Cabinet – 18 January 2018
Agenda Item 6(a)

2017/18 Financial Management Report Annex

INDEX

SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 The Authority's approved net revenue Budget of £152.361m is now forecast to underspend by £0.286m (September, £2.067m overcommittment). This position reflects £18.338m of budget savings as agreed at Council on 16 February 2017. Table 1 below sets out the variation summary across the General Fund.

Table 1: 2017/18 General Fund Revenue Forecast Outturn as at 30 November 2017

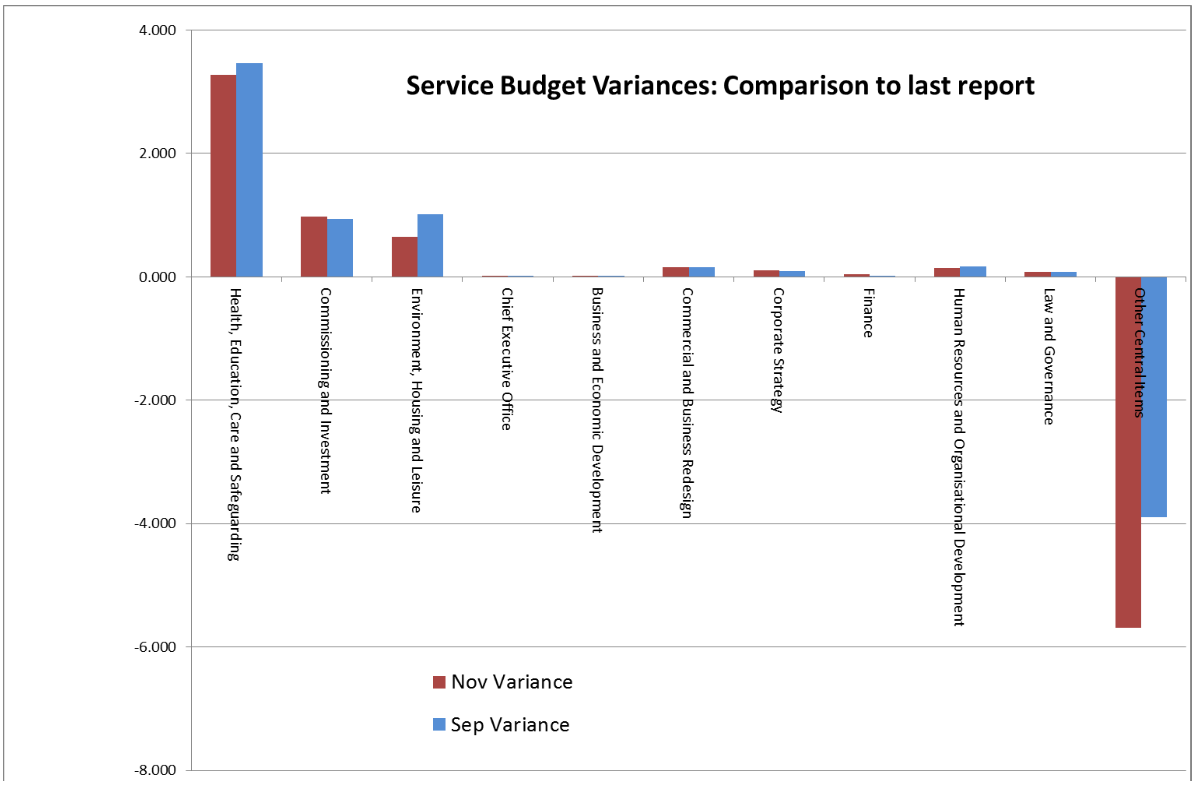
	Gross Expenditure			Gross Income			Net Expenditure			Sep
	Budget	Forecast	Var	Budget	Forecast	Var	Budget	Forecast	Var	Var
	£m	£m	£m	£m	£m	£m	**£m**	**£m**	**£m**	**£m**
Health, Education, Care & Safeguarding HECS)	162.414	172.077	9.663	-89.450	-95.841	-6.391	72.964	76.236	3.272	3.468
Commissioning & Investment	195.991	197.793	1.802	-176.701	-177.533	-0.832	19.290	20.260	0.970	0.938
Environment, Housing & Leisure (EHL)	73.003	74.989	1.986	-27.857	-29.197	-1.340	45.146	45.792	0.646	1.018
Chief Executive Office	0.576	0.577	0.001	-0.440	-0.440	0.000	0.136	0.137	0.001	0.001
Business & Economic Development	2.506	2.490	-0.016	-0.899	-0.866	0.033	1.607	1.624	0.017	0.017
Commercial & Business Redesign	8.012	8.378	0.366	-5.471	-5.685	-0.214	2.541	2.693	0.152	0.152
Corporate Strategy	2.351	2.461	0.110	-1.451	-1.455	-0.004	0.900	1.006	0.106	0.095
Finance	80.569	80.080	-0.489	-79.332	-78.799	0.533	1.237	1.281	0.044	0.022
Human Resources & Organisational Development	2.449	2.657	0.208	-2.187	-2.246	-0.059	0.262	0.411	0.149	0.167
Law & Governance	4.232	4.357	0.125	-3.995	-4.041	-0.046	0.237	0.316	0.079	0.083
Other Central Items	17.431	14.552	-2.909	-9.390	-12.203	-2.813	8.041	2.349	-5.722	-3.894
Total Authority	**549.534**	**559.713**	**10.179**	**-397.173**	**-407.420**	**-10.247**	**152.361**	**153.411**	**(0.286)**	**2.067**

1.2 Main Variances

The chart below shows the variances by service against the previous reported position. There are four main areas of variance, which are summarised below and further detailed in section 3 of the report.

Variance comparison of November variance position to September 2017

Table 2



<u>Health, Education & Safeguarding</u>

1.2.1 The forecast overspend is mainly caused by Corporate Parenting and Placements within Children's Services, although there is a small improvement from the September forecast, alongside the timing of delivery of some of the CBF targets. Over-commitments on third party payments within Older People Services and services for clients with a learning disability are covered by the £4.579m of Improved Better Care Fund awarded after the Budget was agreed.

<u>Commissioning and Investment</u>

1.2.2 The main area of pressure remains within Facilities and Fair Access where, in addition to expenditure pressures within the Cleaning and Catering services, there are demand pressures for the Home to School transport service. There is also a pressure from the Capita managed property services but this is offset within the Capita services shown within Environment, Housing and Leisure as part of the Capita Managed Budget.

<u>Environment, Housing & Leisure</u>

1.2.3 The overspends in Sports & Leisure and Libraries and Community Centres are only partially offset by savings in Fleet/Facilites Management and Transport.

Central Items

1.2.4 Further consideration of borrowing decisions to be taken in the final quarter of 2017/18 has resulted in a further anticpated saving on interest costs as the year end approaches, In addition Table 1 now reflects a forecast of the deficit on Seaton Burn Community College, which crystallised at a projected cost of £0.668m to the General Fund of the Authority when the school became an academy on the 1 January 2018. A further impact of the transfer of this school to an Acadamy is the resulting transfer of the land and school building assets to the Academy with a resulting reduction in the value of assets held on the Authority's balance sheet of £7.244m. Included in Central items is a dividend of £0.886m from the Airport.

1.2.5 Other central items are showing a underspend against budget. This is mainly due to reduced interest charges and an under spend on contingency budgets. The underspend is reduced by a procurement target that is currently forecast as a pressure.

1.3 **The Improved Better Care Fund (IBCF) Grant**

The Chancellor announced additional support for Adult Social Care in the Spring Budget statement on 3 March 2017. This announcement was after the Authority's budget had been set on 16 February 2017. This additional funding is being distributed and managed as part of the Better Care Fund with the allocation for North Tyneside for 2017/18 being £4.579m. The Better Care Fund Agreement between the North Tyneside Clinical Commissioning Group (CCG) and the Authority is in the process of being finalised and the outturn position reflects the full allocation of the grant against expenditure by the Authority. The grant conditions determine that the funding should contribute to;

- Meeting Adult Social Care needs;
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready;
- Ensuring the local social care provider market is supported.

The Improved Better Care Fund Grant is in addition to the social care precept funding raised by increased Council Tax. It is now reported as part of the HECs balance in Table 1 above.

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £18.338m in 2017/18 approved by Council in February 2017 brings the total savings the Authority has had to find in the seven years following the 2010 Comprehensive Spending Review (CSR) to £109.9m.

Table 3: 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
Total Savings	**109.933**

2.2 **Table 4: Savings Tracker 2017/18 at November 2017**

	Budgeted Saving	November Budget Monitoring - Assumed Delivered	September Budget Monitoring - Assumed **Delivered £'000**	Movement since September Increase/ (decrease) **in savings assumed delivered £'000**	Sum of Therefore not **delivered at November**
	£m	£m	£m	£m	£m
Business and Economic Development	162	154	155	-1	8
Central	8,780	8,159	8,159	0	621
Commercial and Business Redesign	235	235	235	0	0
Commissioning and Investment	1,067	820	820	0	247
Corporate Strategy	355	338	342	-4	17
Environment Housing and Leisure	1,578	927	927	0	651
Finance	191	191	191	0	0
Health Education Care and Safeguarding	5,527	4,043	3,762	281	1,484
Human Resources & Organisational development	185	162	162	0	23
Law & Governance	258	238	236	2	20
Total	**18,338**	**15,267**	**14,989**	**278**	**3,071**

In tracking progress made against each individual saving proposal (as set out in Table 3 above), £15.267m (83.2% of the £18.338m target) is currently forecast to be delivered in 2017/18 (September £14.989m and 81.7%). The Tables below show the delivery against each plan followed by a summary table by Service. The remaining balance to be secured at 30 November 2017 is forecast at £3.071m (September was, £3.350m).

A prudent approach is taken to reporting efficiency savings, and they will only be reported in the forecast position when the impact can be seen flowing into the financial ledger system.

2.3 The governance structure of the Creating Brighter Futures (CBF) programme includes a monthly review of progress at the CBF Board. In addition, in-year finance and performance progress meetings are being held between officers, the Cabinet Member for Finance and Resources, the Deputy Mayor and the relevant Cabinet Members to consider progress and actions being taken to deliver savings.

