

North Tyneside Council Report to Cabinet 30 July 2018

Item 5(f)

2018/19 Financial Management
Report to 31 May 2018

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Cllr Ray Glindon
Report from: Finance	
Responsible Officer: Janice Gillespie, Head of Finance	Tel: 643 5701
Wards affected: All	

PART 1

1.1 Executive Summary:

This report is the first monitoring report to Cabinet on the 2018/19 financial position. The report brings together financial and relevant performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the first indication of the potential revenue and capital position of the Authority at 31 March 2019.

This is the first report of the financial year and necessarily reflects known pressures at this time. It is anticipated that the out-turn forecast will improve over the course of the financial year as planned remedial actions being to impact.

At this stage in the financial year, Cabinet will understand that there are still aspects of the £10.143m 2018/19 savings programme to be met in order to deliver the General Fund budget approved by Council on 15 February 2018. A number of sessions have already been held by senior management to give early consideration as to the actions required to manage the financial risk identified for 2018/19, including what additional actions can be taken in line with the Authority's Efficiency Statement and the Creating a Brighter Future Programme.

The report also explains where the Authority continues to manage financial pressures. Like most local authorities, North Tyneside Council continues to face financial pressures which were reported in the 2017/18 Outturn Report and continue to manifest in 2018/19.

The report includes details of an additional grant received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2018/19 Schools budgets, planning for 2019/20 Schools funding and the forecast outturn for the Housing Revenue Account as at 31 May 2018.

Finally, the report provides an update on the 2018/19 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.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 31 May 2018 (Annex sections 1, 4 and 5);
- (b) approves the receipt of £0.010m new revenue grants;
- (c) notes the Authority's Investment Plan spend of £4.246m to 31 May 2018 and the financing of the Plan to the end of the year (Annex Section 6); and
- (d) approves variations of £5.736m and reprogramming of £20.349m for 2018/19 within the 2018 - 2021 Investment Plan (Annex Section 6).

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 20 April 2018.

1.4 Authority plan and policy framework:

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

1.5 Information:

1.5.1 Financial Position

This report is the first monitoring report presented to Members on the Authority's 2018/19 financial position. It provides an early indication of the expected revenue and capital financial position of the Authority as at 31 March 2019.

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 2018/19 approved budget savings plans.
- 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 2018/19 was approved by full Council at its meeting on the 15 February 2018. The net General Fund revenue budget was set at £154.724m. This included £10.143m of savings to be achieved.

This is the first financial monitoring report of the year. The forecast overall pressure is estimated at £5.593m against an approved net budget of £154.724m. This is driven

mainly by continued pressure in Children's Services of £3.915m and Adult Services of £3.206m, partly mitigated by the contingency balances that were created as part of the 2018/19 Budget setting process and are held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £3.644m of pressures in Corporate Parenting and Placements, £2.523m in Wellbeing and Assessment and £1.483m in Disability & Mental Health. The drivers for these pressures continue from 2017/18 and arise from:

- Continued growth in demand in Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Creating a Brighter Future Programme to the extent that achievement of some savings may be at risk;
- Ongoing issues around agreeing adequate levels of contributions from the North Tyneside Clinical Commissioning Group for clients with health needs and to support social care; and
- Negotiations with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs are at an early stage for 2018/19

Service areas have held sessions over the course of May and June 2018 in order to develop further actions to mitigate identified financial pressures. It is anticipated that the out-turn forecast will improve over the course of the financial year as planned remedial actions being to impact on both expenditure and income.

Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2019 of £4.407m, which are £1.737m higher than budget which was set at £2.670m. 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 (£1.443m) but there is also an in-year estimated underspend of (£0.294m), against an in-year budget of £1.970m, due to additional income of (£0.339m) offset, in the main, by additional HRA management costs of £0.043m.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of May 2018, 208 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.

School Funding:

School funding is an area that has been subject to review by Cabinet and a further update on these issues is included in the Education report being considered by Cabinet later in this meeting. The Annex to this report includes an update in respect of work in progress with regard to school funding (Section 4). 10 schools are requesting deficit approval for 2018/19 (10 in 2017/18).

Investment Plan:

The 2018-2021 Investment Plan, as adjusted for proposed reprogramming, totals £174.256m (£78.285m 2018/19) and is detailed in Appendix 1 table 6.7.1. The Annex to this report also sets out in Section 6 delivery progress to date, planned delivery for

2018/19, reprogramming and other variations identified through the Investment Programme Governance process.

New Revenue Grants:

The following revenue grants have been received during April and May 2018:

Table 1: Revenue Grants Received during April and May 2018

Service	Grant Provider	Grant	Purpose	2018/19 value £m
HECS	Department For Education	S31 Extended Personal Adviser Duty Implementation Grant (New Burdens)	To provide support to local authorities requiring them to offer Personal Adviser support to all care leavers up to the age of 25.	0.010
Total				0.010

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 2018-2020 Our North Tyneside 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 and sustain new high quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

