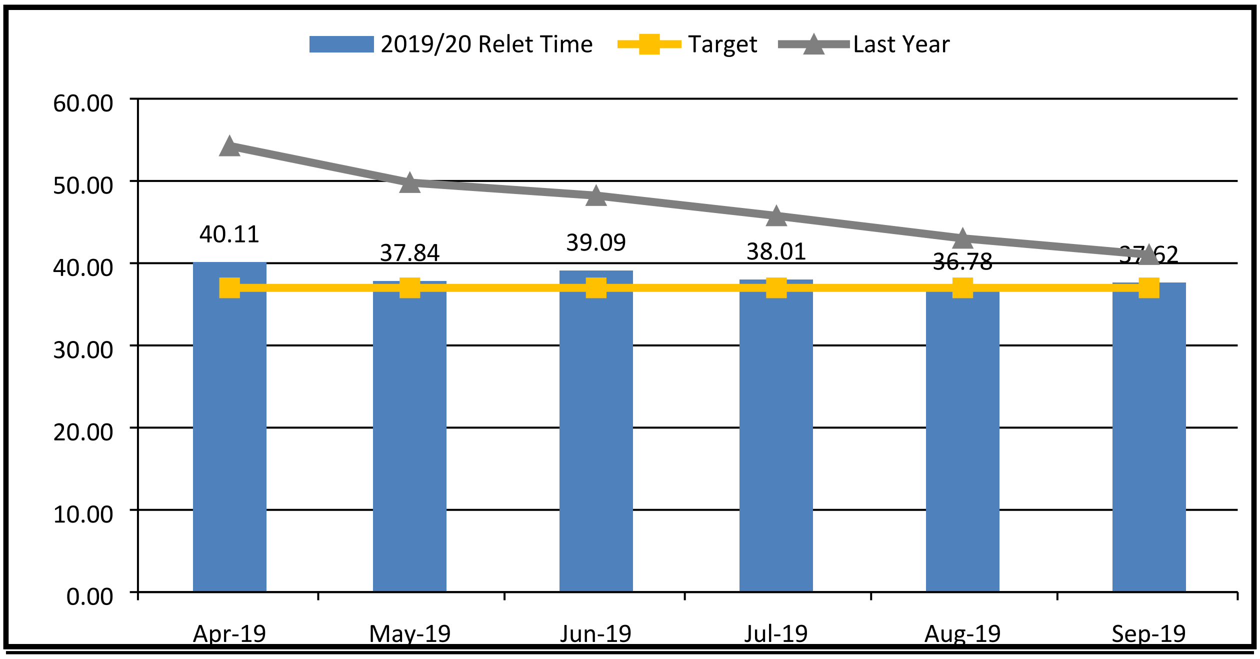
6.10 **Chart 11: Yearly RTB Sales v New Stock Additions**



Improvements to Average Reletting Periods

6.11 The HRA is expecting increased rentals throughout 2019/20, in part due to the improvements made in reletting empty properties. Chart 12 below shows the average relet time, for the first six months of 2019/20, has improved since 2018/19, with year to date statistics showing a decrease of almost 18 days since April 18/19 and reduction of 6 days since the same period last year. In addition, 73% of property relets have been completed within the new 37-day target.

6.12 **Chart 12: Average Relet Period**



SECTION 7 - INVESTMENT PLAN

Review of Investment Plan - Position Statement

7.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. The vast majority of the 40+ projects are currently on target to deliver on time and on budget. Some of the key highlights of the Investment Plan due to be delivered during 2019/20 are summarised below:

Affordable Homes New Build and Conversion Works

7.2 2 projects have been completed to date in 2019/20:

- The construction of 13 new affordable homes in Battle Hill, on the former Bonchester Court site. Completed May 2019; and,
- The construction of 9 new affordable homes in Battle Hill, on the former Beadnell Court site. Completed May 2019.

In addition to the above projects there will be a number of other projects progressed through the design, planning and procurement process during 2019/20 that will subsequently complete in future financial years.

Housing Investment Work

7.3 The Housing Capital delivery programme will see the following works delivered across the borough during 2019/20:

- Kitchens and bathrooms to 654 homes;
- Heating upgrades to 600 homes;
- Boundary improvements to 1,281 homes;
- External decoration to 1,928 homes;
- Roof replacements to 260 homes;
- External Brickwork Repairs to 190 homes;
- Footpath repairs throughout the borough; and,
- Firedoor replacement to 630 flats within communal blocks.

Education Investment Works

7.4 Delivery of the priority condition related projects across the school estate as part of the schools condition investment programme.

Priority Schools Building Programme (PSBP) 2 (Off Balance Sheet):

- Cullercoats Primary School – this project is being delivered as part of PSBP2 as a heavy refurbishment programme rather than a new build. Works commenced in May 2018 and have now been completed with handover at the end of August 2019. Reinstatement of the externals and decanting of contractor facilities has been completed.