2.4 The main areas of variation from business cases are:

2.4.1 HECS - £5.527m Savings Target, current £1.484m forecast variance (£0.281m improvement since September)

Cared For Safeguarded & Healthy

i. £0.310m of the £1.019m savings remains to be secured within the New Model for Children Budget proposals (September £0.310m). The new model, which includes multi-agency working, is being implemented in order to respond to the increasing demand, increasing recognition and expectation but also to address cost pressures. Whilst there is a plan of changes to be made with a resulting impact on placement mix, it is forecasted that there will be a shortfall against the savings target in-year due to current demographic pressures. The Service is working hard to fully deliver savings for the start of the 2018/19 financial year. The detailed service commentary in Section 3 shows that there has been additional demand in October and November resulting in new placements. The Service can demonstrate however, that actions carried out in relation to this business case have resulted in savings being made which have mitigated the overall pressure relating to Looked After Children expenditure.

ii. Work is in progress to consider further actions in respect of the Carecall income target (within VFM Tested business case) of £0.250m, which is being forecast as achieving £0.092m at this stage. This leaves £0.158m to be identified in year (£0.158m at September). On-going actions outlined in the business case include; a targeted marketing campaign, discussion with our Health partners about the benefits that Carecall brings to them in terms of cost avoidance and opportunities to promote the service to businesses. Additionally the service is reviewing the support provided to North Tyneside Living as the monitoring and response currently provided by Carecall is at no additional cost for some of the residents whilst others contribute, which is inequitable.

iii. The revised homecare model has achieved £0.038m (of a target of £0.200m) of savings as at November. (£0.200m not achieved in September). This is due to delays in identifying an appropriate training partner and issues raised by providers around scheduling of visits. The service is working hard to bring this project back on track but in the interests of prudent forecasting a proportion of this saving is forecasted as unachieved. This is partially mitigated by the over achievement of savings against the Extra Care project below.

iv. The £0.100m savings target relating to increasing capacity and the use of extra care is reported to over recover by £0.060m.

Fit for Purpose

v. The £0.050m savings target re DOLS (Deprivation of Liberty) assessments has now been achieved with the previously outstanding £0.012m being identified through the recent Adults restructure exercise.

vi. Pay Award and Pension Increase - £0.316m of savings included in the Budget to reflect the service finding its own element of the pay award are currently not secured (July, £0.323m). The Service continues to work towards identifying how they will meet this remaining pressure through a review of working hours, managing vacancies and non-essential spend that should reduce this shortfall.

Great Place

vii. Specialist Housing - £0.175m of the £0.275m Specialist Housing solution remains to be secured partly due to the complexity of the cases involved (September, £0.240m). The conversion of a block of flats at Mitford gardens into a 6-bedded unit for care-leavers is complete and young people will move into this new provision over the coming months. Work has also commenced on Elm House for new staying close provision for post-16 LAC. We would hope to be able to improve our forecasts once we can identify which service users will be accommodated. An officer working group continues to consider potential housing growth plans to include specialist housing products and services for children and adults with additional needs, Looked After Children and Older People.

Ready for School.

viii. The services for 0-19 business case included a rebranding of the provision as a ‘Ready for school, work and life’ offer which focused upon getting children school ready and their families able to work and participate in their community and in doing so supports the Creating a Brighter Future Together programme, the TOM principles and the Riverside/Chirton action plan. We have successfully transferred 84 school nurses and health visitors into the Local Authority and they are now key components of our new locality team model for 0-19 year services. The new Ready for School Centre at Riverside officially opened later than envisaged on 4 September meaning £0.073m of the £0.580m savings target remains to be secured (£0.130m at September). This has been partially mitigated in year by additional Troubled Families Grant, which has increased again since the September report by £0.044m, and work continues to identify other options to plug the in-year gap, through vacancies and non-staffing budgets.

Ready for Work & Life

ix. Disability Services - £0.350m (September, £0.350m). This proposal relates to reviewing the internally provided residential care and respite services and the commissioned services from external suppliers provided to children with additional needs including approximately 170 children in the Borough who have a profound disability. To date these reviews have not yet provided any savings that can be measured directly against budgets. Delivering the savings involves some significant changes for families and working through these with families is taking longer than had been expected.

2.4.2 Commissioning & Investment £1.067m saving target, £0.247m forecast variance (no change since September)

Fit for Purpose

£0.055m is yet to be identified relating to a restructure of a post in child protection. The Service is continuing to review its non-essential spend and team structure as the numbers have not come down as far as the Business Case had anticipated.

£0.192m of savings included in the budget to reflect the service finding its own element of the pay award and pension costs (no move since September). The Service continues to work to identify how they will meet the additional costs through a review of working hours, the management of vacancies, stretching sales targets, reviewing appropriate recharging and by reducing non-essential spend.

2.4.3 Environment, Housing & Leisure £1.578m saving, £0.651m variance (no change since September)

Fit for Purpose

£0.531m of savings included in the Budget to reflect the service finding its own element of the pay award and pension costs of which none is currently forecast to be achieved (£0.531m at September). The service continues to work hard to identify how they will meet the additional costs through a review of working hours, the management of vacancies and by reducing non-essential spend and we expect to be able to start recognising these in the next budget monitoring forecast.

Great Place

£0.020m of a £0.200m target remains to be secured with regard to the implementation of the new approach to waste introduced at the Recycling Centre from July 2017 (£0.020m at September). This approach does appear to be reducing waste from traders resulting in disposal cost savings although this is still a very recent change. Results continue to be carefully monitored to evaluate fully the impact on costs but the Authority is confident that this position will improve during the rest of the year due to a new permit system which is being introduced from January 2018.

£0.036m of a £0.071m saving relating to Howdon Community Centre is reported as not yet delivered (£0.036m at September). The transfer of the lease of Howdon Community Centre is now concluded and we expect that the next monitoring will indicate an improved position.

Maximising Resources

£0.064m of a £0.070m savings target relating to bereavement income is reported yet to be secured. The Service has implemented a fee increase in October and once the impact of this is clearer, it will be built into budget forecasts. Volumes of cremations so far this year are slightly up on 2016/17 levels at 1349 by the end of November 2017 compared to 1327 at November 2016.

2.4.4 Non Service Budgets and Cross Cutting savings £8.780m savings target, £0.621m forecast variance (£0.621m at September)

Fit for Purpose

A £0.500m saving yet to be delivered is linked to the project in respect of procurement savings (£0.500m at September). A detailed review of the procurement of services and the Authority's spend with suppliers has been completed and options to deliver the target level of saving have been considered. Work by Capita on delivering the changes in procurement has started but, at this stage, it is considered prudent to assume that the savings will not be achieved.

Great Place

A variance of £0.121m was identified in September within a savings target relating to Property Development activities where the Authority is now expected to receive less interest on loans provided to deliver the projects than originally anticipated, the timing of which are driven by the granting of planning permission on the sites. Work has commenced on the property developments at Northumberland Square in North Shields and continues on the sites at The High Point, The Avenue and Wallington Court.

2.4.5 2016-17 Savings Targets not yet achieved

Savings targets of £1.273m relating to 2016/17 schemes are still not met. The largest item within this is a target of £0.900m relating to taking on the management of Continuing Healthcare (CHC) from the North Tyneside Clinical Commissioning Group. The HECS service is continuing to analyse and understand the data in relation to this work and is working with NHS partners to deliver CHC in a cost effective manner. There remains a significant risk that this saving will not be delivered and a growth bid to remove this target has been proposed as part of the 2018/19 financial planning and budget process.

SECTION 3 – SERVICE COMMENTARIES

3.1 As well as the usual budget monitoring process between finance staff and budget managers, meetings have been held with Officers, Cabinet Member for Finance and Resources, the Deputy Mayor and the relevant Cabinet Member to discuss the in-year finance and performance position with each Head of Service and their senior team, and to discuss plans in progress to mitigate any pressures.

3.2 Health, Education, Care & Safeguarding (HECS)

3.2.1 HECS is forecast an overcommitment against its £72.964m net expenditure budget by £3.272m (£3.468 at September). The forecast overcommittment is caused mainly by Corporate Parenting and Placements within Children's Services (althought the position has improved a little since the September forecast) alongside the timing of delivery of some of the CBF targets.

Table 5: Financial Summary for HECS

	2017/18 Budget £000	November Variance £000	September Variance £'000	Movement £'000
Adults	49,751	**4,234**	4,286	-52
Improved Better Care Fund (IBCF)	**0**	**-4,579**	-4,579	0
<u>Adults after IBCF</u>	**49,751**	**-345**	**-293**	**-52**
Children, Young People & Learning	23,192	**3,617**	3,761	-144
Public Health	21	**0**	0	0
TOTAL HECS	**72,964**	**3,272**	**3,468**	**-196**

Adult Social Care

3.2.2 The allocation of the Improved Better Care fund (IBCF) to Adult Social Care services leads to a small underspend being forecast across the service area of £0.345m (£0.293m at September). The IBCF meets the cost of provision of care packages, the vast majority of which are delivered by external organisations. The pressure being funded by the IBCF lies mainly in respect of third party payments as illustrated in Table 6 below.

Table 6: Analysis of Variation across Adults Social Care spend/income type

Figures exclude Continuing Health Care which is administered on behalf of the CCG	2017/18 Budget £000	Nov Variance £000	Sept Variance £000	Movement £'000
3rd Party Payment	65,356	4,974	4,422	552
Employees	15,182	230	139	91
Other Costs - Premises, Supplies & Transport	2,432	-357	-167	-190
Fees & Sales	-9,862	-1,093	-950	-143
Grants & Contributions	-23,418	470	841	-371
Recharges, Support Services etc	61	10	1	9
IBCF	0	-4,579	-4,579	0
Total – Adults Social Care	**49,751**	**-345**	**-293**	**-52**

3.2.3 The Improved Better Care Fund (IBCF) is applied to offset the overcommitment in third party payments, £4.683m relating to client placements costs which are analysed further in Table 7 below. The placement cost pressures are being experienced across all client categories but especially within services for older people and services for people with a learning disability.

3.2.4 There has been an overall increase in Learning Disability costs due to a number of clients receiving an increased direct payment, an amended assumption about the level of savings the service expect to generate in the remainder of the financial year for Supported Living services, along with a new client, and the resolution of some historical payment issues with a day care provider.

3.2.5 Services for younger adults with a physical disability includes a provision (£0.070m) for a new case which was previously being funded by a trust but has now become the responsibility of the Local Authority. The remainder of this shift relates to a additional costs in relation to a client transferred back to the Council following their loss of eligibility for NHS Continuing Healthcare.

Table 7: Analysis by provision/client type - third party pressure variance

	Learning Disability £000	Physical Disability £000	Older People £000	Mental Health £000	Grand Total £000
Direct Payments	957	866	246	92	2,161
Homecare/ Extra Care	0	0	1,221	0	1,221
Nursing	86	-147	-191	11	-241
Other	1,413	80	-758	22	758
Residential	139	528	1,212	-399	1,479
ISL	-834	-236	0	376	-694
Total November	**1,762**	**1,091**	**1,730**	**101**	**4,683**

Direct Payments	876	868	220	82	2,046

Homecare/ Extra Care	0	0	1,244	0	1,244
Nursing	86	-126	-125	11	-154
Other	1,135	81	-760	19	474
Residential	137	398	1,149	-396	1,288
ISL	-937	-236	0	385	-788
Total September	**1,297**	**985**	**1,728**	**101**	**4,110**

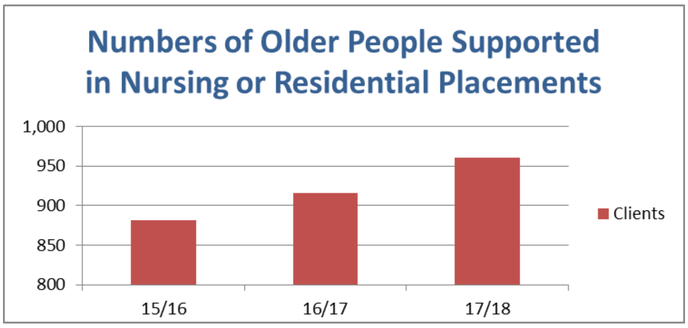
Direct Payments	81	-2	26	9	114
Homecare/ Extra Care	0	0	-315	0	-315
Nursing	0	-21	-66	0	-87
Other	278	-1	3	3	284
Residential	2	130	62	-3	191
ISL	104	0	0	-10	94
Total Movement	**465**	**106**	**2**	**0**	**573**

Note category of 'other' includes predominantly day care, Individual Service Funds, Adult Family Placements and various third party contracts providing floating support.

Services for Older People

3.2.6 Adult Social Care continues to see demographic growth principally within services for older people and services for people with a learning disability. The table below shows the rise in clients over 65 in nursing and residential placements since 2015/16.

Table 8: Numbers of older people in nursing and residential placements



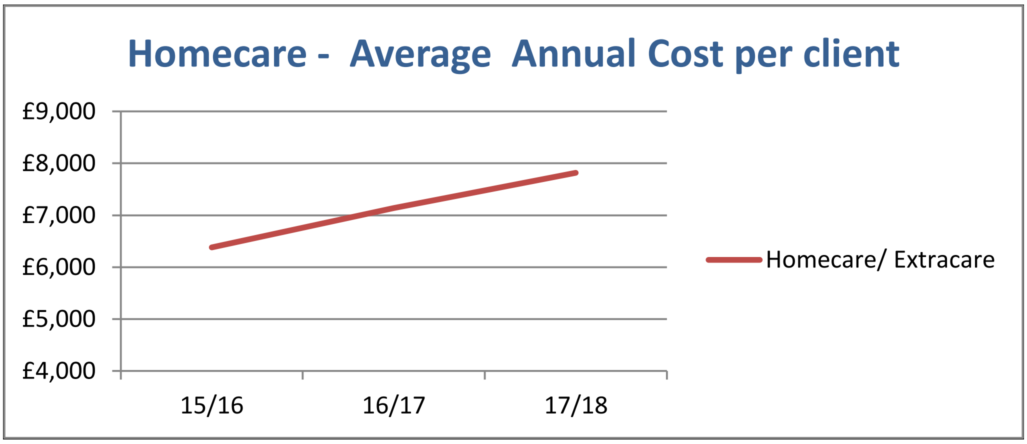
3.2.7 The numbers of older people receiving homecare services has not shown the same trend although numbers in 2017/18 so far are slightly up (1.6%) on 2016/17. The static profile is likely to be due to the lack of capacity in the homecare market as providers struggle to recruit sufficient carers. This, in turn, is contributing to the additional short term and ultimately long term residential placements shown above. The cost of short-term residential care placements in 2017/18 is forecasted to be £0.820m. Greater capacity in the homecare market could reduce this cost to the Authority.

Table 9: Changes in the Number of Older People with Homecare Services

	2015/16	2016/17	2017/18
Number of Older People with a homecare	1,318	1,243	1,263

package			

3.2.8 **Table 10: Trend in Annual Cost per Older Person of Homecare Services**

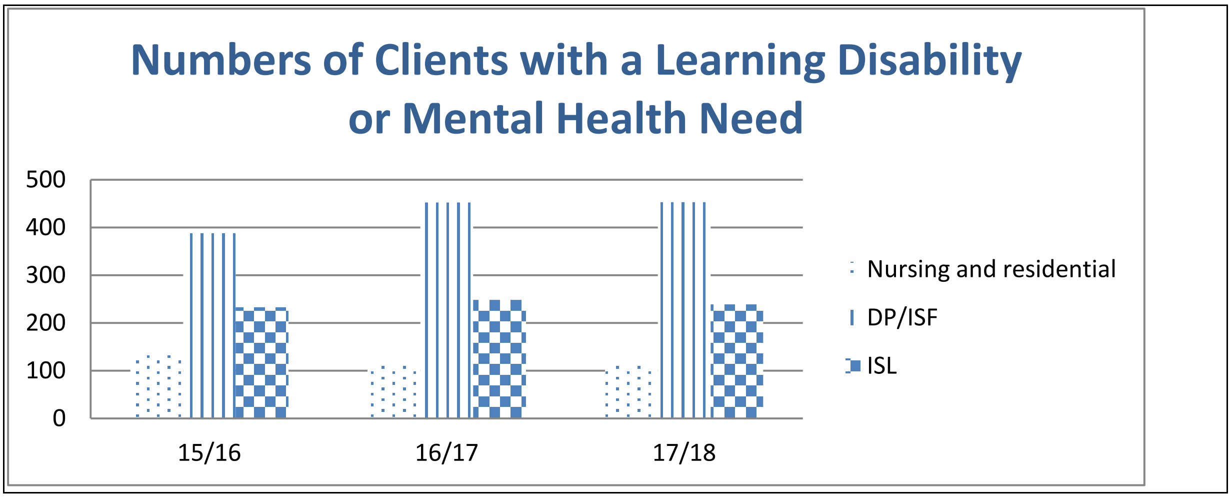


The average cost of a homecare package is however increasing as an aging population with higher levels of need require more intense support. The graph above shows the increase

Services for People with a Learning Disability

3.2.9 Total numbers of clients within services have been relatively static (Table 11) with a small decrease in residential services and Independent Supported Living Services (ISLs) offset by an increase in numbers with a direct payment (DP) or Individual Service Fund (ISF – this is a fund held by a provider for an individual client to provide services on a more flexible and tailored basis for that client).

Table 11: Changes in numbers of clients receiving services

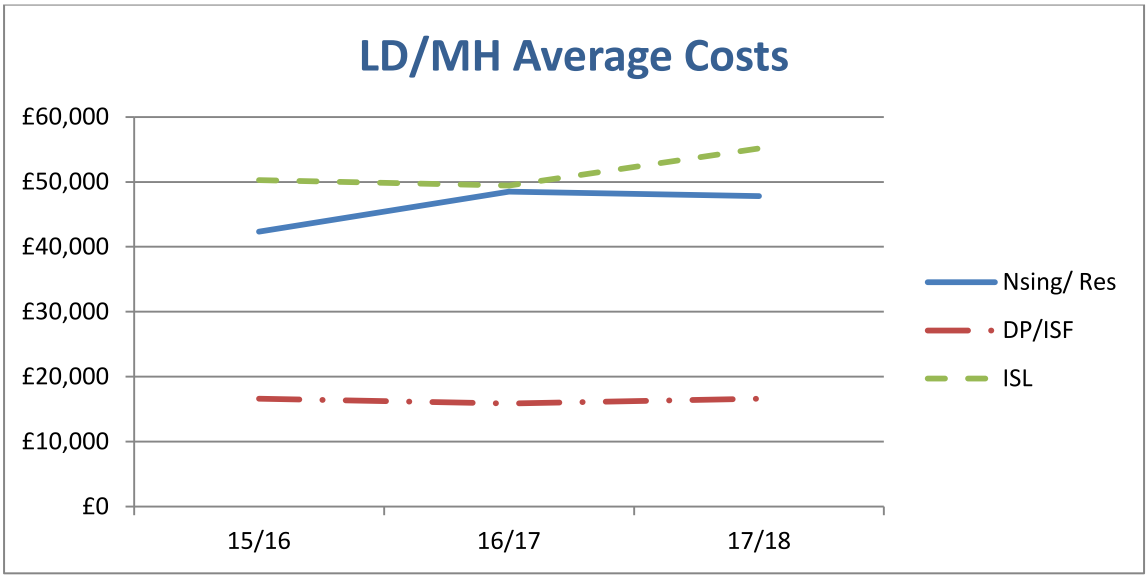


3.2.10 Average annual costs per client in for DPs and ISFs have been steady however, there has been an increase in average ISL costs and a decrease in residential care average annual costs. The increase in ISL unit costs is 9.8% since 2015/16 and is explained by increases in care fees due largely to

National Living Wage rises. These trends are illustrated in Table 12 below. The reduction in residential care has been due to a change in the client base with some clients moving from residential services to an ISL service.

3.2.11 ISL services commissioned by the Authority for clients with a learning disability are on average more expensive than the residential care services the authority provides. The Valuing People Now policy (2009) was brought in to improve quality of life and promote greater independence for people with learning disabilities. This led to the development of ISL services, which can be more costly than equivalent residential care. The Service is working hard to move to more cost effective models of delivering ISLs with larger services like the 13 bedded Emery Court in Dudley, which offer greater economies of scale.

Table 12: Changes in average annual costs of packages for clients with a Learning Disability or Mental Health Need.



3.2.12 Adult Social Care is experiencing a reducing pressure within employee costs in respect of the remaining savings target relating to absorbing pay pressures. There has been a further reduction in overspend within employees shown in largely due to the settling out of major restructures.

3.2.13 Fees and sales income, of which the majority share is client contribution income towards care costs, is £1.093m higher than the budget.

3.2.14 The forecast pressure in Grants and Contributions has reduced since the September report by £0.371m. £0.193m of this relates to the securing of NHS funding for a previously reported high cost client pressure while a proportion of the costs incurred in resolving the outstanding amounts with the LD day care provider were also chargeable to NHS. Actual recharges have been built into the forecast and these were higher than originally estimated particularly in relation to s117 Mental Health Aftercare.

3.2.15 The overall forecast still continues to reflect a significant reduction of income from the CCG who are themselves under significant financial pressure. Although overall Continuing Healthcare and S117 recharges are forecast to be above budget, all other areas are seeing the impact of actions by the CCG to ensure that as much cost as possible stays with the Authority, particularly for clients who have Learning Disability or Mental Health issues. Dialogue with the CCG continues at the most senior officer level in order to agree the funding position.

Children's Services

3.2.16 Children's Services are forecasting a pressure of £3.617m (September, £3.761m) against a net budget of £23.191m. Analysis of the variance across the service areas is shown in Table 13 below.

Table 13: Forecast Variation across Children's Services

Service Area	2017/18 Budget £'000	**November Variance £'000**	**September Variance £'000**	Movement £'000
Corporate Parenting and Placements	16,886	**2,729**	**2,816**	-87
Early Help and Vulnerable Families	3,008	**73**	**130**	-57
Employment and Skills	598	**164**	**164**	0
Integrated Disability and Additional Needs Service	2,170	**728**	**700**	28
School Improvement	529	**-77**	**-49**	-28
Total Children, Young People & Learning	**23,191**	**3,617**	**3,761**	**-144**

Corporate Parenting and Placements

3.2.17 The forecast pressure in Children's Services remains mainly within Corporate Parenting and Placements with a pressure of £2.729m in November (£2.816 at September, £2.168m at July and £2.618m at May). This is broken down by placement and spend type in Table 13 below. Although we continue to be a strong performer compared to our regional neighbours and the national picture, the children we are supporting have complex needs that are expensive to meet.