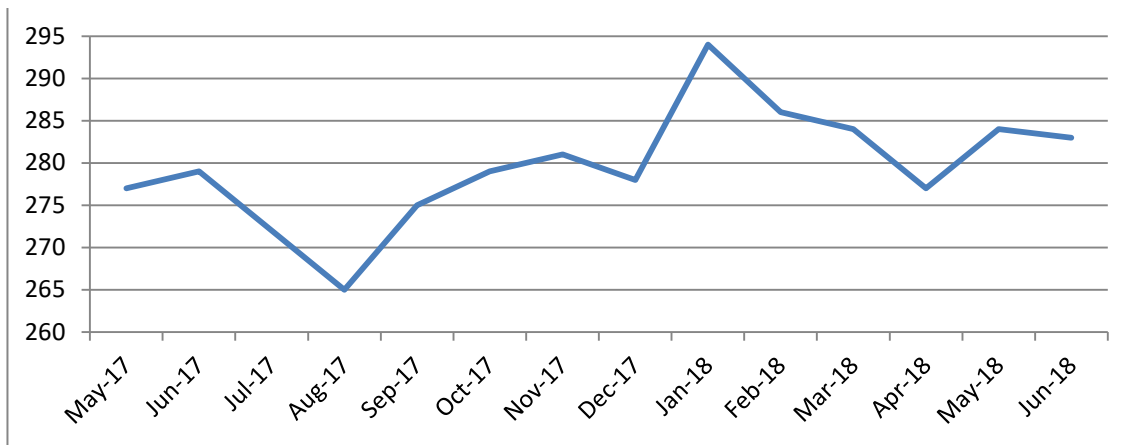
The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. The area under most financial pressure is Health Education Care and Safeguarding.

In Adult Social Care, the focus remains on providing support which allows people to live independent lives by providing preventative services and keeping people living at home for as long as possible. There is an increase in short term placements to residential care and Reablement in-house provision as a result of a lack of capacity in the local domiciliary care market and this is driving some of the cost pressure within Adult Social Care.

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. The recently published Ofsted report following the review of Children's services put the service as joint 8th nationwide of the 136 authorities inspected under the new regime with a "good" rating overall and recognition of an excellent focus on seeking the views of children to shape services.

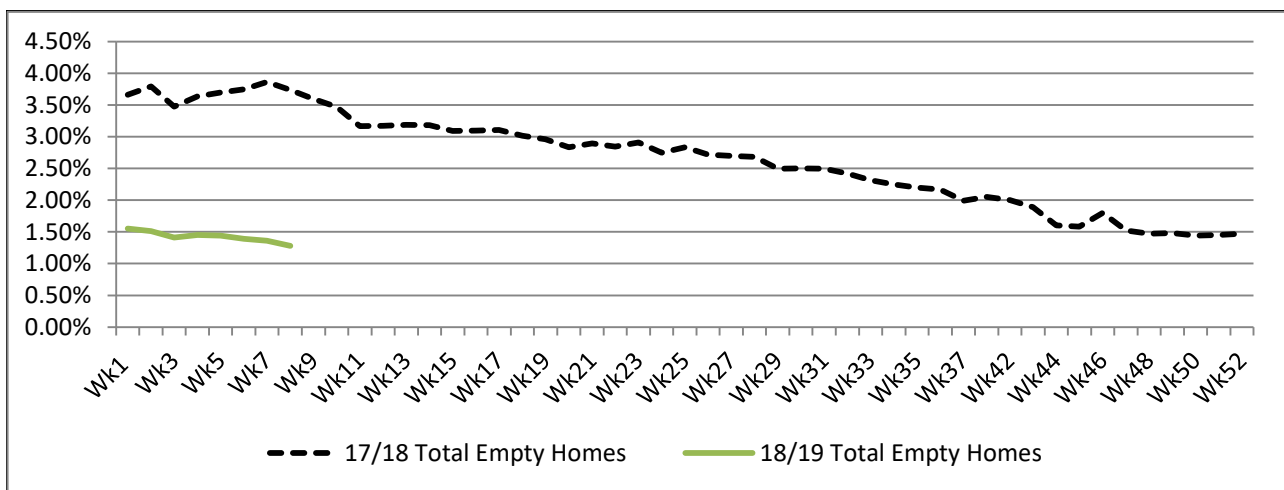
The levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. In year data suggests that our LAC levels, whilst fluctuating, are on average, remaining constant (as per Table 2 below) but there are a wide range of levels of care provided, with more complex cases now being faced. Current demand continues to drive financial pressure in 2018/19. The Authority is forecasting a pressure of £3.644m in Corporate Parenting and Placements (2017/18, £3.817m). The new model for children has been designed in part to address the financial pressures and more details are set out in sections 2 and 3 of the Annex to this report.

Table 2: Looked After Children comparators at each month end



1.5.3 HRA

In terms of the impact of empty homes on the financial picture to date, rates are below 2017/18 levels overall so far this year and this continues the trend over the last couple of years for empty home rates following the completion of the North Tyneside Living Schemes. Numbers of empty homes continue to reduce both in sheltered and General Needs stock.



1.5.4 Investment Plan

An officer led review of the Investment plan has resulted in proposals for reprogramming of (£20.349m) and variations of £5.736m of which more details are set out in Section 6 of the Annex to this report. The revised Investment plan stands at £78.285m for 2018/19 and to the end of May 2018 spend of £4.246m had been incurred which represents 5.4% of the revised plan. This is the highest percentage and the second highest actual spend reported in May Budget Monitoring reports for the last 5 years and reflects an improvement in delivery against the phased 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 31 May 2018
Appendix 1: 2018-2021 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance matters – Tel. (0191) 643 8109
Alison Campbell – Senior Business Partner – Tel. (0191) 643 7038
David Dunford – Business Partner – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters- Tel. (0191) 643 5727
Margaret Keith –Treasury Management matters – Tel. (0191) 643 5747
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

1.10 Background information:

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

- (a) Revenue budget 2018/19
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201819.pdf>
- (b) Investment Plan 2018-21
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/1a.%20Copy%20of%20Appendix%20A%28i%29%20Strategic%20Investment%20Plan.pdf>
- (c) Reserves and Balances Policy (Appendix G)
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/cab%20report%20for%2024%2001%202018%20%20item%204.pdf>

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 19 July 2018.

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 2018/19 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

- Deputy Chief Executive x
- Head of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy x