2018/19 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 £154.726m is forecast to contain a pressure of £2.169m. This is an improvement of £1.430m on the previous report taken to Cabinet in November 2018 of £3.599m. The budget includes £10.143m of budget savings as agreed at Council on 15 February 2018. The table in 1.2 below sets out the variation summary across the General Fund.

1.2 Table: 2018/19 General Fund Revenue Forecast Outturn as at 30th November 2018

	Gross Expenditure			Income			Net Expenditure			Forecast Variance Sept 2018
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance	
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Health, Education, Care and Safeguarding	168.564	177.470	8.906	(104.882)	(106.949)	(2.067)	63.682	70.521	**6.839**	6.903
Commissioning and Investment	199.571	202.780	3.209	(180.755)	(183.549)	(2.794)	18.816	19.231	**0.415**	0.407
Environment, Housing and Leisure	68.859	70.419	1.560	(28.488)	(29.791)	(1.303)	40.371	40.628	**0.257**	0.125
Chief Executive Office	0.533	0.497	(0.036)	(0.447)	(0.447)	0.000	0.086	0.050	**(0.036)**	(0.036)
Business and Economic Development	2.096	2.049	(0.047)	(0.891)	(0.728)	0.163	1.205	1.321	**0.116**	0.043
Commercial and Business Redesign	6.864	7.513	0.649	(5.450)	(5.549)	(0.099)	1.414	1.964	**0.550**	0.400
Corporate Strategy	1.702	2.013	0.311	(1.500)	(1.700)	(0.200)	0.202	0.313	**0.111**	0.118
Finance	70.082	73.135	3.053	(70.941)	(73.514)	(2.573)	(0.859)	(0.379)	**0.480**	0.566
Human Resources and Organisational Development	2.129	2.482	0.353	(2.248)	(2.547)	(0.299)	(0.119)	(0.065)	**0.054**	0.054
Law and Governance	3.613	3.863	0.250	(3.723)	(3.763)	(0.040)	(0.110)	0.100	**0.210**	0.210
Central Items	21.848	17.833	(4.015)	(11.650)	(14.462)	(2.812)	10.198	3.371	**(6.827)**	(5.191)
Support Services	19.840	19.840	0.000	0.000	0.000	0.000	19.840	19.840	**0.000**	0.000
Total Authority	**565.701**	**579.894**	**14.193**	**(410.975)**	**(422.999)**	**(12.024)**	**154.726**	**156.895**	**2.169**	**3.599**

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £10.143m in 2018/19 approved by Council in February 2018 bring the total savings the Authority has had to find in the eight years following the 2010 Comprehensive Spending Review (CSR) to £120.076m.

2.2 **Table: Year on Year savings since 2010 CSR**

Year	£m
2011/12	16.169
2012/13	16.739
2013/14	12.240
2014/15	16.552
2015/16	14.158
2016/17	15.737
2017/18	18.338
2018/19	10.143
Total Savings	**120.076**

2.3 Although the vast majority of the ambitious 2017/18 savings target of £18.338m was delivered during 2017/18, at the beginning of the year there was £1.111m of savings from 2017/18 that remained to be delivered, taking the overall savings target for 2018/19 to £11.254m. Progress is tracked against each saving proposal and £7.177m, equating to 64% of the overall target, is forecast so far to be saved (September, £7.065m representing 63% of the target).The table below shows the delivery by Service;

2.4 **Table: Creating a Brighter Future (CBF) savings at November 2018**

Service	Savings Target £m	Assumed in Forecast £m	To Be Delivered at Nov. £m	% Achieved	Assumed in Forecast at Sept £m
Business & Economic Development	0.121	0.121	0.000	100%	0.121
Central Items	3.870	0.991	2.879	26%	1.079
Commercial & Business Redesign	0.060	0.060	0.000	100%	0.060
Commissioning & Investment	0.519	0.474	0.045	91%	0.474
Corporate Strategy	0.160	0.160	0.000	100%	0.160
Environment, Housing & Leisure	1.158	1.158	0.000	100%	1.158
Finance	0.305	0.155	0.150	51%	0.155
Health, Education, Care and Safeguarding (HECS)	4.920	3.925	0.995	80%	3.725
HR & Organisational Development	0.025	0.025	0.000	100%	0.025
Law & Governance	0.116	0.108	0.008	93%	0.108
Total savings	**11.254**	**7.177**	**4.077**	**64%**	**7.065**

2.5 A prudent approach is taken to reporting efficiency savings which will only be reported as achieved in the forecast position when the impact can be seen flowing into the financial ledger. The governance structure of the CBF programme includes separate monthly reviews of progress by the Senior Leadership Team and the Deputy Mayor. In addition, in-year finance and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main areas of pressure in relation to delivery of savings targets continue to be the cross-cutting procurement and management savings shown within Central Items and savings related to care costs within HECS. Further details are provided below.

Central Items

2.6 Within Central Items there are currently £2.879m of savings targets forecast to be carried forward into 2019/20. These are the cross-cutting targets for Procurement Savings under the Maximising Resources Business Case (£1.592m) and Management Savings under Fit for Purpose – How we are Organised (£1.287m).

2.7 Progress has been made against the Procurement targets of £2.000m with £0.408m identified (September, £0.151m) while a further £0.435m of proposals continue to be monitored but not yet forecasted as achieved at this stage while investigations continue into their robustness. The 2017/18 cross-cutting savings in procurement are being managed alongside the 2018/19 target but are forecast as not yet achieved at this stage. Work continues to identify remaining savings. In October 2018, Cabinet made the decision to return the Procurement Service back to direct Council control.

2.8 The improvement in procurement savings has however, been offset by a revision to the position for management savings. Heads of Service have a range of plans that are currently in development to address the remaining balance to be achieved. These plans include consideration of the opportunities arising from devolution and regional joint working in regard to the provision of children's social care services, consideration of the arrangements in place to manage our major contracts and delivery of our Transformation and ICT requirements. The delivery of these plans will continue into 2019/20.

Commissioning and Investment

2.9 The Service has made good progress and delivered 91% of its target at September 2018 however £0.045m remains to be delivered. Work continues to look at options to at least secure the remaining balance.

Environment, Housing and Leisure

2.10 The Service is forecasting to deliver all of its £1.158m target

Finance

2.11 The target relating to changes to the Customer Services operating model of £0.150m remains to be achieved. Discussions are on-going with our partner ENGIE to implement these required changes and deliver the savings on a sustainable basis whilst maintaining the level of service our customers expect and deserve. Alternate options to meet this target are being explored in-year.

Health Education, Care and Safeguarding

2.12 The Service is forecasting to deliver £3.925m amounting to 80% of its targets (September, £3.725 and 76%). Projects around Public Health contracts, reductions in block contracts and staffing restructures in Integrated Services are all complete.

2.13 The target of £1.713m savings relating to achieving income within the People Wellbeing Services Business Case has been achieved by the delivery of additional income relating to the Troubled Families Programme in addition to a grant for the Partners in Practice work and for work associated with the Alternative Delivery Model (ADM) project.

2.14 However, an amount of £0.300m relating to banding of care home fees is currently shown as not yet achieved as the negotiation of fee rates for 2018/19 has met with significant challenge from the care providers. A proposed way forward has now been reached which includes a commitment to fully establish the fair cost of delivering residential and nursing care in North Tyneside. Detailed work to review bandings of care homes which take into account Care Quality Commission (CQC) ratings can now commence but it is not anticipated that this will deliver significant savings in 2018/19.

2.15 The 2017/18 savings targets relating to HECS have been subsumed within the normal budget monitoring processes. In relation to the Children with Disabilities target, work has been on-going to develop a revised plan to achieve these savings. Minor savings of £0.013m have been achieved by generating additional income from providing a residential assessment place at Riverdale to a neighbouring authority and an additional in-year contribution of £0.200m has been secured. The service continues to review alternative ways of permanently achieving the full target of £0.350m.

2.16 The service is continuing to take a prudent view around savings to be delivered against care provision and its related income as these are delivered over the course of the year by on-going robust review and management actions rather than as a one-off activity with a discrete start and end date as in, for example, a staffing restructure. The project around Customer Demand Pathway continues to be rated amber as careful monitoring of results of individual client reviews progresses. At this stage delivery of 50% of the £0.200m target is forecasted. The projects on Direct Payments and Client Charging have gained momentum and, following policy decisions taken by Cabinet in October, 25% of these targets are prudently forecasted to be delivered with full implementation of the projects assumed by January 2019. The balance of the Direct Payment target of £0.100m has already been achieved by one off measures in-year relating to the clawback of previously made direct payments which are no longer required by clients. The project on Health Funding is now rated as green and is forecasted to fully achieve the target of

£0.400m from increased s117 income relating to mental health aftercare, following a review of eligible clients.

SECTION 3 – SERVICE COMMENTARIES

3.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2018/19, with forecasts continuing to be prepared on a prudent basis. Meetings took place in July and October/November with officers, the Cabinet Member for Finance and Resources, the Deputy Mayor and relevant Cabinet Members to discuss the in-year finance and performance position. Further meetings are planned on a quarterly basis. Heads of Service and their senior teams also attend to discuss plans in progress to mitigate any pressures.

3.2 Health, Education, Care & Safeguarding (HECS)

3.2.1 HECS is forecasting a pressure against its £63.682m net controllable expenditure budget of £6.839m representing an overall improvement of £0.064m since the September report. This forecast position excludes the application of contingency budgets set aside in Central Items for demand-led pressures in adult services of £1.800m and within children's services of £2.616m and the £1.031m of Winter Pressures grant announced in October..

3.2.2 **Table: Financial Summary for HECS**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Corporate Parenting & Placements	13.953	17.393	3.440	3.249
Early Help and Vulnerable Families	2.130	2.050	(0.080)	0.113
Employment and Skills	0.601	0.497	(0.104)	0.157
Integrated Disability & Additional Needs Service	1.994	2.504	0.510	0.706
School Improvement	0.050	(0.019)	(0.069)	(0.032)
Wellbeing, Governance & Transformation	2.265	1.927	(0.338)	(0.459)
Disability & Mental Health	28.341	29.476	1.135	0.835
Wellbeing & Assessment	11.421	14.201	2.780	2.771
Integrated Services	2.473	2.175	(0.298)	(0.306)
Business Assurance	0.435	0.298	(0.137)	(0.131)
Public Health	0.019	0.019	0.000	0.000
Total HECS	**63.682**	**70.521**	**6.839**	**6.903**

3.2.3 On 2 October, the Government announced additional funding for adult social care to support NHS winter pressures. The grant determination letter has now been received in addition to a letter outlining the allocations and broad purpose of the funding. The value of the grant for North Tyneside is £1.031m. All local authorities receiving this grant will be required to complete a return confirming;

1. That the totality of the grant will be spent on providing adult social care services, in addition to funding already planned; and that use of the grant has been discussed with local NHS partners, including local acute hospital trusts.

2. An outline, alongside their certification described above, of how the funding will be spent across prescribed categories and specifically what additional volumes of care and support the additional funding will purchase, above that originally planned.

3.2.4 The grant has not been shown within the Authority's position at this stage pending the completion of discussions with Members and with the Authority's local NHS partners regarding its use. The grant has been listed under new grants received in section 3.12.1 for approval by Cabinet.

Main budget pressures across HECS

3.2.5 In addition to its normal complex budget management, the service has been required to deal with a combination of demand-led pressures and national policy changes. There have been upward pressures on care providers' fees partially resulting from the National Living Wage and reduced income from the NHS. Discussions with North Tynside Clincial Commissioning Group (NTCCG) in recent weeks have led to a proposed approach to the contributions being made to the Authority, particularly with regard to S256 contributions for Mental Health provision. We continue to work with the NTCCG to achieve a service delivery within available resources.

3.2.6 The main factor behind the significant pressure is third party payments in relation to fees for care homes and community-based packages for adults. This was foreseen and, as part of the 2018/19 budget setting process, contingencies were created and these are currently held centrally. In addition, there remains significant pressure within Corporate Parenting and Placements in relation to care provision for Looked After Children (LAC) and Care Leavers despite the overall numbers of LAC being relatively stable and showing a reduction from the recent January 2018 high (see 3.2.28 below). This has combined with the on-going pressures in the workforce arising from staff retention costs and recruitment costs. As indicated in section 2, the Service is making progress in delivering another demanding set of savings projects but the total of £0.995m targets which are, as yet, not yet achieved are contributing to the overall pressure projected.

The main factors contributing to the pressure are shown in the table below;

3.2.7 Table: Summary of Factors Driving the Pressure within HECS

Sub-service	Savings still to be delivered 2018/19 £m	Savings still to be delivered 2017/18 £m	Demand Pressures £m	CCG Income £m	Other income (mainly client income) £m	Staff £m	Other £m	Total £m
Adults	0.505	0.109	3.028	0.391	(0.445)	(0.312)	(0.134)	3.142
Children	0.147	0.234	3.091	0.070	0.000	0.277	(0.122)	3.697
Total	**0.652**	**0.343**	**6.119**	**0.461**	**(0.445)**	**(0.035)**	**(0.256)**	**6.839**

Adult Services

3.2.8 In Adults there is a pressures of £3.142m which has increased by £0.432m since the last report at September. The movement relates to additional placement costs within Learning Disabilities of £0.300m net of associated income and the allocation of procurement savings targets against budgets where costs had been successfully reduced by renegotiated contracts or other associated measures. (£0.131m).

3.2.9 The pressure predominantly relates to rising complexity of demand foreseen by Cabinet, which is partially offset by other income, mainly client contributions. In addition there are £0.614m of, as yet, not fully delivered CBF targets mostly from 2018/19 but with a small element relating to the prior year. There is also a remaining pressure of £0.391m from CCG income around the s256 mental health agreement and reducing contributions for jointly funded packages. This has improved from the September forecast position by £0.100m as a result of income forecasted for specific cases. A full reworking of CCG recharges for shared care and s117 Mental Health Aftercare income will be completed for the third quarter billing at the end of December. The demand pressure is backed by £1.800m of contingencies held centrally and there may also be some potential offset from the new grant announced in October 2018 to address NHS winter pressures (£1.031m) subject to Member approval.

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

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

3.2.11 Demand-led pressures (excluding those which form part of savings targets as yet not achieved as outlined in 2.12 to 2.16) total £3.028m above budget. These are analysed into the following service types;

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

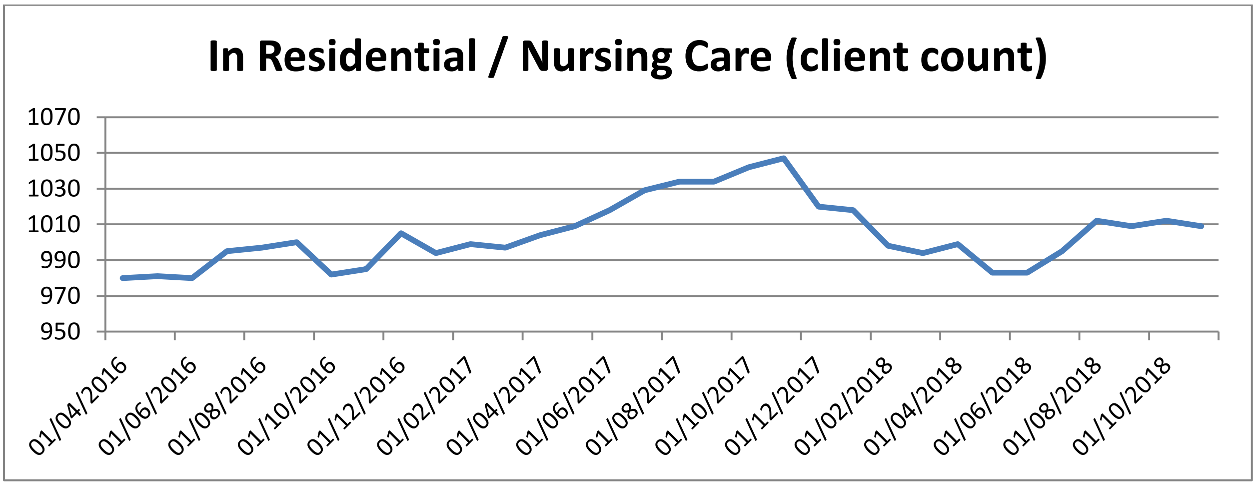
Type of Service	Demand-led Pressure November £m	Demand-led Pressure September £m
Residential and Nursing care	1.661	1.651
Homecare and Extra Care	0.953	0.946
Other Community Based Care	0.414	(0.028)
Total	**3.028**	**2.569**

Residential and Nursing Care

3.2.12 In relation to residential and nursing care, although there has been a reduction in long-term placements there has also been an increase in short-term placements being made. Internal processes have been established to monitor the workflows for making short-term placements, which is now leading to a reduction in their use. There are,however, challenges; for example the options to move clients from short-term placements to community provision diminishes after longer lengths of stay in short-term placement as clients lose skills and family concerns increase around risks at home.

3.2.13 This overall approach is having a positive impact on the numbers of placements across the service. We now have a lower level of placements than at the recent peak in November 2017 (as indicated in Chart at 3.2.14 below) but we did see an increase in demand in July and August which has been sustained through the autumn. The number of clients placed at November 2017 was 1,050 which had dropped to 971 at the end of July 2018. The numbers have now risen to 1009 and are currently holding steady. The service is continuing to review all placements made to appropriately challenge each decision.

3.2.14 Chart: Trend of numbers of Clients in residential and nursing care

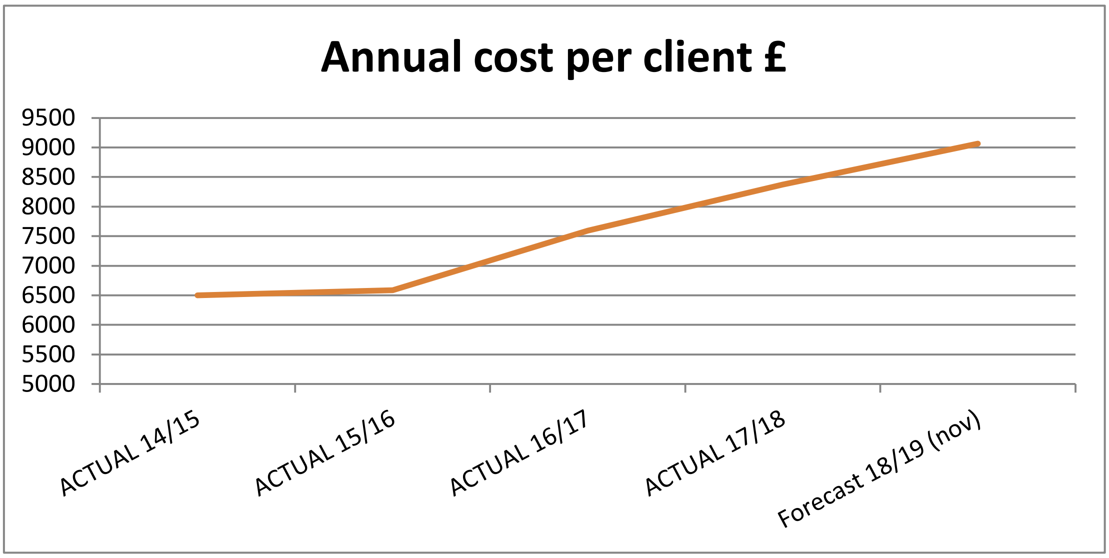


3.2.15 Residential and nursing placement forecasts are showing a pressure of £1.661m which is substantially unchanged from the September position of a pressures of £1.651m. The Service is, however, proactively working to achieve further reductions in the level of residential and nursing care across the remainder of the year as alternative forms of provision of services are identified for short-term placements. Services such as reablement, community based intermediate care and extra care are being deployed effectively to reduce admissions to long term residential care. The service is having a focused review of all short-term placements with support from colleagues from sheltered accommodation and with a view to maximising the appropriate use of assistive technology to identify exit plans for those people needing to move on from short-term residential placements. This is a demand led service, however, and we are now in the challenging winter period where the service will be stretched by demands to support the effective management of NHS winter pressures.