Table 14: Analysis of Variance by Placement and Spend Type

Placement Type/Service	Third Party Payments/ External Placement Costs £'000	Employee Costs £'000	Other Expenditure and Income £'000	Total Variance at November £'000	Total Variance at September £'000
External Residential Care	317	0	-113	**204**	27
External Fostering	427	0	0	**427**	432
External Supported Accommodation	705	0	0	**705**	717
In-House Fostering Service	144	11	-23	**132**	183
In-House Residential Care	0	123	20	**143**	133
Adoption Service	-78	39	-16	**-55**	-59
Special Guardianship Order Allowances	758	0	0	**758**	742
Leaving Care	223	-28	-92	**103**	156
Management & Legal Fees	0	17	243	**260**	257
Safeguarding Operations - CAMHS	0	2	-122	**-120**	-120
Safeguarding Operations - Family Group Conferencing	0	0	0	**0**	0
Social Work Fieldwork	0	384	-212	**172**	348
Total Variance	**2,496**	**548**	**-315**	**2,729**	**2,816**

3.2.18 There is a staffing pressure of £0.548m partially relating to the cost of agency staff covering vacant social work posts (£0.236m) and the decision to pay a market supplement to social workers (£0.148m). This has worsened since the September position due to the need to extend the use of some agency staff. Even though there has been a successful recruitment of new social workers, there has been further turnover of staff. In line with the nationwide picture the authority has found it difficult to recruit experienced social workers, and therefore a delay in ending contracts with agency staff has happened to ensure caseloads are managed. There is an ongoing recruitment drive, and the service have successfully appointed 4 former agency staff into permanent positions. It is expected that the use of agency staff will continue to decrease, once the new team structures are finalised and embedded. In addition the overall cost of Social Work Fieldwork has been mitigated by a one off payment from Public Health for related services.

3.2.19 A total of £2.496m of the pressure relates to demand within Looked After Children particularly at the high cost end of placements, of which £0.512m has been estimated as the potential additional cost of moving to a revised model of means testing Special Guardianship Orders. Whilst the overall number of LAC has remained relatively static during this financial year, the placement mix has changed since March 2017. Table 14 shows that the proportion of placements supported within NTC provision is increasing, with a corresponding reduction in placements with more costly external providers.

Table 15: The Number of Looked After Children (LAC) by Placement Mix

		% Proportion of Overall Placement Mix based on number of LAC		
Placement Type	***Number of LAC at Nov '17****	**Nov ‘17**	**Mar ‘17**	**Increase / (Decrease)**
Placed for Adoption	8	3%	5%	-2%
External Fostering	27	10%	11%	-1%
Internal Fostering	188	66%	63%	3%
External Supported Accommodation	8	3%	4%	-1%
Internal Supported Accommodation	8	3%	2%	1%
Parents / Independence	13	5%	6%	-1%
Internal Residential	11	4%	3%	1%
External Residential	15	5%	6%	-1%
Secure Unit	3	1%	0%	1%
YOI / Prison	1	0%	0%	0%
TOTAL	**282**	**100%**	**100%**	**0%**

*This figure does not include those placements which require financial support but where the child is no longer classed as looked after, for example, those subject to a Special Guardianship, Adoption or Child Arrangement Order or are now open to the Leaving Care Team.

3.2.20 There has been an increase in the forecast cost of £0.177m for External Residential placements, due to the requirement to place 2 children with complex needs in out of borough placements.

3.3.21 Nationally, there has been an increase in demand for children’s residential placements, but with no corresponding increase in provision. Locally, 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 LAs having to use more costly bespoke solo placements, where it is not suitable to place young people in group environments.

3.2.22 Work is ongoing with Housing colleagues to identify any potential housing solutions to meet this relatively recent change in demand. The service continue to review all high cost placements, and the level of support required with a view to reduce the use of external placements as per the New Model for Children Business Case. Succession planning has already begun in relation to identifying placements to transfer into the newly expanded in-house provison at Elm House and Mitford Gardens, which will subsequently ‘free up’ provision in the NTC Children’s Homes.

Early Help and Vulnerable Families

3.2.23 £0.294m of the over-committment relates to the necessary delay in implementing the proposals for childcare settings as previously highlighted in Section 2 above. In addition there is an estimated pressure of circa £0.177m in relation to a staffing requirement in Supporting Families following changes to implementation of 2016/17 proposals. Work progressing in respect of the development of community hubs and the wider council estate is anticipated to support resolution of the pressure. The pressure has been partly mitigated by drawing down the full allocation of Troubled Families grant income for families already attached to the programme, and generating additional grant funding following achievement of outcomes for families. This additional income, coupled with further savings achieved in relation to delays in filling vacant posts, has partly mitigated these pressures, and therefore reduced the CBF savings still to be delivered to £0.073m. The service is confident that there will be further progress in the Troubled Families Programme, resulting in receipt of additional grant income before the end of the financial year.

3.2.24 The Service currently has one young person placed in a Young Offenders Institution whilst on remand, which is estimated to cost approximately £0.016m. The Authority only receive a small grant of £0.001m towards this type of placement, however historically, North Tyneside have experienced low numbers of Remand placements.

Employment & Skills

3.2.25 An historical income pressure remains from when services were funded by specific individual grants, mainly from the Department of Education, and it was appropriate that these grants make a contribution to overheads (£0.164m). The service is working through options to mitigate this pressure.

Integrated Disability and Additional Needs Service

3.2.26 There is an over commitment of £0.728m in this service area. This is further broken down to; Staffing £0.550m, Service User Packages £0.299m, shortfall of CCG income of £0.062m due to prior year CBF targets and income target re short break care selling beds of £0.043m. These pressures are partly offset by additional income generation within Education Psychology of £0.226m.

School Improvement

3.2.27 The under spend in the School Improvement Service relates primarily to savings achieved on staffing (£0.218m) and Education ICT contracts/Network Refresh(£0.100m), offset by shortfall of income generation in Education ICT (£0.211m) and High Borrans (£0.030m)

3.3 Commissioning & Investment

3.3.1 Commissioning and Investment is forecasting an overcommittment of £0.970m as set out in Table 16 below compared to the September position of £0.938m. The main areas of pressure remains within Facilities and Fair Access where, in addition to expenditure pressures within the Cleaning and Catering services, there are demand pressures for the Home to School transport service. Property services is forecasting an over commitment of £0.284m (Sept £0.252m) relating to a reduction in surplus income from Commercial properties. .

Table 16: Commissioning and Investment forecast variation

	2017/18 Budget £000	2017/18 Nov Variance £000	2017/18 Sep Variance £'000	Movement £000's
School Funding & Statutory staff costs	15,245	**0**	0	0
Commissioning Service	539	**45**	45	0
Child Protection Independent Assurance & Review	680	**70**	70	0
Facilities and Fair Access (including Home to School Transport)	507	**534**	534	0
Strategic Property & Investment	388	**17**	17	0
High Needs Special Educational Needs	-80	**0**	0	0
Property	1,866	**284**	252	32
Management & Support	143	**20**	20	0
Internal Audit & Risk	2	**0**	0	0
Procurement	0	**0**	0	0
Total Commissioning & Investment	**19,290**	**970**	**938**	**32**

Home to School Transport

3.3.2 Table 17 below sets out details of the cost and number of pupils accessing home to schools transport service provision during 2016/17 and forecasted to access the service in 2017/18. Although the numbers of pupils being transported had a slight reduction between 2015/16 and 2016/17 and are not expected to increase in year, the overspend in this area for the Authority is expected to increase to £0.439m because of pressure on the Discretionary Schools Grant which is no longer available to contribute towards supporting this service at the previous levels. As can be seen below much of the provision is statutory with the most significant level of expenditure being in respect of special schools. The Authority is using appropriate opportunities to review the level of provision given, particularly when other elements of a child's package are reviewed. The Authority has a panel supporting work on this issue and is drawing on the knowledge of Special School Head teachers.

Table 17: Analysis of Home to School Transport

		Forecast 17/18		2016/17	
	Description	**Net Exp.** £	**Pupil Nos.**	**Net Exp** £	**Pupil Nos.**
Statutory	Bus Passes*	113,437	**592**	107,231	**592**
Both	Post 16 Transport*	203,712	**190**	183,196	**187**
Statutory	Mainstream Schools	47,841	**9**	30,261	**13**
Statutory	SEN Resource Provision	310,170	**107**	301,771	**90**
Statutory	Special Schools	1,432,989	**415**	1,278,772	**426**
Statutory	Moorbridge PRU	50,238	**17**	45,391	**18**
Total		**2,158,387**	**1330**	**1,946,622**	**1326**
Budget		1,719,387		1,719,297	
Shortfall		439,000		227,325	
* Includes Voluntary Aided Bus Passes, Support for Low Income Families, Excess distance & Independent Travel arrangements & SEN					

Property

3.3.3 Although there is an overspend predicted in this managed budget, following the deed of variation with Capita, signed in March 2017, the Authority now has assurance that Capita will deliver the savings and the service within the managed budget envelope overall. This means that the pressure within Property in the Commissioning & Investment service is compensated for by an under spend within the services provided by Capita for the Authority within Environment, Housing & Leisure.

3.4 Environment, Housing & Leisure

3.4.1 Environmental, Housing and Leisure service is reporting a pressure of £0.646m as set out in Table 18 below (Sept £1.018m).

Table 18: Forecast Variation in Environment Housing and Leisure

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sept 2017/18 Variance £000	Movement £'000
Sport & Leisure	4,462	**378**	**443**	-65
Arts Tourism & Heritage	1,960	**84**	**81**	3
Libraries and Community Centres	6,268	**414**	**464**	-50
Security & Community Safety	249	**144**	**148**	-4
Fleet/Facilities Management	459	**-242**	**-119**	-123
Waste Strategy	11,891	**-6**	**105**	-111
Bereavement	-741	**113**	**129**	-16
Street Environment	8,772	**43**	**19**	24
Head of Service & Resilience	287	**23**	**24**	-1
Street Lighting PFI	4,242	**0**	**0**	0
Consumer Prot & Building Control	980	**-5**	**36**	-41
Transport & Highways	5,009	**-321**	**-333**	12
Planning	216	**16**	**16**	0
General Fund Housing	1,092	**5**	**5**	0
TOTAL Environment Housing & Leisure	**45,146**	**646**	**1,018**	**-372**

Sport & Leisure

3.4.2 The variance change from the last reporting period reflects reduced pay & backfill costs for covering sickness and holidays, as well as increased income generation forecast at the main indoor facilities. (£0.065m). There are premises costs variances of £0.128m relating to energy and rates pressures now included which had historically been reported centrally.

Arts Tourism & Heritage

3.4.3 There continues to be a small (£0.033m) pressure arising from the Playhouse due to reduced Authority income and operational cost inflation. In addition, previously unforeseen essential repair costs on the Buddle Arts Centre building have been forecast and identified (£0.020m). As with Sports and Leisure, the Service is now reflecting its own energy and rates pressures (£0.034m) which had historically been recorded centrally.