Highways and Infrastructure Works

7.5 The main Highways & Infrastructure works include:

- Delivery of the Local Transport Plan (LTP) including the annual resurfacing programme and integrated transport projects;
- Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities;
- Works to the Southern Promenade sea wall repair scheme;
- Completion of final phase of A1058 Coast Road Cycle Scheme;
- Completion of the North Bank of Tyne highway improvements; and,
- Completion of construction on the A189 Salters Lane major highways scheme.

Regeneration Works

7.6 Regeneration Works for 2019/20 include:

Swans – the next phase consists of:

- CFI Phase 2 – works started May 2019 with completion expected in March 2020.

Variations to the 2019-2023 Investment Plan

7.7 Variations of £10.506m to the Investment Plan have been identified and are included in Tables 20 and 21 below. Further details are provided in paragraph 7.8:

7.7.1 **Table 20: 2019 - 23 Investment Plan changes identified**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Approved Investment Plan – Council 21 February 2019	**62.758**	**42.463**	**37.008**	**37.055**	**179.284**
Previously Approved Reprogramming/Variations					
Cabinet 1 April 2019	6.828	0	0	0	6.828
Cabinet 28 May 2019	8.484	0	0	0	8.484
Cabinet 29 July 2019	(4.744)	9.275	0	0	4.531
Cabinet 09 Sep 2019	1.300	0	0	0	1.300
Approved Investment Plan	**74.626**	**51.738**	**37.008**	**37.055**	**200.427**
Aug/Sep 2019					
Variations	0.374	6.132	4.000	0	10.506
Reprogramming	0	0	0	0	0
Total Variations	**0.374**	**6.132**	**4.000**	**0**	**10.506**
Revised Investment Plan	**75.000**	**57.870**	**41.008**	**37.055**	**210.933**

7.8 Details of the £10.506m variations are shown below:

(a) **HS052 Killingworth Moor Infrastructure £10.000m** – Following a successful bid to the Housing Infrastructure Fund, the authority has been awarded £10.000m over a three-year period to create new road infrastructure to support housing development at Killingworth Moor;

(b) **BS026 Asset Planned Maintenance £0.484m** – A number projects have been added they are: War Memorial Funding towards the refurbishment of New York Road War memorial £0.004m, Section 106 funding for the Lakeside Centre sports hall flooring and replacement of The Parks Leisure Centre indoor bowling green surface totalling £0.123m, further Section 106 funding towards the replacement of the Lakeside Centre sports hall rebound boards, netting and a storage roller shutter £0.031m and £0.326m for investment in sports facilities funded from reserves;

(c) **GEN12 Local Infrastructure Projects £0.028m** – North of Tyne FLAG funding has been awarded and is aimed at providing infrastructure improvements within the Cullercoats Bay that will benefit the existing fishermen, and attract new users, including visitors by making the site more secure for fishing boats;

(d) **CO079 Play Sites 2019/20 (Section 106) £0.006m** – Works to the children's play area in Beverley Terrace Cullercoats, including improvements to play equipment, safer surfaces and ancillaries; and,

(e) **DV071 Section 106 contributions to set up health facilities £0.012m credit**– The medical practice at Wide Open has been upgraded to improve its capacity to deal with patients more efficiently. The residual funding £0.012m is to be transferred back to the Section 106 reserve for future consideration.

7.9 The impact of the changes detailed above on capital financing is shown in Table 21 below.

7.9.1 **Table 21: Impact of variations on Capital financing**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Approved Investment Plan – Cabinet 09 Sept 2019	**74.626**	**51.738**	**37.008**	**37.055**	**200.427**
Council Contribution	0	0	0	0	0
Contribution from reserves	0.094	0.232	0	0	0.326
Grants and Contributions	0.280	5.900	4.000	0	10.180
Total Financing Variations	**0.374**	**6.132**	**4.000**	**0**	**10.506**
Revised Investment Plan	**75.000**	**57.870**	**41.008**	**37.055**	**210.933**

Capital Receipts – General Fund

7.10 General Fund Capital Receipts brought forward at 1 April 2019 were £1.100m. The capital receipts requirement for 2019/20 approved by Council on 21 February 2019 was £Nil. To date £0.743m capital receipts have been received in 2019/20. This includes a capital receipt of £0.347m which is a repayment of a capital loan. The receipts position is shown in Table 22 below.