Homecare and Extra Care

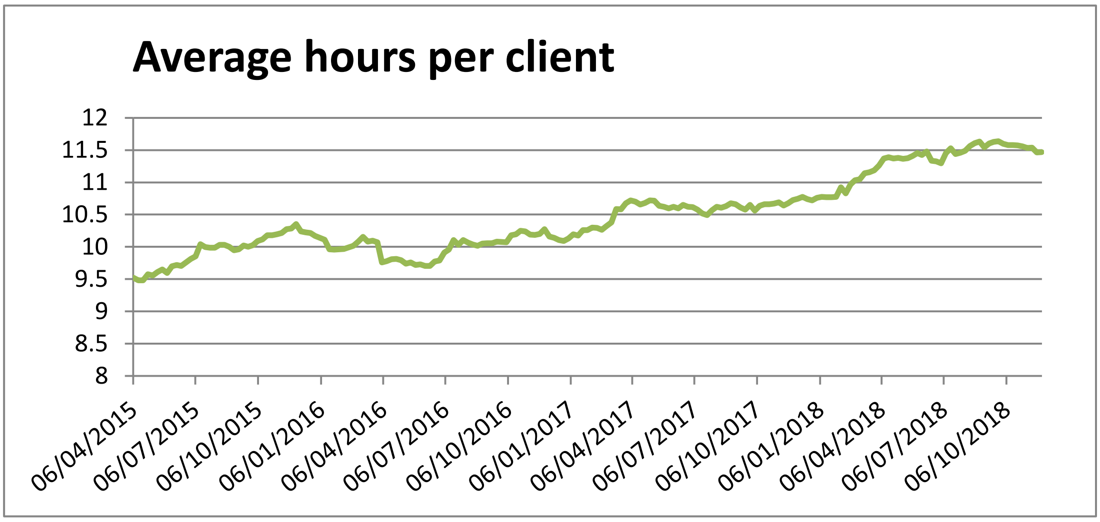
3.2.16 A general reduction in levels of residential and nursing care must be viewed in the context of increasing provision of hours per client of homecare and extra care as those not placed in care homes are supported to live at home with more complex needs. As reported during 2017/18, the Authority, in line with the national picture, has seen an increase in the average cost of homecare as more intense support for an aging population results in higher average package costs as indicated by the chart below.

3.2.17 Chart: Trend in Annual Cost per Client of Homecare/Extra Care Services



3.2.18 The number of hours provided per client has increased by 23% since April 2015 from 9.48 hours on average to 11.64 hours at the end of September 2018, indicating a significant increase in the levels of need which are now being supported in the community rather than in a residential setting. This trend has started to reverse since October with November ending the month at an average of 11.47 hours. This is illustrated in Chart 3.2.19 below.

3.2.19 **Chart: Average number of hours provided per client**



3.2.20 The Service is working hard to continue embedding the asset-based approach by remodelling how customers access the service to ensure that assessments are proportionate and that clients receive the appropriate level of support to meet their needs(to the extent that they are eligible under the Care Act) as cost-effectively as possible.

CCG Income

3.2.21 The pressure within Adult Services budget areas in relation to CCG income has reduced by a further £0.100m since the September report to £0.391m. The improvement relates to changes for specific clients pending the recalculation of CCG recharges for shared care and s117 Mental Health Aftercare income, which is performed quarterly. The service continues to carefully review all clients with s117 eligibility where the CCG has undertaken to fund 50% of all mental health aftercare support packages and this has resulted in increasing trend of recharges to the CCG from £4.263m in 2017/18 to a forecast of £4.478m in 2018/19. In relation to jointly funded care, the Authority is working collaborativley with the CCG on a case by case basis where it is identified that a client has significant health needs. However, if a client has not been assessed as fully meeting the threshold for continuing healthcare, there has been an absence of clear statutory guidelines outlining the CCG's responsibility. New national guidance around jointly funded cases was published in October 2018 with revised national tools to support the assessment of continuing healthcare and the Authority is continuing to work through these issues with the CCG.

Other Community Based Care

3.2.22 This category is comprised of supported living, individual service funds, direct payments and day care. There has been an increase in pressure predominantly within services for working age adults with a learning disability totalling £0.300m. This rise has been across supported living and individual service funds (ISFs). ISFs are a mechanism for paying for care in a more individually tailored way where a provider holds a fund to use flexibly to provide services such as support hours in an independent supported living arrangement or a day care service. In addition there has been an increase within costs relating to physical disability mainly in relation to supporting a young adult at an out of Borough college (£0.028m) following the outcome of a tribunal.

Other

3.2.23 The pressure in placement costs and CCG income is being partially mitigated by other income, principally client contributions of £0.445m and underspends in staffing of £0.312m and other areas of £0.134m. The latter is comprised mainly of previously unallocated transformation budgets within Wellbeing, Governance and Transformation and additional resources that has become available following successful changes adopted in Integrated Services to manage costs down.

Children's Services

3.2.24 In Children's services the overall pressure of £3.697m has reduced from the September position of £4.193m. The improvement of £0.496m relates to an additional contribution from Public Health to support vital services for children (£0.200m), £0.196m grant income relating employment and skills, a reduction in staffing forecasts mainly within Early Help and Vulnerable families (£0.120m) and additional Payment by Results grant relating to Troubled Families (£0.073m). This has been slightly offset by an increase in placement costs.

3.2.25 The majority of the pressures continues to be to ongoing demand pressures of £3.091m mainly in Corporate Parenting and Placements (September £2.850m), which were foreseen by Cabinet and backed by £2.616m of contingencies held centrally. In addition, there are £0.381m of, as yet, not fully delivered CBF targets with the balance made up mainly of staffing pressures.

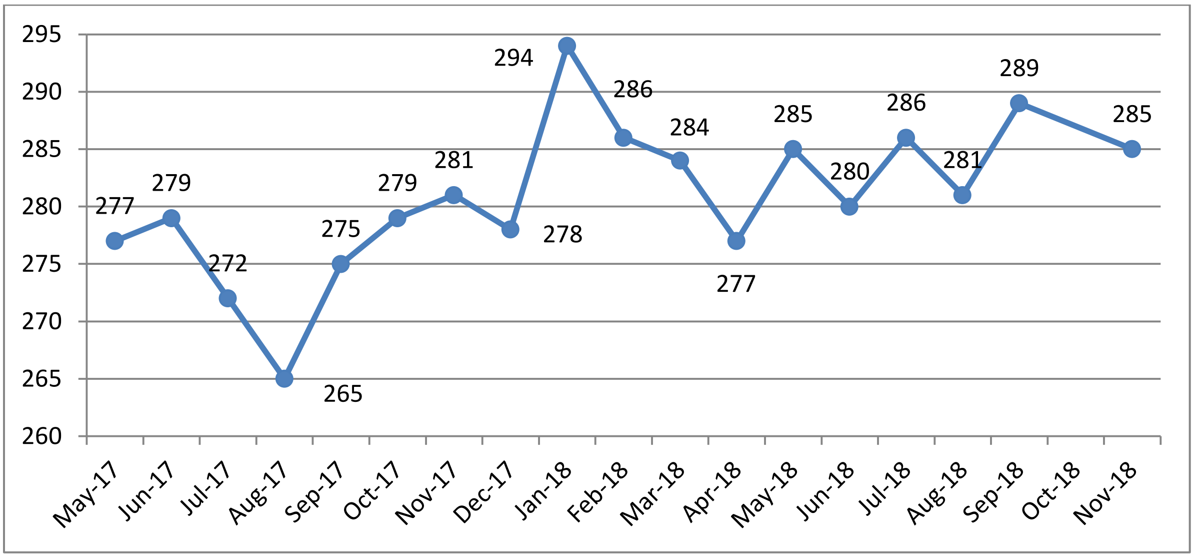
3.2.26 A breakdown of the total of demand led pressures of £3.091m is shown below;