Libraries & Community Centres

3.4.4 The outturn variance reflects forecast cost pressures in the following areas; Building Cleaning (£0.079m) & Libraries Telephones/ICT/Computer Costs (£0.038m), as well as energy and rates costs (£0.061m) , PFI Contract Costs (£0.149m); Howdon & Shiremoor Community Centres (£0.101m); together with minor underspends across the service (£0.014m).
The variance change from the last reporting period reflects a reduction in employee pressures linked to the management of vacant posts across the service (£0.050m)

Security & Community Safety

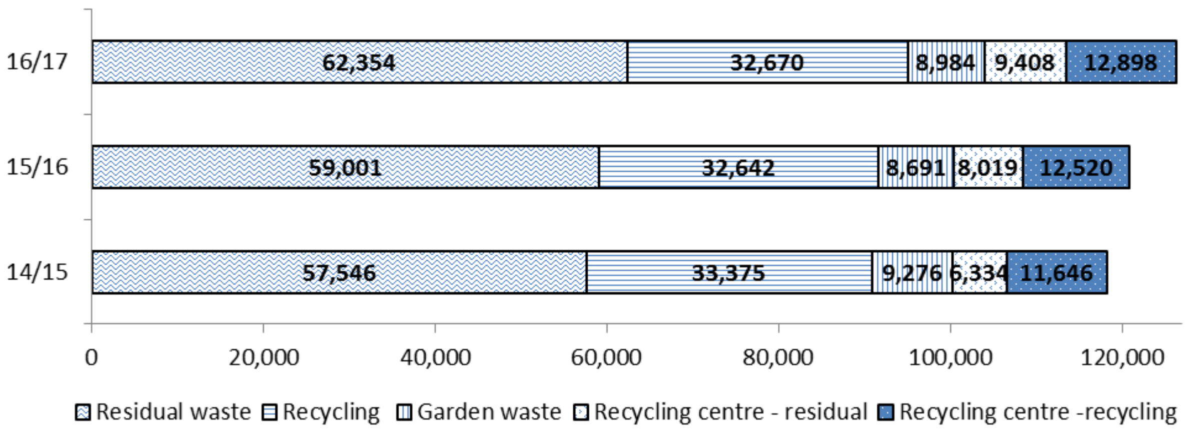
3.4.5 The £0.144m pressure relates in the main to current forecast underachievement of income (£0.120m). The service intends to move to the White Swan Centre during 2017/18 and has identified additional income generating opportunities as a result of this move which it is anticipated will improve this position.

Waste

3.4.6 The pressure in Waste has reduced from £0.105m in September to a minor underspend (£0.006m) in November largely because of a reduced household recycling disposal costs. At the time the 2017/18 budget was set, the price per tonne for the disposal of household recycling was around £25.00. However due to market forces the price per tonne has reduced to between £7.00-£10.00 per tonne.

3.4.7 The growth of housing across the Borough has put pressure on waste growth but the main area of growth in demand for the Authority was coming from increased waste being presented at the Household Recycling Centre rather than from doorstep collections. Table 19 below illustrates the changes in waste volumes over the last three years.

Table 19: Waste Tonnage volumes '000s



3.4.8 In response to this increase in volume, the Authority has made changes at its Household Waste Recycling Centre (HWRC) in North Shields, to ensure the on-going safety and sustainability of the site. The Authority has introduced a ban on very large vehicles such as ‘Luton’ vans, tippers, minibuses, and long trailers, in response to concerns about site safety and the suspected misuse of the site by commercial operators. The ban is one of several measures being phased in to ensure the facility continues to run safely, and to reduce costs. A permit scheme for specified vehicles will also be introduced in the autumn, along with charges for non-household waste.

3.4.9 The ban applies to any vehicles over six metres long or two metres tall, as well as trailers over three metres in length. New signage has been installed to make it clear which vehicles are prohibited and which ones need permits. These actions are expected to result in a reduction in the cost pressure.

3.4.10 The ban came in to force on 1 July 2017 and the Service is starting to see an impact but we await the official waste figures to be clear what effect this has had on the waste at HWRC before an update of the forecast of total tonnages for 2017/18 can be made. Early indications are that this change has been successful in reducing waste with a waste disposal reduction of 29% and a saving of approximately £0.055m. This trend will continue to be carefully monitored and we expect that in future reporting we should be able to report additional progress.

Bereavement

3.4.11 The Bereavement Service has introduced fee increases in October 2017 however, at this stage, forecasts for income levels have not been increased to reflect these changes as it will not be until the end of January 2018 when it is known if the fee increases have improved the outturm position. An early indicator of £0.025m additional income means it is unlikely that the remaining savings target of £0.064m will be achieved over the remaining part of the year.

Street Environment and Fleet Service Areas

3.4.12 The Service has been successful in reducing its non-pay costs to contribute towards the pay award savings pressures in its own service area and across the service. A budget saving can be seen within the Fleet service area due to reduced maintenance costs and other related expenditure following capital programme replacement of vehicles.

Street Lighting PFI

3.4.13 Electricity pressures of £0.100m and unitary charge inflation pressures of £0.257m are partially mitigated by PFI interest and one-off income for officer time of £0.080m. A review of all PFI models has been undertaken, and it is now envisaged that the overall pressure on the street lighting PFI budget in year can be managed in year by an appropriate drawdown from the PFI reserve.

Transport & Highways

3.4.14 The underspend is mainly due an overachievement of income relating to parking (£0.528m) offset partially by increased parking running costs of £0.234m. This service area, along with Consumer Protection and Building Control and Planning within Environment, Housing & Leisure and Property within Commissioning & Investment form the managed budget. Capita, as our Technical Partner, is responsible for delivering savings and a balanced budget in total across these areas.

3.5 Business & Economic Development

3.5.1 There is a small pressure as set out in Table 20 below, which relates to the delivery of payroll savings. The service is looking to manage this through the management of vacancies and non-essential spends.

Table 20: Forecast Variation Business and Economic Development

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sep 2017/18 Variance £’000	Movement £'000
Regeneration	499	28	5	23
Business & Enterprise	932	3	15	-12
Resources & Performance	176	-14	-3	-11
Total Business And Economic Development	**1,607**	**17**	**17**	**0**

3.6 Commercial & Business Redesign

3.6.1 The main area of variation as shown in Table 21 below relates to cost pressures arising from a number of new systems and enhancements largely in the area of automated customer contacts and internet connectivity.

Table 21: Forecast Variation Commercial and Business Redesign

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sept 2017/18 Variance £’000	Movement £'000
Head of Commercial & Business Redesign	3	14	12	2
ICT Retained Services	552	1	3	-2
ICT Client	1,986	137	137	0
Total Commercial and Business Redesign	**2,541**	**152**	**152**	**0**

3.7 Corporate Strategy

3.7.1 Corporate Strategy is forecasting an over-commitment of £0.106m as set out in Table 22 below. This is made up of staff cost pressures £0.065m, supplies and services pressures of £0.045m. The service area is looking to part manage these pressures through the year by opportunities to increase income, non-essential spends and vacancy management.

Table 22: Forecast Variation Corporate Strategy

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sep 2017/18 Variance £000	Movement £'000
Corporate Strategy Management	133	**23**	23	0
Policy, Performance & Research	-3	**23**	4	19
Community and Voluntary Sector Liaison	472	**15**	7	8
Marketing	130	**35**	31	4
Elected Mayor and Executive Support	-30	**-7**	-3	-4
Children's Participation & Advocacy	198	**17**	33	-16
Total Corporate Strategy	**900**	**106**	**95**	**-11**

3.8 Finance

3.8.1 The under spend in the Finance service as set out in Table 23 relates to the pension rebate estimated as due to the Local Authority from Engie under the partnership contract, reduced audit fee and staff savings. Within Revenue & Benefits and Customer Services there is a pressure of £0.293m resulting from a pressure on enforcement income of £0.060m and £0.233m on housing benefit subsidy budgets. The variance is 0.39% of the gross expenditure budget of the Revenue & Benefits Customer Services of £75.866m.

Table 23: Forecast Variation Finance

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sep 2017/18 Variance £000	Movement £'000
Finance Service	1	-249	-249	0
Revs & Bens & Cust Services	1,236	293	271	22
Total Finance	**1,237**	**44**	**22**	**22**

3.9 Human Resources & Organisational Development

3.9.1 The pressure relates to the additional HR staff supporting the Target Operating Model projects. The improvement is due to vacant posts being held.

Table 24: Forecast Variance Human Resources and Organisational Development

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sep 2017/18 Variance £000	Movement £'000
HR & OD and Total	**262**	**149**	**167**	**-18**

3.10 Law & Governance

3.10.1 The overall pressures in Law and Governance of £0.079m are analysed in Table 25 below. The main pressures relates to Information Governance where additional staffing costs (£0.059m) are in place to deal with the Authority's response to the General Data Protection Regulation (GDPR), which will apply in the UK from 25 May 2018, and the implementation of data management systems to replace the Opentext systems. The Government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.There is a salary pressure on the Courier Service of £0.043m.These are partially offset by savings on supplies and services and additional income generation.

Table 25: Forecast Variation Law and Governance

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sep 2017/18 Variance £000	Movement £'000
Customer, Governance & Registration	-89	91	79	12
Democratic & Electoral Services	2	-47	-44	-3
Information Governance	27	73	71	2
Legal Services	4	-38	-27	-11
North Tyneside Coroner	293	0	4	-4
Total Law and Gov	**237**	**79**	**83**	**-4**

3.11 Central Budgets & Contingencies

3.11.1 The 2017/18 forecast outturn set out in Table 26 below reflects savings of circa £3.346m on interest charges and a forecast underspend of £0.333m in relation to MRP. These savings result from 2016/17 Investment Plan reprogramming and the approach to internal borrowing. Cabinet will recall during 2016/17 significant in-year savings were achieved through the application of the Treasury Management Strategy. Additional savings were factored into budget setting for 2017/18 however the approach to Treasury

Management is continually reviewed in order to minimise borrowing costs to the Authority and maximise the opportunity to achieve in-year budget savings. That will be dependent on movements in interest rates, which are monitored on a daily basis.

3.11.2 The assumption that £1.426m of contingencies and Service Improvement Fund will not be drawn down continues (these pressures have been forecast within the Service figures reported above). A backdated rates rebate of £0.344m relating to the John Willie Sams Centre has been agreed and additional income generation of £0.293m from S31 Grants for Small Business Rate Relief are shown here, together with a dividend from the Airport of £0.886m.

3.11.3 Included in Central items is the budgeted saving on Procurement activity of £0.500m which is currently being forecast as a pressure. As highlighted previously a detailed review of the procurement of services and the Authority's spend with suppliers is in progress. Options have been identified and work is now commencing to change how the Authority approaches procuring supplies and services across a number of areas. As the exercise is still in an early stage, it is prudent to assume that the saving will not be achieved but the practical work has started and progress will be kept under careful review. There are also pressures totalling £0.312m relating to the bad debt provision and to payments relating to NECA and the LEP, plus NTC Enterprise zone payment, shortfall on trading company interest and a small backdated VAT adjustment.

3.11.4 Seaton Burn Community High School is to transferring as a sponsored academy before the end of the 2017/18 financial year. As the school is currently forecasting a deficit of £0.668m due to the nature of the transfer of the school the deficit will fall to be met by the General Fund in 2017/18.