7.10.1 **Table 22: Capital Receipt Requirement – General Fund**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Requirement reported to 21 February 2019 Council	0	0	0	0	0
Receipts Brought Forward	(1.100)	0	0	0	(1.100)
Total Receipts received 2019/20	(0.743)	0	0	0	(0.743)
Receipts used to repay capital loans	0.347	0	0	0	0.347
Net Useable Receipts	**(0.396)**	**0**	**0**	**0**	**(0.396)**
Surplus Receipts	**(1.496)**	**0.000**	**0.000**	**0.000**	**(1.496)**

Capital receipts – Housing Revenue Account

7.11 Housing Capital Receipts brought forward at 1 April 2019 were £7.251m. The Housing receipts are committed against projects included in the 2019-2023 Investment Plan. The approved Capital Receipt requirement for 2019/20 was £4.286m. This, together with the reprogramming previously reported to Cabinet, gives a requirement of £2.142m. To date, £3.633m receipts have been received in 2019/20 of which £0.468m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £8.274m to be carried forward to fund future years.

7.11.1 Table 23: Capital Receipt Requirement - Housing Revenue Account

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2019-23 £m
Requirement reported to 21 February 2019 Council	4.286	3.685	3.748	2.019	13.738
Reprogramming 2018/19	(0.348)	0.000	0.000	0.000	(0.348)
Reprogramming 2019/20	(1.796)	1.796	0.000	0.000	0.000
Revised Requirement	**2.142**	**5.481**	**3.748**	**2.019**	**13.390**
Receipts Brought Forward	(7.251)	(8.274)	(2.793)	0.955	(7.251)
Receipts Received 2019/20	(3.633)	0.000	0.000	0.000	(3.633)
Receipts Pooled Central Government	0.468	0.000	0.000	0.000	0.468
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(8.274)**	**(2.793)**	**0.955**	**2.974**	**2.974**

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2019/20.

Investment Plan Monitoring Position to 30 September 2019

7.12 Actual expenditure, for 2019/20, in the General Ledger was £18.698m, 24.93% of the total revised Investment Plan at 30 September 2019. This is after adjusting for £0.252m of accruals and retentions relating to 2018/19 expenditure.

7.12.1 Table 24: Total Investment Plan Budget & Expenditure to 30 September 2019

	2019/20 Revised Investment Plan £m	Actual Spend to 30 Sept 2019 £m	Spend as % of revised Investment Plan %
General Fund	49.036	11.837	24.14%
Housing	25.964	6.861	26.43%
TOTAL	**75.000**	**18.698**	**24.93%**

SECTION 8 – TREASURY MANAGEMENT

Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2019/20

8.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management stipulates that the Chief Finance Officer should set out in advance the Treasury Management Strategy for the forthcoming financial year, and subsequently report the treasury management activities during that year.

8.2 The primary requirements of the Code are as follows:

(a) forecast the likely activity for the forthcoming year (in the Annual Treasury Management Strategy Report);
(b) a mid-year review report; and,
(c) review actual activity for the preceding year, including a summary of performance.

8.3 This section of the document contains the required mid-year review report for 2019/20. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first six months of 2019/20;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20;
- A review of the Authority's investment portfolio for 2019/20;
- A review of the Authority's borrowing strategy for 2019/20; and,
- A review of compliance with Treasury and Prudential Limits for 2019/20 (detailed in Section 9).

Economic Performance and Outlook Summary

8.4 UK economic growth has been cautious with marginal year on year (Y/Y) growth, driven by stock building ahead of Brexit in Q1, with the slowdown anticipated in Q2. Growth has been +1.3% Y/Y. UK base rate remains unchanged at 0.75%. Action from the Monetary Policy Committee (MPC) is unlikely until there is certainty surrounding Brexit.

8.5 The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth; any downturn in China is likely to impact countries supplying raw materials to China.

8.6 Detailed economic commentary, provided by our Treasury Management advisors, is available as a background paper to this report.

Interest Rate Forecast

8.7 Link Asset services currently forecast Bank of England base rate to remain unchanged until December 2020, in which the MPC may vote to increase rates to 1.00%, and another rate rise in March 2022.

Table 25: Link Asset Services BoE base rate forecast

Month	Sep-19	Dec-20	Mar-22
BBR Rate	0.75%	1.00%	1.25%

The above forecast based largely upon a Brexit deal of some form negotiated with the EU. Given the current uncertainty, this is an assumption which may require material reassessment following further clarity.

Bond Yields and Increase in the cost of borrowing from the PWLB

8.8 Conditions for low bond yields are driven by expectations of the US heading for a recession, a general downturn in world economic growth and low levels of inflation in most countries. This has resulted in long-term PWLB rates being at an unprecedented and historic low, however on 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 1.00% on top of the current margin of 0.80% for new borrowing from the PWLB. Therefore, total margin over gilt yields is 1.80%.

8.9 There was no prior warning that this would happen, and it now means that every local authority has to reassess how to finance their external borrowing needs and the financial viability of future capital expenditure. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing. However this is no guarantee that PWLB borrowing will reduce.