Table: Analysis of Demand Led Pressures in Children's Services by Type

Type of Service	Demand-led Pressure Nov £m	Demand-led Pressure Sept £m
Placement costs for LAC	2.062	1.971
Costs relating to non LAC	0.926	0.750
Leaving Care costs	0.051	0.070
Management and legal fees	0.052	0.059
Total	**3.091**	**2.850**

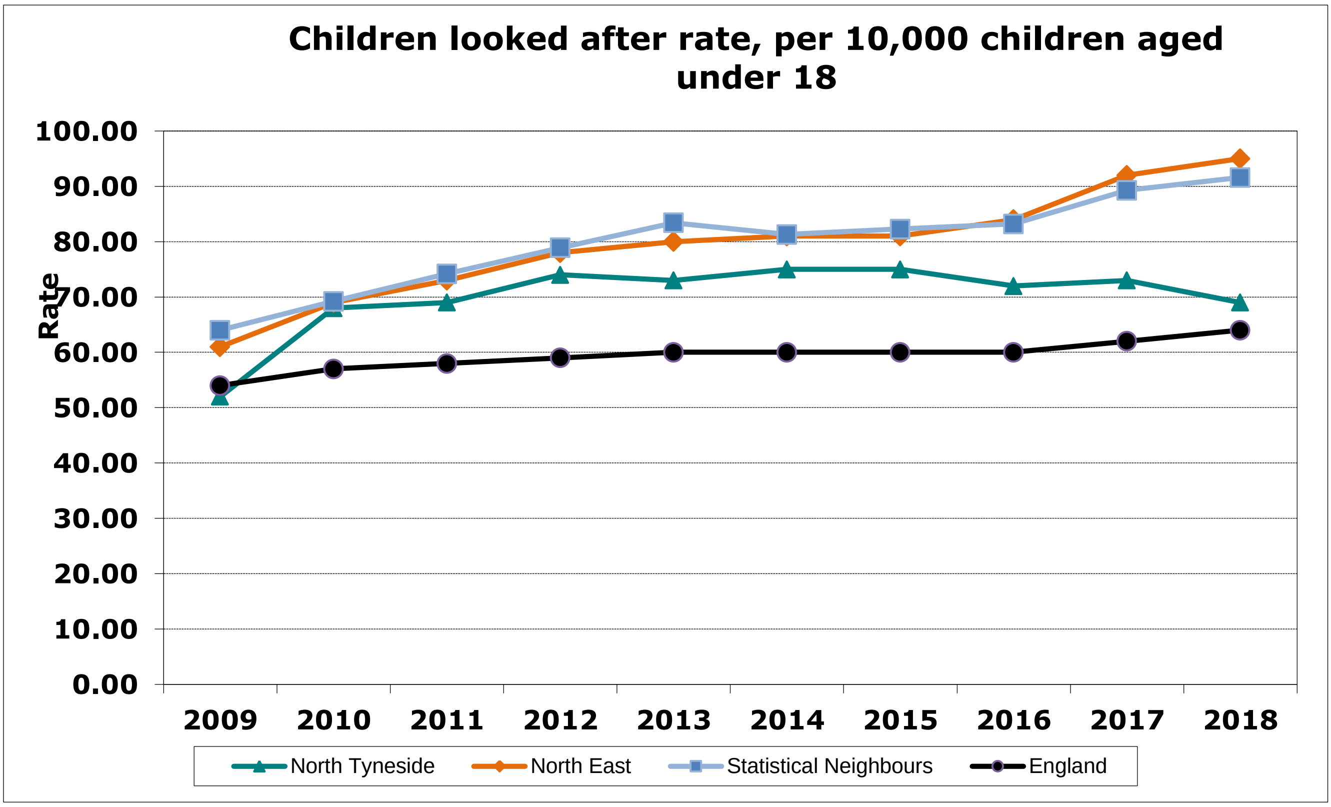
3.2.27 The main pressure continues to be in relation to placement costs for looked after children totalling £2.062m, and further detail is provided in Table 3.2.32. Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of Looked After Children has reflected the increases felt nationally but the numbers are now lower than the peak in January 2018 as demonstrated in chart 3.2.28 below:

3.2.28 **<u>Looked after Children numbers at each month end</u>**



3.2.29 The most recent available national comparators from 2017/18, as demonstrated by the chart below, shows that North Tyneside, although above the England average, performs very well within the North East region and against similar authorities in relation to the rates of LAC.

3.2.30 Chart: Comparative Performance in Rates of LAC per 10,000 Children under 18



3.2.31 Although the number of placements has not increased markedly relative to 2017/18, the placement mix continues to change. Placements for adolescents (particularly males) with a combination of risks including aggressive behaviour, offending, substance use and sexualised behaviour are increasingly difficult to source. This has resulted in the use of more costly bespoke individual placements, where it is not suitable to place young people in group environments. This is demonstrated in the table below where the main pressure results from residential placements which, in terms of total bed nights, represents only 6% of provision but is very costly amounting to over one third of the overall placement cost (36%). The average cost of a residential care placement has increased to £0.238m compared to the average at September of £0.226m showing that a change in the mix of needs of the children placed at any one time can have a significant impact on costs.This compares to an average cost of £0.207m per annum in 2017/18, an increase of 15% reflecting the increasing complexity of needs of the young people in our care.

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

Placement Type	18/19 Forecast Variance	Average Annual Placement cost £m	18/19 Forecast bed nights	Placement Mix	No. LAC at Nov 18	No. LAC at Nov 17
External Residential Care	1.052	0.238	6,776	6%	18	15
External Fostering	0.271	0.041	9,548	9%	22	27
In-House Fostering Service	0.504	0.024	76,076	70%	202	188
External Supported Accommodation	0.305	0.164	1,150	1%	9	8
Other*	(0.070)	various	15,146	14%	34	44
Total	**2.062**		**108,696**	**100%**	**285**	**282**