Table 26: Forecast Variation Central Budgets and Contingencies

	2017/18 Budget £000	Nov 2017/18 Variance £000	Sep 2017/18 Variance £'000	Movement £'000
Corporate & Democratic Core	15,358	-574	-568	-6
Other Central Items – corporate accounting, contingencies and levies	-7,317	-5.816	-3,326	-2.490
Seaton Burn School Deficit		668		668
Total Central Items	**8,041**	**-5,722**	**-3,894**	**-1,828**

3.12 The following table shows additional grants received since September 2017. Cabinet is requested to approve receipt of these grants.

Table 27: 2017/18 Revenue Grants awarded since September 2017

Service	Granting Body	Description	Amount £m
Health, Education, Care and Safeguarding	Education Funding Agency	To allow schools to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate.	0.148
Health, Education, Care and Safeguarding	Department for Education	To provide Post Adoptive therapy	0.141
Commissioning and Investment	Department for Education	Funding is in recognition of a burden placed on local authorities to write to the parents of pupils aged 13 about schools in their local area which admit pupils at age 14.	0.001
Health, Education, Care and Safeguarding	Sunderland Clinical Commissioning Group	To fund 2 Band 4 roles - Locality Teams	0.026
Health, Education, Care and Safeguarding	Department for Education	Riverside Ward/Elm House Innovation Programme – providing running costs of a new service for care leavers	0.366
Total			0.682

SECTION 4 - SCHOOLS FINANCE

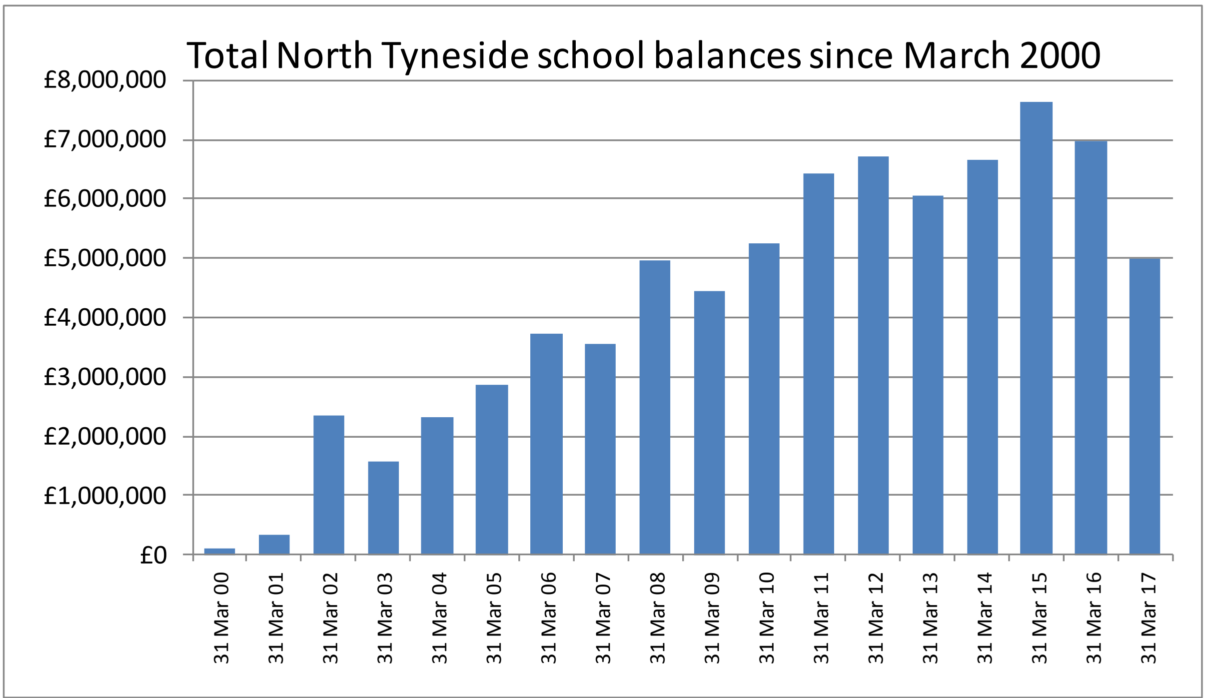
2017/18 School Budgets

4.1 During 2016/17 overall maintained school balances in North Tyneside decreased from £6.982m to £4.986m at 31 March 2017. This was reported in the Authority's Statement of Accounts for 2016/17 and used in National Government Benchmarking.

4.2 It should be noted that total maintained school balances do not include those of academies in the borough. The balances reported nationally include committed balances, i.e amounts schools show as committed to spend on specific projects. The actual balances for forward planning purposes are normally lower, as they include elements that the schools plan to spend in future periods.

4.3 Cabinet will be aware that the authority has be working wotth schools for a number of years with regard to the long term strategic issue of surplus secondry school places and the associated financial pressures which is compounded by rising employment costs. As expected the end of 2016/17 saw the second year of balances decreasing following a long term trend of rising balances in North Tyneside, and Table 28 below sets out the long term trend of the position of North Tyneside Schools. In 2016/17, North Tyneside school balances at March 2017 represented 3.3% of total school income in that year. This is significantly lower than the national figure of 6.4%.

Table 28: The trend of total North Tyneside school balances.



4.4 Cabinet should note that the overall postion at the 31 March 2017 was significantly different to that predicted at the start of the year when schools submitted their budget plans. In the May 2016 budget submissions for the 2016/17 committed balances were forecast to be in an overall deficit position of

£(0.282)m. This compares with an uncommitted balance of £4.986m at 31 March 2017, so the actual outturn balance was significantly higher. Schools have been reminded of the need to forecast as accurately as possible, so that decisions are taken in the light of accurate budget projections. Cabinet will be aware that schools retain a high degree of autonomy when setting budgets, unless they are in a deficit position. Therefore, whilst Elected members and officers are able to advise schools on the adequacy of balances, they cannot intervene.

4.5 In June 2017, ten schools indicated that they needed the Authority's approval to set a deficit budget. This compares to eight schools in 2016/17 being managed under the deficit approval process. It should be noted that out of the 10 schools requesting deficit approvals 8 are secondries, as those schools continue to have surplus school places. All schools requesting deficit approval have met with the Head of Finance and the Director of Children's and Adult Services to ensure all appropriate steps have been taken to improve each school's position prior to formally approving deficit arrangements. Additional governance arrangements and monitoring meetings have been put in place with the relevant schools. School Improvement, HR and Finance officers continue to meet with Head Teachers and Governing Body representatives to monitor the specific requirements of each individual school's deficit approval.

4.6 Budget monitoring has been conducted with all schools during September and October with particular attention given to the ten schools requesting deficit approval. The overall forecasted position has improved by £0.878m from a total deficit of £2.896 to a deficit of £2.018m. The forecasts for the ten schools with deficit approvals has improved by £0.227m. Table 29 below sets out the deficits approved and the most recent position

Table 29 Schools with deficit approval for 2017/18

School	Deficit Approval Granted 2017/18 £	Latest Monitoring Position £
Fordley Community Primary	-80,811	-41,974
Ivy Road Primary	-137,472	-150,134
Marden Bridge Middle	-27,241	-20,627
Monkseaton Middle	-33,728	-26,796
Marden High	-478,183	-466,940
Norham High	-1,224,280	-1,154,068
Longbenton High	-1,025,567	-1,040,654
Monkseaton High	-2,586,784	-2,522,667
Seaton Burn Community College	-667,858	-667,751
Whitley Bay High	-618,256	-561,378
Total	-6,880,180	-6,652,989

4.7 A programme of work is in progress with schools to consider further actions required to address the longer term approach to financial planning for schools in North Tyneside. The programme will focus on three new work streams and will also consolidate work on two existing projects. The workstreams are:-

- Financial review and analysis;
- Planning and modelling;
- Tools for Schools;
- Keeping Children and Young People in School
- Closing the Gap.

Local Authority Leads have been identified and work is ongoing to identify School Leads for each workstream. The work is already in progress in most of the workstreams.

National Funding Formula and Setting School Budgets for 2018/19

4.8 On 14 September 2017 the Department for Education (DfE) published the response to the Stage 2 national funding formula consultation and confirmed the final formulae. From 2018/19 the Dedicated Schools Grant (DSG), which provides the allocations for each block, will comprise of four blocks: schools, high needs, early years and the new central school services block. Each of the four blocks has their own funding formula.

4.9 In 2018/19 & 2019/20 the local authority will receive its funding based on the DfE national funding formula and during this transition period local authorities will continue to set a local formula to distribute funding and distribute individual schools budgets.

4.10 The consultation response includes illustrative data to show the impact of the new formulas for both the local authority and each school, using 2016 census data. The allocations take into account the additional investment in schools revenue funding of £1.3billion for 2018/2019 and 2019/2020 which the Secretary of State announced in July 2017. The final DSG allocation will be available mid-December 2017 and will be updated with the latest October 2017 census data.

4.11 A Schools Forum funding subgroup met in October 2017 to discuss each element of the funding formula and further discussion took place at Schools Forum on 15 November 2017. A consultation document was sent to all schools on 22 November 2017. The remaining key dates for agreeing budgets for schools for 2018/19 are as follows;

Table 30: Key Dates in Setting 2018/19 Budgets for Schools

Date	Activity
4 December 2017	Deadline for consultation responses from Head teachers to the Authority
6 December 2017	School Forum Subgroup convenes and discusses findings – financial modelling undertaken as required
13 December 2017	Schools Forum considers consultation response and further work (if required)

Mid-December2017	Government funding agency issues allocation tables populated with pupil data and funding factors. DSG blocks (schools and high needs) issued
10 January 2018	Schools Forum formally considers funding arrangements, including agreeing block transfers, centrally retained items and de-delegated items
19 January 2018	Deadline for submission of final school allocations back to Government funding agency
28 February 2018	Deadline for confirmation of schools budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

SECTION 5 - HOUSING REVENUE ACCOUNT

Forecast Outturn

5.1 The forecast set out in Table 31 below based on the results to November 2017 reflects balance or under spends across all cost areas except HRA Management costs where there is a pressure £0.123m. The early pressures on rental income existed largely because of higher levels of empty homes than forecast, particularly in Sheltered Housing, but it is now forecasted to exceed original budget as empty homes continue to be filled (£0.029m). In addition, the income from temporary dispersed accommodation is projected to be above budget (£0.071m), whilst service charge income (including furniture packs) is now also significantly better than budget (£0.125m). All of the £0.873m of savings identified in the 2017/18 budget approved by Cabinet are on target to be delivered in full.