8.10 North Tyneside Council has previously relied on the PWLB as its main source of long-term funding; it now must consider alternative sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. The market anticipates that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this area evolves.

8.11 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. This Authority may make use of this new source of borrowing as and when appropriate.

8.12 A detailed interest rate and PWLB rate forecast is available as a background paper to this report.

Balance of Risk to the UK

8.13 The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

Detailed downside and upside risks are available as a background paper to this report.

Annual Investment Strategy

8.14 The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by the Council on 21 February 2019. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

8.15 The 21 February 2019 approved TMSS sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

8.16 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions.

8.17 The approved limits within the Annual Investment Strategy were not breached during the period to 30 September 2019.

8.18 The average level of funds available for investment purposes during the quarter was £29.5m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

Table 26: Investment performance at 30 September 2019

Investments	30/09/2019 £m	Average rate of Return %	Interest Earned period to 30/09/2019
Debt Management Office	31.50	0.54	£48,143

Borrowing

8.19 The Council's capital financing requirement (CFR) for 2019/20 is £650.5m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The summary table provided below provides the borrowing position as at 30 September 2019. Total external debt including PFI's is £568.166m.

8.20 No borrowing was undertaken during the quarter ended 30 September 2019. Borrowing drawdown for the next half year will be considered cautiously following the increase in PWLB rates.

Table 27: Total External Debt

Principal £m	
	External Borrowing
359.443	Public Works Loan Board (PWLB)
20.000	Lender Option Borrower Option (LOBO)
70.486	Other Local Authorities
449.929	**Total**
	Other External Debt
118.237	PFI & Finance Lease (as at 01 Apr 19)
568.166	**Total External Debt**
	Split of External Borrowing
253.894	Housing Revenue Account
196.035	General Fund
449.929	**Total**

8.21 Following introduction of self-financing for the Housing Revenue Account, from 1 April 2012, loans were split between General Fund and Housing. However, decisions on borrowing for both General Fund and Housing will continue to be made within the overall Treasury Management Strategy and will be reported jointly.

8.22 The difference between the CFR and external borrowing is known as internal borrowing. The level of internal borrowing is determined within the Treasury Management Strategy, by a number of factors including market conditions for investments and the level of the Authority's reserves and balances.

8.23 The Authority's borrowing strategy has been to borrow short term due to the relatively low interest rate levels. Short term temporary borrowing will become more pertinent to the strategy following the increase in PWLB by 1%.

SECTION 9: PRUDENTIAL INDICATORS

Introduction

9.1 The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity and reflects the outcome of the Authority's underlying capital appraisal systems.

9.2 Within this overall prudential framework there is an impact on the Authority's treasury management activity, as it will have a direct impact on borrowing and investment activity. Section 8 above provides a review of the Authority's activity to date during 2019/20.

9.3 The Prudential Code requires the following matters to be taken into account when setting or revising the prudential indicators:

(a) Service Objectives – e.g. strategic planning for the Authority;

(b) Stewardship of assets – e.g. asset management strategy;

(c) Value for money – e.g. options appraisal;

(d) Prudence and sustainability – e.g. implications of external borrowing;

(e) Affordability – e.g. impact on Council Tax; and,

(f) Practicality – e.g. achievability of the forward plan.

9.4 Matters of affordability and prudence are primary roles for the Prudential Code. The revenue consequences of capital expenditure, particularly unsupported capital expenditure, must to be paid for from the Authority's resources. Capital expenditure can be paid for through capital receipts, grants etc., but if these resources are insufficient then any residual capital expenditure will add to the Authority's borrowing need.

9.5 The key risks to the plans are that the level of external funding has been estimated in some projects and therefore may change. Similarly, some estimates for other sources of funding, such as capital receipt levels, may change as capital receipts are reliant on an active property market.

9.6 In total there are fifteen prudential indicators, covering:

- Affordability;
- Prudence;
- Capital expenditure;
- External debt; and
- Treasury management.

9.7 Prudential indicators are required to be set by full Council as part of the Financial Planning and Budget process. Any revisions must be reported through the financial management process.

9.8 The prudential indicators for the forthcoming and future years must be set before the beginning of the forthcoming year. They must be reviewed, and may be revised at any time, following due processes.

9.9 The following part of the report shows the estimated 2019/20 Prudential Indicators as at 30 September 2019 compared to the indicators approved by Council on 21 February 2019 as part of the budget setting process.

Prudential Indicators for Affordability

Ratio of financing costs to net revenue stream

9.10 This indicator shows the annual total cost of financing capital investments (that have been made over time) as a percentage of the Authority's total spend for both General Fund and the HRA.