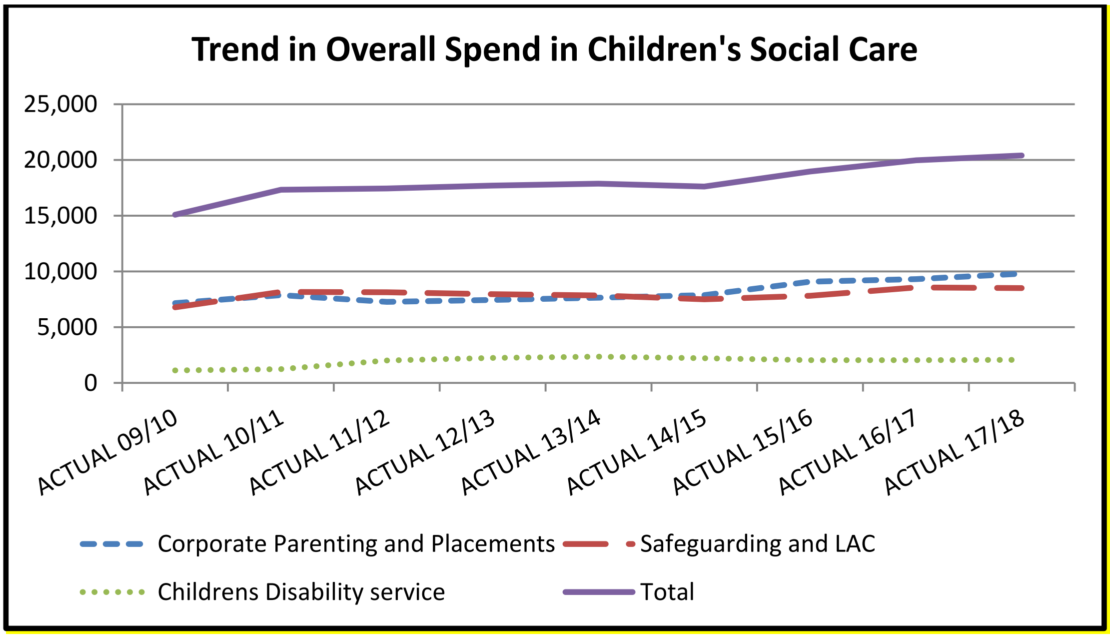
*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

3.2.33 The service has been successful in managing down the use of externally provided supported accommodation, which is the next most costly form of provision after residential care. This has been achieved by making full use of the Authority's in house provision and supporting young people who have been involved in risk taking behaviour with stable and resilient staff teams. This has allowed the placement of young people within internal services that may otherwise have required an external placement at significant additional cost.

3.2.34 Pressures relating to other placements total£0.926m which is an increase from the September report at £0.750m. These consist mainly of Special Guardianship Order payments and Cabinet will be aware of the increases in costs for these placements after the revised Council policy was introduced in 2018. Part of the contingency budget of £2.616m held in Central Items was created to mitigate this risk.

3.2.35 Complexity of need and market factors have resulted in a continuing rise in overall spend, despite the Service's on-going efforts to contain costs throughout the whole pathway from managing demand by early intervention through to developing alternative provision for young people with the most complex needs. The rise of costs over the period since 2009/10 is shown below. This graph covers external and internally-provided care costs and associated staffing costs for LAC and children with disabilities.

Chart: Trend in Overall Spend for LAC and Children with Disabilities



<u>Staffing pressures</u>

3.2.36 Cabinet are aware of the particular challenges faced across the children's social care sector nationally and this has led to a net pressure on staffing costs of £0.277m mainly due to the need to use agency workers earlier in the financial year and market supplement payments. This pressure has reduced from the reported £0.553m at September due to a careful review of staffing and robust vacancy management mainly within Early Help and Vulnerable Families.

<u>Other</u>

3.2.37 There is a net underspend of £0.122m which predominantly relates to grant income in employment and skills.

3.3 Commissioning & Investment

3.3.1 Commissioning and Investment is forecasting a pressure of £0.415m as set out in 3.3.2 below. This compares to the September position of £0.407m. (Note the variance in the report at September was £0.411m, the movement is due to Community and Voluntary Sector Liaison moving from Corporate Strategy to Commissioning and Investment).

3.3.2 **Table: Commissioning and Investment forecast variation**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
School Funding & Statutory Staff Costs	15.341	15.341	0.000	0.000
Commissioning Service	0.405	0.405	0.000	0.000
Child Protection Independent Assurance and Review	0.672	0.689	0.017	0.010
Facilities and Fair Access	0.095	0.222	0.127	0.127
Community and Voluntary Sector Liaison	0.438	0.435	(0.003)	(0.004)
Strategic Property and Investment	0.359	0.404	0.045	0.045
High Needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	1.395	1.624	0.229	0.229
Commissioning & Investment Management & Support	0.152	0.152	0.000	0.000
Procurement	(0.041)	(0.041)	0.000	0.000
Total Commissioning & Investment	**18.816**	**19.231**	**0.415**	**0.407**

3.3.3 The largest area of pressure within Commissioning and Investment is Property, where a variance of £0.229m is forecasted relating to the managed repairs and maintenance budget across public buildings. Discussions continue with Capita and Kier North Tyneside on the effective management of this area. In addition, there is a pressure due to costs of preventing and managing vandalism relating to the Sir G.B. Hunter Memorial Hospital recently vacated by the NHS

3.3.4 Within Facilities and Fair Access there is a £0.072m inflationary pressure within Catering Services. There has been a 2.7% increase in the specific Consumer Price Index for food and beverages which, on an annual spend of £2.2m, explains the majority of this pressure. There are also pressures in Cleaning of £0.027m and within Home to School Transport of £0.044m partially offset by £0.016m of underspends, mainly from staffing.

3.3.5 The Service is concerned that, although increases in food costs experienced to date have been included in the forecast, there is an expectation that further food price increases will be felt as we move through the winter. There are fears that the impact of the extreme weather the country has suffered in 2018 has not yet been fully factored into prices as the very cold winter followed by a hot and dry summer affected farmers' yields and production costs for key items like grain, meat, potatoes, milk and root vegetables.

3.3.6 There are staffing pressures affecting Strategic Property and Investment where a savings target of £0.045m relating to management savings remains to be achieved. The service is continuing to review required staffing resources against the Authority's commitments and priorities and is also looking at alternative sources of funding to at least secure this remaining balance.

3.4 Environment, Housing & Leisure

3.4.1 Environment, Housing and Leisure Service is reporting a pressure of £0.257m against the £40.371m budget, as set out in Table 3.4.2 below. The underlying forecast position has improved by £0.268m from the last reported position of £0.125m pressure at September but the additional £0.400m of income into Sports and Leisure due to the VAT changes is now being reported centrally, meaning that overall the service is now reporting a £0.257m pressure.

3.4.2 **Table: Forecast Variation in Environment Housing & Leisure to budget**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Sport & Leisure	3.112	3.357	0.245	(0.056)
Arts Tourism & Heritage	1.675	1.690	0.015	(0.013)
Libraries & Community Centres	5.026	5.116	0.090	0.156
Security & Community Safety	0.176	0.245	0.069	0.033
Fleet/Facilities Management	0.586	0.460	(0.126)	(0.115)
Waste Strategy	11.162	10.910	(0.252)	(0.084)
Bereavement	(0.761)	(0.752)	0.009	0.014
Street Environment	7.810	7.900	0.090	0.062
Head of Service and Resilience	0.110	0.129	0.019	0.029
Street Lighting PFI	4.294	4.294	0.000	0.000
Consumer Protection & Building Control	0.820	0.916	0.096	0.096
Transport and Highways	5.360	5.373	0.013	0.012
Planning	0.108	0.108	0.000	0.000
General Fund Housing	0.893	0.882	(0.011)	(0.009)
Total	**40.371**	**40.628**	**0.257**	**0.125**

3.4.3 Although the underlying position has improved since the last forecast, some areas of pressure persist and are offset by increased income or expenditure reductions elsewhere. The largest overall remaining pressures are staffing issues of £0.480m across the service and premises-related energy and water pressures of £0.305m. These pressures are offset by increased Contours income of £0.209m, plus cost savings in waste (£0.252m) and fleet (£0.126m). In addition, there are a range of miscellaneous operational pressures across the service areas described in the paragraphs below amounting to £0.059m.