Table 31: Forecast Variance Housing Revenue Account

	FULL YEAR - 2017/18			Variance	Movement
		November Forecast Outturn			
	Full Year Budget £000	Forecast £000	Variance £000	September 2017/18 £000	£000
INCOME					
Rental Income	-59,689	-59,914	**-225**	-28	-197
Other Rental Income, Shops etc.	-255	-254	**1**	1	0
Interest on Balances	-30	-40	**-10**	-10	0
PFI Credits	-7,693	-7,693	**-0**	0	0
	-67,667	**-67,900**	**-234**	-37	-197
EXPENDITURE					
Capital Charges - Net Effect	13,848	13,822	**-26**	-26	0
HRA Management Costs	10,197	10,319	**123**	23	100
PFI Contract Costs	9,551	9,551	**0**	0	0
Repairs	11,481	11,477	**-4**	-5	1
Revenue Support to Capital Programme	6,771	6,771	**0**	0	0
Contribution to Major Repairs Reserve – Depreciation	15,650	15,650	**0**	0	0

Contingencies, Bad debt Provision & Transitional Protection Payments	1,080	781	**-300**	-300	0
Pension Fund Deficit Funding	855	855	**0**	0	0
	69,432	**69,226**	**-206**	-307	101
	1,766	**1,326**	**-440**	-344	-96
BALANCES BROUGHT FORWARD	**-4,627**	**-5,966**	**-1,339**	-1,339	0
BALANCES TO CARRY FORWARD	**-2,861**	**-4,640**	**-1,779**	-1,683	-96

5.2 **Empty homes**

In terms of the impact of empty homes on the financial picture to date, rates are actually below 16/17 levels overall so far this year but had been budgeted to improve more significantly following the completion of the North Tyneside Living Schemes. Stock handover was delayed but is now complete and although the level of empty homes within sheltered stock is still high, the trend does indicate that this position is now starting to improve. Tables 32-34 illustrate the movement in stock levels for 17/18 compared to 16/17.

Table 32: All stock Empty homes debit as percentage of total debit

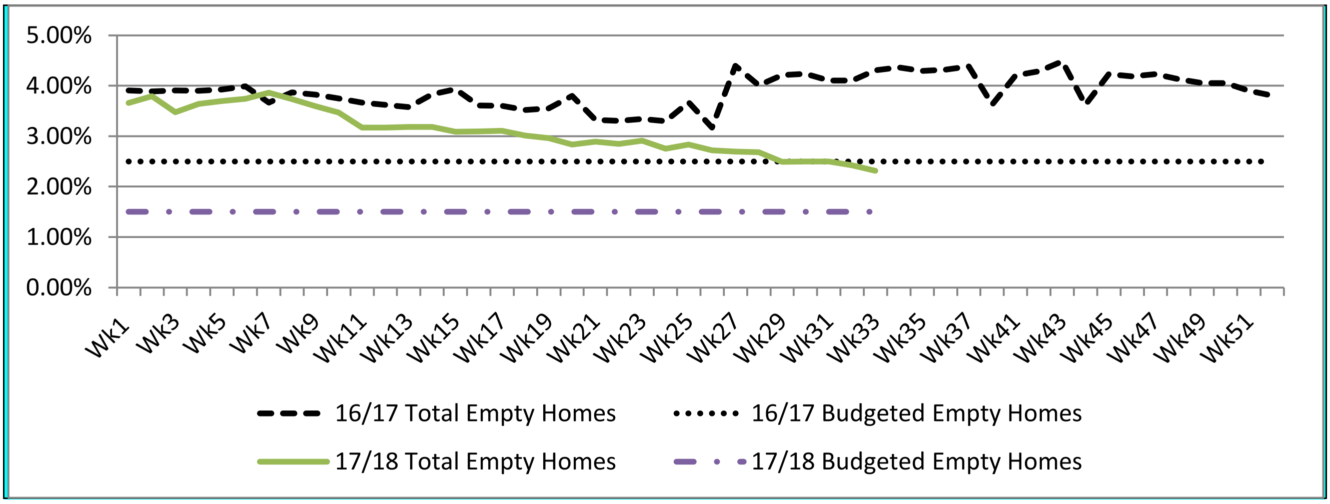


Table 33: General Stock Empty homes debit as percentage of total debit

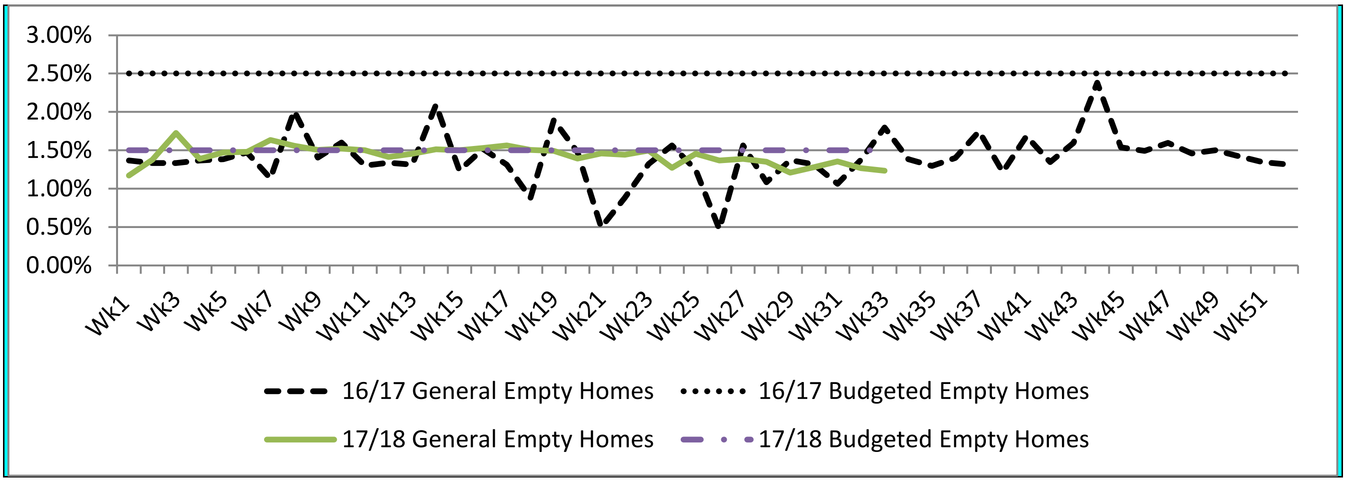
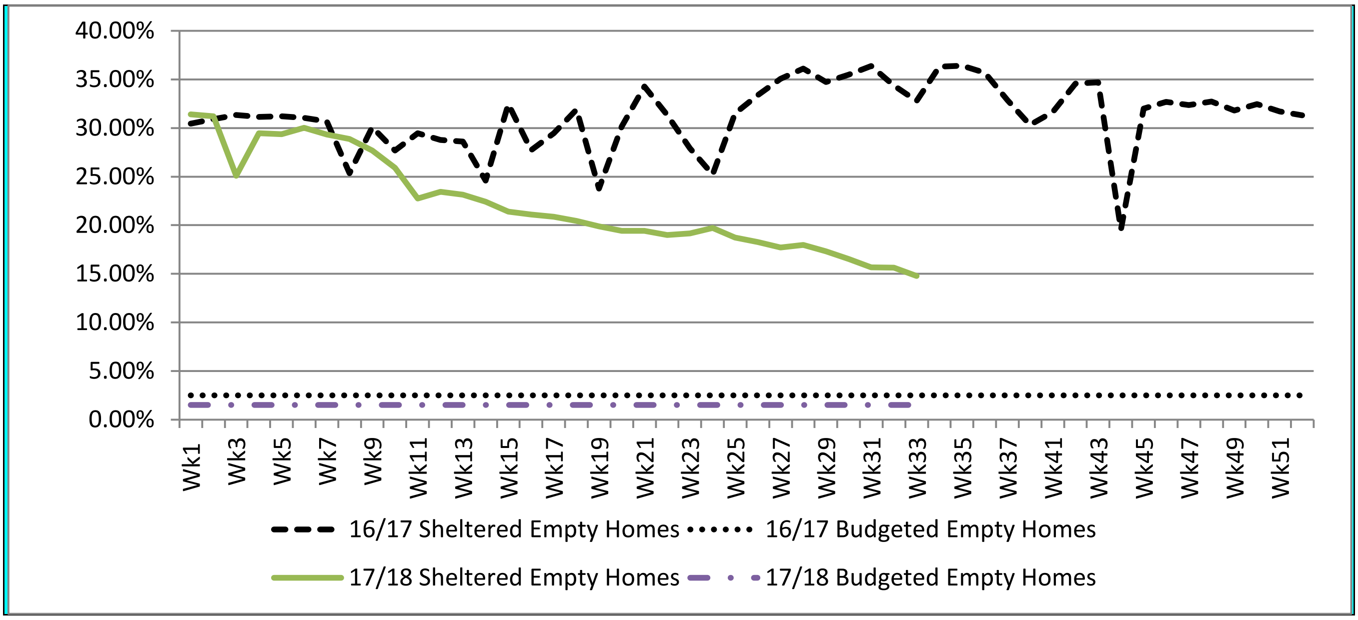


Table 34: Sheltered Stock Empty homes – debit as percentage of total debit



5.3 The net forecast overspend of £0.123m in HRA Management costs includes a pressure from the impact of Council tax payable on higher level of empty homes (£0.260m), additional water rates commission income negotiated (£0.166m) and staff vacancies (£0.170m), plus potential pressures around broadband costs for sheltered accommodation (£0.059m) and the anticipated in-year costs relating to the Construction Options Project (£0.272m).

5.4 The £0.300m projected underspend on Contingencies, Bad debt provision and transitional protection payments includes an expected reduction in costs for transitional protection as a result of higher than budgeted empty homes in sheltered accommodation (£0.080m). There is a predicted reduction in bad debt provision (£0.150m) required based on a lower level of arrears than expected which will be monitored closely as the wider roll out of Universal

Credit continues. The go-live on full-service Universal Credit in North Tyneside was 19 February 2018, but this has now been delayed until May 2018 so the impact for 2017/18 is expected to be minimal. Currently only around 2,000 North Tyneside residents are on Universal Credit, many of whom were not previously entitled to Housing Benefit. At the end of November 2017 there were 265 Authority tenants claiming universal credit, of these 227 (86%) are in arrears, with average current arrears per tenant of £832, compared to average current tenant arrears of circa £339. This is a trend that has been seen across those authorities who are live with full service and remains a risk for the HRA in future years.

Right to Buy (RTB) Trends

5.5 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing back in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£22,000) 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 £75,000 and then subsequently annual inflation was added to the maximum. The table below shows the trend in RTB sales since that time, and the financial impact this has had on revenue to the HRA.

Table 35 – RTB Trends and Financial Impact

	Sales assumed by self-financing	Actual RTB Sales	Additional RTB Sales above budget assumptions	Estimated lost rent per annum (£000)	Capital Receipts (£000)
2012-13	**40**	**85**	**45**	**315**	**3,477**
2013-14	**47**	**122**	**75**	**457**	**4,957**
2014-15	**53**	**100**	**47**	**397**	**3,938**
2015-16	**55**	**135**	**80**	**577**	**5,548**
2016-17	**55**	**136**	**81**	**557**	**5,632**
2017-18 (Apr-Nov)	**28**	**84**	**56**	**377**	**4,025**
	278	**662**	**384**	**2,680**	**27,577**

5.6 In the period (2012-2017) we have built just over 130 new homes through the HRA, which has helped mitigate a portion of the revenue loss from the 578 sales in the same period, but in essence the HRA has lost £2.3m in rental income from the annual rent over this period.