9.11 The budgeted figures for 2019/20 are set out in Table 28 below together with the estimated 2019/20 position at 30 September 2019:

Table 28: Ratio of Financing Costs to Net Revenue Stream

	2019/20 Budget (%)	2019/20 Estimate (%)
General Fund	18.14	15.90
HRA	27.33	28.07

The General Fund forecast is lower than that budgeted reflecting the savings in the cost of borrowing, for 2019/20, reported in paragraph 4.9.3.

9.12 The above indicator reflects costs for all borrowing, both supported and unsupported. It also includes the financing costs of PFI schemes. To enhance the information available for decision-making we have also provided a local indicator to show the percentage of the budget that is spent on unsupported borrowing. This is shown in Table 29 below:

Table 29: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream

	2019/20 Budget (%)	2019/20 Estimate (%)
General Fund	11.29	10.23
HRA	4.65	4.45

Prudential Indicators for Prudence

9.13 A key indicator of prudence is that, over the medium term, gross debt will only be used for a capital purpose. Under the Code, the underlying need to borrow for a capital purpose is measured by the Capital Financing Requirement (CFR). Gross debt includes external borrowing and other liabilities including PFI schemes and finance leases.

Gross debt and Capital Financing Requirement (CFR)

9.14 This key indicator shows that gross debt is not expected to exceed the total CFR at 31 March 2020. Gross debt is expected to be lower than budgeted reflecting both the continued use of internal borrowing and reprogramming during 2019/20.

Table 30: Gross external debt less than CFR

	2019/20 Budget	**2019/20 Estimate**
	£m	**£m**
Gross External Borrowing	505.445	468.019
Other Liabilities (including PFI)	117.219	117.385
Total Gross debt	**622.664**	**585.404**
Capital Financing requirement	655.656	650.488

Prudential Indicators for Capital Expenditure

Capital expenditure

9.15 This indicator reflects the expected level of capital spend as shown in section 7 of this annex.

Table 31: Capital Expenditure

	2019/20	**2019/20**
	Budget £m	**Estimate £m**
General Fund	36.944	49.036
HRA	25.814	25.964
Total	**62.758**	**75.000**

Capital Financing Requirement (CFR)

9.16 The CFR can be understood as the Authority's underlying need to borrow money long term for a capital purpose. The underlying need is the expenditure remaining to be financed after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. It reflects the cumulative amount of borrowing required for capital purposes less the annual Minimum Revenue Provision (MRP) (the amount set aside to repay debt).

9.17 In accordance with best professional practice the Authority does not associate borrowing with particular items or types of expenditure. The Authority has a number of daily cash flows, both positive and negative, and manages its Treasury position in terms of its borrowing and investments in accordance with the approved Treasury Management Strategy. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. Over the long term, external borrowing may only be incurred for capital purposes.

9.18 The CFR has been calculated in line with the methodology required by the relevant statutory instrument and Prudential Code guidance. It incorporates the actual borrowing impacts of the Authority's capital projects, PFI programmes and finance leases.

Table 32: Capital Financing Requirement

	2019/20 Budget £m	2019/20 Estimate £m
General Fund	327.948	325.714
HRA	327.708	324.774
Total	**655.656**	**650.488**

The estimated CFR is lower than that budgeted due to reprogramming during 2018/19 and 2019/20.

9.19 The above indicator shows the total borrowing requirement, both supported and unsupported. To enhance the information available for decision-making we have provided a local indicator to show the Capital Financing Requirement for unsupported borrowing. This is shown in Table 33 below:

Table 33: Capital Financing Requirement for Unsupported Borrowing

	2019/20 Budget £m	2019/20 Estimate £m
General Fund	184.857	184.339
HRA	20.507	22.922
Total	**205.364**	**207.261**

Prudential Indicators for External Debt

Authorised limit for total external debt

9.20 For the purposes of this indicator the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long-term liabilities. The authorised limit represents the maximum amount the Authority may borrow at any point in time in the year. It has to be set at a level the Authority considers is "prudent" and has to be consistent with the plans for capital expenditure and financing. This limit is based on the estimate of the most likely, but not worse case, scenario with additional headroom to allow for operational management, for example unusual cash movements.

9.21 The following limits were set by full Council as part of the budget setting process.

Table 34: Authorised Limit for External Debt

	2019/20 £m
Borrowing	1,100.000
Other Long Term Liabilities	150.000
Total	**1,250.000**

All transactions are expected to be within the Authorised Limit for External Debt for 2019/20.

Operational Boundary for total external debt

9.22 The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer. Within the operational boundary, figures for borrowing and other long-term liabilities are identified separately.

Table 35: Operational Boundary for External Debt

	2019/20 £m
Borrowing	550.000
Other Long-Term Liabilities	130.000
Total	**680.000**

All transactions are expected to be within the Operational Boundary during 2019/20.