3.4.4 The main area of the underlying improvement in the position since September is in relation to increased Sport & Leisure income of £0.099m and cost reductions of £0.168m within Waste resulting from a futher reduction of home recycling costs of £0.077m and £0.091m relating to Environmental Sustainability/Carbon Reduction savings.

Sport & Leisure

3.4.5 Sport & Leisure income is currently benefiting from increased income of £0.400m due to changes in VAT rules but this income is, from November monitoring, now being reported within Central items. There is, however, also an improved position in gym-related income based on increased take-up amounting to £0.209m. There is a pressure of £0.258m around staffing costs which is caused by the need to cover shifts and back-fill for sickness.

3.4.6 The balance of the position is made up of operational expenditure pressures the largest of which are premises costs of £0.176m within the service area, relating to energy and water costs.

Arts, Tourism & Heritage

3.4.7 There is a forecast pressure £0.059m pressure arising from The Playhouse due to reduced Authority income and operational cost inflation however, this may be mitigated depending on final ticket sales over the crucial Christmas period. This is partially offset by income across the service area and a business rates rebate in relation to Segenundum.

Libraries & Community Centres

3.4.8 Libraries & Community Centres are forecasting operational pressures of £0.090m, with an improvement from September mainly brought about by careful management of vacancies to improve the overall position.

Security & Community Safety

3.4.9 The service is forecasting a net pressure of £0.069m, which has worsened since September. The main reason for the additional pressures is the inclusion of one-off costs for a recent domestic homicide review (£0.020m).

Fleet Services/Facilities Management

3.4.10 The Fleet Services and Facilities Management service area continues to forecast a saving against budget. The additional cost of new vehicles continues to be more than offset by the associated reduction in servicing and maintenance costs. In addition, the service area is benefitting from reduced fuel costs associated with more efficient vehicles.

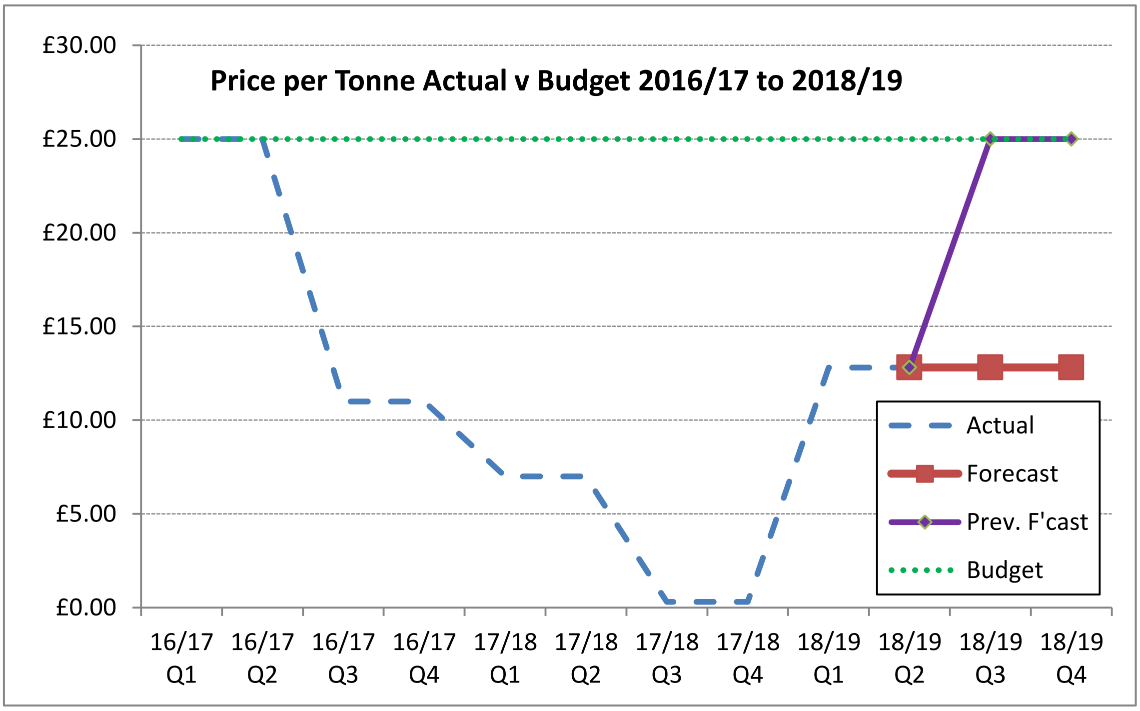
Waste Strategy

3.4.11 Waste Strategy is forecasting an underspend for 2018/19 of £0.252m, an improvement from September's reported position of an underspend of £0.084m. The Service is confident that the additional costs for the first year of introducing the alternate weekly collections and expanding garden waste collection will be met within the overall budget set for waste.

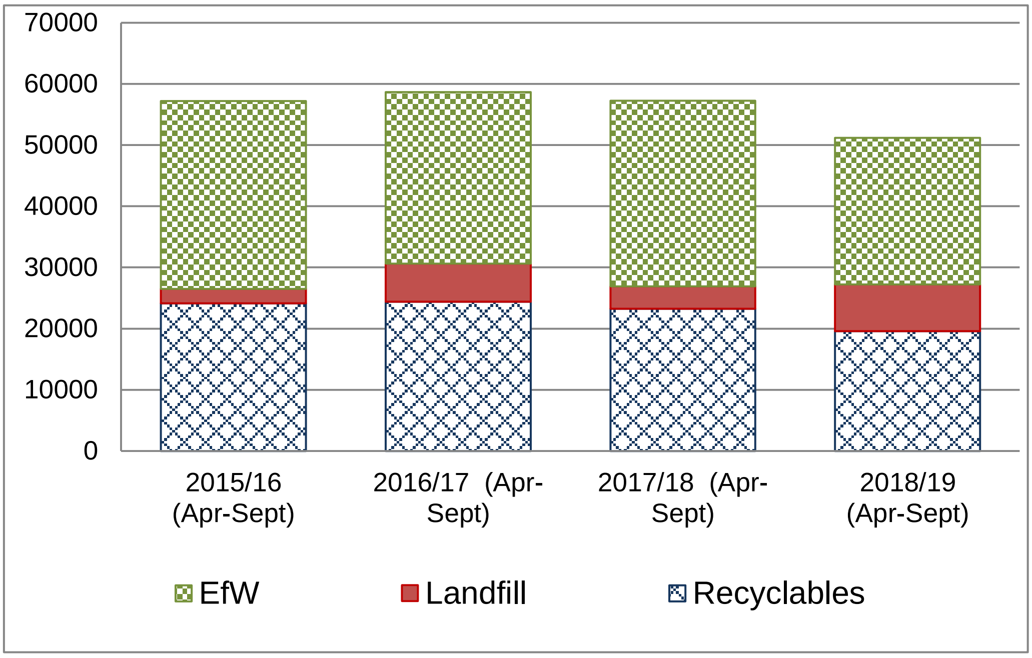
3.4.12 Recycling

The price of disposing of recyclable waste is currently less than half the original budgeted price per tonne. This has had a positive impact on the home recycling position. The previous forecast was based on an expectation that the price per tonne would revert back to the budgeted rate from September. The forecast now reflects the expectation that the lower rate will remain in place for the rest of the year.