5.7 In terms of the total Capital Receipts from the sales of these properties over the last 5 years (£23.552m), the Authority has been required to pay a proportion over to Government (£8.326m) but is allowed to keep a proportion to cover administration costs (£0.753m). The Authority can also retain some proceeds to cover the additional debt burden from the extra sales (£8.507m), plus the Local Authority share of the “pooled” assumption (£3.425m). Any sum left over is called the “retained” receipt (£2.570m) and this must be used purely for new build housing, under the “one-for-one” policy. As can be seen from the figures above the Authority has sold an “additional” 384 properties in 5 years and has only replaced circa 130 to-date, so the policy intention of “one-for-one” replacement is currently not being achieved in North Tyneside.

SECTION 6 - INVESTMENT PLAN

Review of Investment Plan - Position Statement

6.1 The Authority's Investment Plan represents the capital investment in projects across all service areas. Some of the key highlights of the Investment Plan due to be delivered during 2017/18 are summarised below:

Affordable Homes New Build and Conversion Works

6.2 There are currently 3 projects that will complete during 2017/18, namely:

- The construction of 6 new affordable units in Seaton Burn on the old Chapelville sheltered unit site was completed in November 2017;
- The construction of 20 new affordable units in Dudley, on the former Dudley & Weetslade Club site. Work is due for completion in March 2018; and,
- The conversion of Perth Gardens into 7 new affordable units. Work is due for completion in March 2018.

In addition to the above there will be a number of other schemes progressed through the design, planning and procurement process during 2017/18 that will subsequently complete in future financial years.

Housing Investment Work

6.3 The Housing Capital delivery programme will see the following works delivered across the Borough during 2017/18:

- Kitchens and bathrooms to 605 homes;
- Heating upgrades to 600 homes;
- Boundary improvements to 830 homes;
- External decoration to 1,906 homes;
- Roof replacements to 292 homes;
- External Brickwork Repairs to 367 homes;
- Insulation / Structural works to 24 Non-traditional homes ; and,
- Infrastructure Projects to 7 locations.

Education Investment Works

6.4 The delivery of the Investment in schools will see the following works delivered over 2017/18:

- Delivery of an initial 26 priority condition related projects across the school estate;
- Priority Schools Building Programme (Off Balance Sheet) ;
  - The projects at both Whitehouse Primary School, Longbenton High School and Marden High School are now fully completed;
  - The external works for John Spence High School are scheduled for completion in December 2017; and,
  - Cullercoats Primary School – this project is being delivered as part of Priority Schools Building Programme 2 (PSBP2). The preferred

solution is to be a refurbishment programme rather than a new build. Detailed discussions are ongoing with the Education Funding Agency (EFA), their appointed contractor and the school to finalise the scope of works. It is anticipated that the final agreed solution will be confirmed early 2018 with works commencing on site Spring/Summer 2018.

Highways and Infrastructure Works

6.5 The main Highways, Infrastructure works include:

- Delivery of the LTP including the annual resurfacing programme and integrated transport projects;
- Construction of the final phase of A1058 Coast Road major scheme (Norham Road Bridge);
- Central Promenade Reconstruction Scheme - construction work commenced on site in February 2017;
- A1056 Weetslade major highways scheme was completed in July 2017;
- Construction of the North Bank of the Tyne highway improvements from October 2017; and
- Major drainage improvements at Monkseaton and Shiremoor.

Regeneration Works

6.6 Regeneration Works for 2017/18 include:

- Works are progressing well with the restoration of the Spanish City Dome in accordance with the delivery plan with target date for completion late Spring 2018. Works to reinstate the western wing are continuing to progress;
- Hotel and restaurant adjacent to the Dome opened in July 2017;
- The public realm works on Northern Promenade are nearing completion; and,
- Swans – the next phase of works will cover feasibility works including upgrade of the Swans Quay and load out facilities plus further demolition works and Centre for innovation Phase 2 refurbishment.

Variations to the 2017-20 Investment Plan

6.7 As part of the regular investment programme monitoring £2.244m reprogramming within the plan and variations of £5.702m variations have been identified.

Table 36 details the changes to the approved 3-year Investment Plan, as agreed at Council on 16 February 2017.

Table 36: 2017 - 20 Investment Plan changes identified

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Approved Investment Plan – Council 16 February 2017	**106.952**	**48.888**	**30.833**	**186.673**
Previously Approved Reprogramming				
Cabinet 12 June 2017	12.980	0	0	12.980
Cabinet 10 July 2017	(21.929)	21.926	0.517	0.514
Cabinet 11 September 2017	1.316	(0.008)	0	1.308
Cabinet 13 November 2017	(9.317)	8.846	0	(0.471)
Approved Investment Plan – Cabinet 13 November 2017	**90.002**	**79.652**	**31.350**	**201.004**
October/November				
Variations	0.228	3.474	2.000	5.702
Reprogramming	(2.244)	2.130	0.114	0
Total Variations	**(2.016)**	**5.604**	**2.114**	**5.702**
Revised Investment Plan	**87.986**	**85.256**	**33.464**	**206.706**

6.8 The details of the main variations are shown below:

(a) **EV084 A189 Improvements Haddricks Mill to West Moor £5.674m** -The Department for Transport (DfT) announced government funding for the scheme in October 2017. The scheme involves improving accessibility in the A189 corridor, a strategic link serving substantial employment sites, dovetailing with adjacent A189 Haddricks Mill improvements in Newcastle. A proposal to utilise an element (£0.200m) of the Section 106 funding associated with Gosforth Business Park Development in quarter 4 of 2017/18 will allow early commencement of the detailed design works thus enabling the construction works to commence at the start of the finance year 2018/19 and to ensure the delivery of the works within the funding timescales;

(b) **EV034 Local Transport Plan £0.028m** – This variation is to reflect the annual contribution from Nexus that the Authority will receive towards the cost of Sustainable Travel; and,

(c) National Productivity Fundng £0.200m is to be transferred to **EV034 Local Transport Plan** from **EV055 Additional Highways Improvements** to align with programme delivery associated with improvement to footways.

6.9 Reprogramming of £2.244m has been identified. The details are shown below:

(a) **HS003 Private Sector Renovation £0.139m** – Options for this budget are being explored it is likely that the project will be delivered be over future financial periods beyond 2017/18;

(b) **IT026 Citizen Interaction and Self Serve £0.340m** – The reprogramming is to reflect the expected commencement date of the analytics tooling element of the project. The funding profile is 2018/19 £0.226m and 2019/20 £0.114m;

(c) **DV062 St Mary's Lighthouse and Visitor Centre £0.035m** – This project has been reprogrammed to allow for further design works to be completed to address the issues raised by the planning committee;

(d) **EV076 Depot Delivery Project £0.600m –** This project is subject to a separate report to this Cabinet. The revisions to the project mean it is necessary to reprogramme;

(e) **DV058 Swan Hunters Redevelopment £1.080m** – The timescales for grant submissions to the NELEP and notification of funding approvals mean that reprogramming of plot 6 basement demolition £0.440m, Centre for Industry (CFI) Phase 2 £0.090m, CFI Phase 3 £0.150m and Quay Works and overslabbing £0.400m is required; and,

(f) **CO075 Skate/BMX Park – The Parks Sports Centre £0.075m** - Works on the skake park have commenced and are expected to be completed by mid March 2018. The residual budget is to be reprogrammed to 2018/19 to support the Play Park project.

6.10 The impact of the changes detailed above on capital financing is shown in Table 37 below.

Table 37: Impact of variations on Capital financing

	2017/18 £m	**2018/19 £m**	**2019/20 £m**	**Total £m**
Approved Investment Plan – Cabinet 13 November 2017	**90.002**	**79.652**	**31.350**	**201.004**
Council Contribution	(1.193)	1.079	0.114	0
Grants and Contributions	(0.823)	4.525	2.000	5.702
Total Financing Variations	**(2.016)**	**5.604**	**2.114**	**5.702**
Revised Investment Plan	**87.986**	**85.256**	**33.464**	**206.706**

Capital Receipts – General Fund

6.11 There were no General Fund Capital Receipts brought forward at 1 April 2017. All receipts received in 2016/17 were applied to finance capital expenditure.

The capital receipts requirement for 2017/18 approved by Council on 16 February 2017 was £Nil (£0.760m for 2017-20). Due to reprogramming from 2016/17 £0.110m receipts are now required for 2017/18 (£0.870m 2017-20). To date £1.071m of capital receipts have been received in 2017/18, therefore the 2017-20 requirement has been met. The surplus balance of receipts (£0.201m) will be used to either replace unsupported borrowing within the Investment Plan or to repay debt. The receipts position is shown in Table 38 below.

Table 38: Capital Receipt Requirement – General Fund

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Requirement reported to 16 February 2017 Council	0.000	0.380	0.380	0.760
Reprogramming from 2016/17	0.110	0	0	0.110
Revised Requirement	**0.110**	**0.380**	**0.380**	**0.870**
Useable Receipts Received 2017/18	(0.110)	(0.380)	(0.581)	(1.071)
Surplus Balance	**0.000**	**0.000**	**(0.201)**	**(0.201)**

Capital receipts – Housing Revenue Account

6.12 Housing Capital Receipts brought forward at 1 April 2017 were £5.501m. The Housing receipts are committed against projects included in the 2017-20 Investment Plan. The approved Capital Receipt requirement for 2017/18 was £0.663m. This, together with the reprogramming reported to 12 June 2017 Cabinet, gives a requirement of £1.809m. To date, £3.565m receipts have been received in 2017/18 of which £0.937m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £6.320m to be carried forward to fund future years.

Table 39: Capital Receipt Requirement - Housing Revenue Account

	2017/18 £m	2018/19 £m	2019/20 £m	2017-20 £m
Requirement reported to 16 February 2017 Council	0.663	2.847	2.805	6.315
Reprogramming from 2016/17	1.146	0	0	1.146
Revised Requirement	**1.809**	**2.847**	**2.805**	**7.461**
Receipts Brought Forward	(5.501)	0	0	(5.501)
Receipts Received 2017/18	(3.565)	0	0	(3.565)
Receipts Pooled Central Government	0.937	0	0	0.937
Surplus Balance to fund future years (subject to further pooling)	**(6.320)**	**2.847**	**2.805**	**(0.668)**

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2017/18.

Investment Plan Monitoring Position to 30 November 2017

6.13 Actual expenditure in the General Ledger was £41.085m,46.69% (September £25.891m and 28.77%) of the total revised Investment Plan at 30 November 2017. The expenditure is 80.86% of the profiled budget at end of November.

Table 40 Total Investment Plan Budget & Expenditure to 30 November 2017

	2017/18 Revised Investment Plan £m	Actual Spend to 30 November 2017 £m	Spend as % of revised Investment Plan %
General Fund	63.007	28.706	45.56
Housing	24.979	12.379	49.56
TOTAL	**87.986**	**41.085**	**46.69**