Prudential Indicators for Treasury Management

Upper limits on interest rate exposure 2019/20

9.23 Full Council set an upper limit on its fixed interest rate exposures for 2019/20 of 100% of its net outstanding principal sums. Borrowing is expected to remain within this limit during 2019/20. Full Council set an upper limit on its variable interest rate exposures for 2019/20 of 50% of its net outstanding principal sums. Borrowing is expected to remain within this limit during 2019/20.

9.24 Upper and lower limits for the maturity structure of the Authority's borrowings were set as shown in Table 36 below. Borrowing is expected to remain within these limits during 2019/20.

Table 36: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate

	Upper Limit	Lower Limit
Under 12 months	50%	0%
12 months to 2 years	50%	0%
2 years to 5 years	50%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	25%
20 years to 30 years	100%	25%
30 years to 40 years	100%	25%
40 years to 50 years	100%	25%

9.25 Full Council agreed the indicator for exposure of investments in excess of 364 days at no more than 25% of the portfolio. Investments are expected to remain within this limit during 2019/20.

SECTION 10 – COUNCIL TAX AND BUSINESS RATES RECOVERY

Council Tax and Business Rates Collection

10.1 The budgeted Council Tax debit for 2019/2020 is £107.402m, of which the retained share for the Authority is £94.364m. For Business Rates (NNDR) the opening net debit for 2019/2020 is £57.762m, following adjustment for the previous year's deficit position on NNDR the budget retained share for the Council for 2019/20 is £42.582m. Business Rates income is supplemented by a top up grant from Government of £17.419m, providing an anticipated combined budgeted income from Business Rates to the Council of £60.001m. Tables below set out the in-year collection performance against the Council Tax and Business Rates net debit.

10.2 As at 30 September 2019, the actual current year Council Tax net liability has increased to £110.501m. The Council has collected £59.009m (53.4%) compared to £55.923m (53.8%) at the same point in 2018/19. Further details are shown in table 37 below.

10.3 The small reduction in collection rate compared to 2018/19 is due to a number of factors including, the increase in Council Tax including the higher level of adult social care precept, the removal of discounts and exemptions for empty properties and the reduction in Council Tax Support. Additionally, there has been an increase of 3,562 payers from the 2018/19 annual billing who have opted to extend the payment terms over 12 monthly instalments rather than the original 10 instalments. A fall in in-year collection at the half year point is therefore to be expected, however the long-term rate of collection is expected to be maintained at the budgeted level of 98.5%.

Table 37: Council Tax Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20
Dwellings administered	95,874	96,428	97,123	98,199	99,315
In year collection £m	44.477	49.574	52.751	55.923	59.009
In year %	52.39	55.19	54.7	53.8	53.4
Target %	53.19	52.39	55.0	55.0	55.0

10.4 In relation to Business rates, as at 30 September 2019, the Authority had collected £34.828m (57.6%) of the current net liability of £60.490m compared to £34.780m (57.4%) at the same point in 2018/19. Collections are currently ahead of target rates. Further details are shown in table 38 below.

Table 38: Business Rates Collection as at 30 September

	2015/16	2016/17	2017/18	2018/19	2019/20
Properties administered	5,464	5,564	5,618	6,031	6,046
In year collection £m	35.783	35.770	35.564	34.780	34.828
In year %	59.1	57.0	58.7	57.4	57.6
Target %	57.7	59.1	56.5	56.5	56.5

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		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
General Fund						
Maintaining Our Assets						
BS026 Asset Planned Maintenance						
	Council Contribution	1,522	1,500	1,500	1,500	6,022
	Section 106	154	0	0	0	154
	Private Contribution (NHS)	100	0	0	0	100
	War Memorial Trust Grant	4	0	0	0	4
	Contribution from Reserves	94	232	0	0	326
BS026 Asset Planned Maintenance Total		1,874	1,732	1,500	1,500	6,606
BS029 Wallsend CFC Alcohol Treatment Capital Fund						
	Public Health England	411	0	0	0	411
BS029 Wallsend CFC Alcohol Treatment Capital Fund Total		411	0	0	0	411
CO064 Social Care Information System						
	Better Care Fund	99	0	0	0	99
CO064 Social Care Information System Total		99	0	0	0	99
CO076 Lockey Park Environmental and Play Improvements						
	Section 106	74	0	0	0	74
CO076 Lockey Park Environmental and Play Improvements Total		74	0	0	0	74
CO078 Coastal Revival Fund						
	Coastal Revival Fund (HCLG)	48	0	0	0	48
CO078 Coastal Revival Fund Total		48	0	0	0	48
DV071 Section 106 Contributions to Set Up Health Facilities						
	Section 106	78	0	0	0	78
DV071 Section 106 Contributions to Set Up Health Facilities Total		78	0	0	0	78
ED075 Devolved Formula Capital						
	Education Funding Agency	1,279	1,579	579	579	4,016
ED075 Devolved Formula Capital Total		1,279	1,579	579	579	4,016
ED120 Basic Need						
	Education Funding Agency	184	113	113	113	523
ED120 Basic Need Total		184	113	113	113	523
ED132 School Capital Allocation						
	Education Funding Agency	3,781	3,534	3,534	3,534	14,383
	Private Contribution (Kier Gain Share)	33	0	0	0	33
ED132 School Capital Allocation Total		3,814	3,534	3,534	3,534	14,416
ED186 Backworth Park Primary						
	Council Contribution	-2,374	0	0	0	-2,374
	Section 106	2,374	0	0	0	2,374
ED186 Backworth Park Primary Total		0	0	0	0	0
EV034 Local Transport Plan						
	Dept for Transport LTP ITA	958	958	958	958	3,832
	Dept for Transport LTP Maint	2,504	2,195	2,000	2,000	8,699
	DFT Pothole Funding 19/20	144	0	0	0	144
EV034 Local Transport Plan Total		3,606	3,153	2,958	2,958	12,675
EV056 Additional Highways Maintenance						
	Council Contribution	2,000	2,000	2,000	2,000	8,000
	Department For Transport	876	0	0	0	876
EV056 Additional Highways Maintenance Total		2,876	2,000	2,000	2,000	8,876
EV069 Vehicle Replacement						
	Council Contribution	1,300	500	0	0	1,800
EV069 Vehicle Replacement Total		1,300	500	0	0	1,800
IT020 ICT Strategy						
	Council Contribution	1,234	1,000	1,000	1,000	4,234
IT020 ICT Strategy Total		1,234	1,000	1,000	1,000	4,234
Maintaining Our Assets Total		16,877	13,611	11,684	11,684	53,856

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate					
EV076 Operational Depot Accommodation Review					
Council Contribution	4,279	3,366	0	0	7,645
ERDF	843	1,169	0	0	2,012
EV076 Operational Depot Accommodation Review Total	5,122	4,535	0	0	9,657
EV086 Clean Bus Technology Fund					
Department For Transport	358	0	0	0	358
EV086 Clean Bus Technology Fund Total	358	0	0	0	358
GEN03 Contingencies					
Council Contribution	3,559	2,125	500	500	6,684
GEN03 Contingencies Total	3,559	2,125	500	500	6,684
IT026 ICT Citizen Interaction					
Council Contribution	0	0	0	0	0
IT026 ICT Citizen Interaction Total	0	0	0	0	0
IT027 Self Service Kiosk Replacement					
Council Contribution	100	0	0	0	100
IT027 Self Service Kiosk Replacement Total	100	0	0	0	100
Corporate Total	9,139	6,660	500	500	16,799
Education					
ED100 30 Hours Capital Grant					
Education Funding Agency	75	0	0	0	75
ED100 30 Hours Capital Grant Total	75	0	0	0	75
ED188 SEND					
Education Funding Agency	400	449	0	0	849
ED188 SEND Total	400	449	0	0	849
Education Total	475	449	0	0	924
Housing General Fund					
DV064 Council Property Investment					
Council Contribution	1,253	0	0	0	1,253
DV064 Council Property Investment Total	1,253	0	0	0	1,253
HS004 Disabled Facilities Grant					
Better Care Fund	1,500	1,437	0	0	2,937
HS004 Disabled Facilities Grant Total	1,500	1,437	0	0	2,937
HS051 Private Sector Empty Homes					
Council Contribution	469	431	0	0	900
Homes & Communities Grant	244	93	0	0	337
Revenue Contribution (NHB)	76	0	0	0	76
HS051 Private Sector Empty Homes Total	789	524	0	0	1,313
Housing General Fund Total	3,542	1,961	0	0	5,503
Investments					
DV066 Investment in North Tyneside Trading Co					
Council Contribution	5,249	2,200	0	0	7,449
Section 106	1,623	0	0	0	1,623
DV066 Investment in North Tyneside Trading Co Total	6,872	2,200	0	0	9,072
Investments Total	6,872	2,200	0	0	9,072
Regeneration					
CO077 Amberley Playing Field Artificial Grass Pitch					
Football Foundation Grant	500	0	0	0	500
Section 106	214	0	0	0	214
CO077 Amberley Playing Field Artificial Grass Pitch Total	714	0	0	0	714
CO079 Playsites 2019/20					
Section 106	50	0	0	0	50
CO079 Playsites 2019/20 Total	50	0	0	0	50

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
DV054 Spanish City Dome						
	Council Contribution	45	0	0	0	45
DV054 Spanish City Dome Total		45	0	0	0	45
DV058 Swan Hunters Redevelopment						
	Council Contribution	300	0	0	0	300
	LGF	1,885	0	0	0	1,885
DV058 Swan Hunters Redevelopment Total		2,185	0	0	0	2,185
DV067 Northern Promenade						
	Council Contribution	378	0	0	0	378
DV067 Northern Promenade Total		378	0	0	0	378
DV068 Southern Promenade						
	Environment Agency Grant	550	0	0	0	550
DV068 Southern Promenade Total		550	0	0	0	550
DV070 Forest Hall Regeneration						
	Revenue Contribution (Feasibility)	37	0	0	0	37
DV070 Forest Hall Regeneration Total		37	0	0	0	37
EV080 Coast Road Cycle Route						
	Cycle City Ambition Fund	231	0	0	0	231
	Transforming Cities Fund	237	0	0	0	237
EV080 Coast Road Cycle Route Total		468	0	0	0	468
EV082 North Bank of Tyne Infrastructure						
	NELEP Growth Deal	1,214	0	0	0	1,214
EV082 North Bank of Tyne Infrastructure Total		1,214	0	0	0	1,214
EV084 A189 Improvements Haddricks Mill to West Moor						
	DFT National Productivity Fund	2,333	0	0	0	2,333
	Section 106	0	0	0	0	0
	Section 278	1,554	0	0	0	1,554
EV084 A189 Improvements Haddricks Mill to West Moor Total		3,887	0	0	0	3,887
EV087 Air Quality Early Measures Fund						
	DEFRA - Air Quality Grant	350	0	0	0	350
	Transforming Cities Fund	285	0	0	0	285
EV087 Air Quality Early Measures Fund Total		635	0	0	0	635
EV088 Tyne View Terrace Cycleway						
	Transforming Cities Fund	427	0	0	0	427
EV088 Tyne View Terrace Cycleway Total		427	0	0	0	427
EV090 S278 Avant Homes at Killingworth Village						
	Section 278	1,223	0	0	0	1,223
EV090 S278 Avant Homes at Killingworth Village Total		1,223	0	0	0	1,223
GEN12 Local Infrastructure						
	Council Contribution	190	100	100	100	490
	FLAG Grant	28	0	0	0	28
GEN12 Local Infrastructure Total		218	100	100	100	518
HS052 Killingworth Moor Infrastructure						
	Housing Infrastructure Fund	100	5,900	4,000	0	10,000
HS052 Killingworth Moor Infrastructure Total		100	5,900	4,000	0	10,000
Regeneration Total		12,131	6,000	4,100	100	22,331
General Fund Total		49,036	30,881	16,284	12,284	108,485
HRA						
Housing						
HS015 Refurbishment / Decent Homes Improvements						
	See HRA Financing	21,225	20,664	20,862	21,144	83,895
HS015 Refurbishment / Decent Homes Improvements Total		21,225	20,664	20,862	21,144	83,895
HS017 Disabled Adaptations						
	See HRA Financing	1,041	1,051	1,062	1,072	4,226
HS017 Disabled Adaptations Total		1,041	1,051	1,062	1,072	4,226

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
HS039 ICT Infrastructure Works						
	See HRA Financing	110	107	108	109	434
HS039 ICT Infrastructure Works Total		110	107	108	109	434
HS041 Housing PFI						
	See HRA Financing	254	0	0	0	254
HS041 Housing PFI Total		254	0	0	0	254
HS044 HRA New Build						
	See HRA Financing	1,835	5,167	2,692	2,446	12,140
HS044 HRA New Build Total		1,835	5,167	2,692	2,446	12,140
HS050 Construction Options Project						
	See HRA Financing	1,499	0	0	0	1,499
HS050 Construction Options Project Total		1,499	0	0	0	1,499
Housing Total		25,964	26,989	24,724	24,771	102,448
HRA Total		25,964	26,989	24,724	24,771	102,448
Total £000		75,000	57,870	41,008	37,055	210,933

Investment Plan Financing

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
General Fund						
	Council Contribution	19,504	13,222	5,100	5,100	42,926
	Grants & Contributions	29,325	17,427	11,184	7,184	65,120
	Revenue Contribution	113	0	0	0	113
	Contribution from Reserves	94	232	0	0	326
General Fund Total		49,036	30,881	16,284	12,284	108,485
HRA Financing						
	HRA Capital Receipts	2,142	5,481	3,748	2,019	13,390
	HRA Revenue Contribution	9,136	8,079	7,702	9,014	33,931
	HRA MRR	12,392	12,825	13,274	13,738	52,229
	HRA House Building Fund Reserve	1,785	604	0	0	2,389
	HRA PFI Reserve	509	0	0	0	509
HRA Financing Total		25,964	26,989	24,724	24,771	102,448
Total£000		75,000	57,870	41,008	37,055	210,933
		0	0	0	0	0

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