3.4.13 Recycling Disposal Price per Tonne Fluctuations



3.4.14 Overall Waste Tonnage – Apr to Sept for 2015/16 to 2018/19



3.4.15 The volume changes between the different methods of waste disposal, as shown in 3.4.16 above, can be volatile and have a significant impact on costs. This chart shows the overall drop in volumes over comparable periods for the last four years. The amount of municipal collected is continuing to decrease as a result of the introduction of vehicle restrictions and a resident permit scheme at the Household Waste Recycling Centre during July last year to tackle illegal usage by traders.

3.4.16 The most recent figures indicate that at the end of September there had been an 11% decrease in the amount of municipal waste collected compared to the same period last year, which is an average reduction of 1,000 tonnes per month. Waste produced per household is showing a decrease of 8.3%. This reduction is the full year effect of the measures taken at the Household Waste Recycling Centre during July 2017 and the introduction of alternate weekly waste collections at the end of August 2018.

3.4.17 The proportion of household waste sent for reuse, recycling and composting at the end of September was 38.73%, which is consistent with 2017/18. Encouragingly home recycling has increased significantly during the year and is showing a 9.4% increase at the end of September. Before September household recycling had been showing a decrease due to the reduction in recyclable materials and rubble collected at the Household Waste Recycling Centre (HWRC) compared to last year.

3.4.18 Municipal waste sent to landfill is high at the end of September at 14.92%, due to the Energy From Waste Plant being closed for maintenance during May, June and August. The authority has a contract to send 55k tonnes to EFW and so far has sent 22.3k for processing. There was no waste sent to landfill at all during September and performance is expected to improve month on month for the remainder of the year.

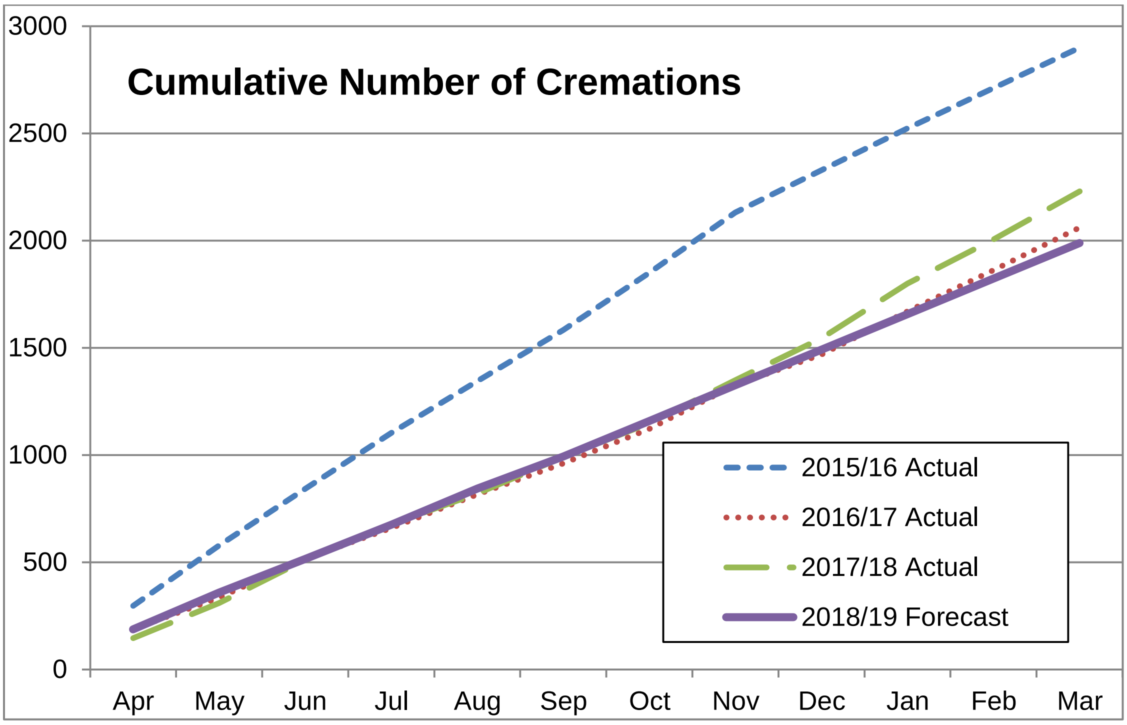
3.4.19 The waste figures are starting to demonstrate the beneficial impact of the new arrangements for alternative weekly collections, along with the changes introduced at the HWRC in 2017/18 reducing the overall tonnage of non recycled waste.

Bereavement

3.4.20 The Bereavement service area is forecasting a small pressure of £0.009m, mainly due to carrying additional staff costs, which are partially due to higher sickness levels within the service.

3.4.21 The service is currently forecasting a prudent level of cremation income, though traditionally uptake tends to increase over the latter part of the year. This is further illustrated by the graph at 3.4.24 below. Note the high levels of cremations in 2015/16 were due to the closure of the crematorium in Blyth following a fire.

3.4.22 Annual cumulative Number of Cremations (2018/19 forecast on trend to date)



Street Environment

3.4.23 There is a £0.090m pressure primarily due to a shortfall against challenging income targets plus other operational pressures from grounds maintenance, offset in part by underspends in other operational budgets within Street Environment. The remaining net pressure is expected to be further reduced in the final months of the year through the continued careful management of discretionary spend.

Street Lighting PFI

3.4.24 The street-lighting PFI position reflects a pressure due to increased energy costs, which is mitigated by a planned draw-down from the PFI reserve, leaving the service area breaking-even.

Consumer Protection & Building Control

3.4.25 This service area includes taxi licencing where there is a £0.096m income shortfall. In recent years the taxi license charges to the trade were topped up by a planned release of a historic surplus in the taxi-licensing account. The last of the surplus was released in 2017-18. Some taxi drivers have also choosen to renew their licenses with another authority. The forecast has been adjusted to reflect an expected drop in licence income against budget of £0.096m.

3.5 Business & Economic Development

3.5.1 This Service is now forecasting a pressure of £0.116m as shown in the table below compared to a pressure of £0.043m reported at September. The movement in the forecasted position is due to continued reduced income forecasts within the business units available for rent on the Swan Hunter site. Berthing fees are also below budget levels. Berthing fees are volatile and the position could improve by the year end but at this stage it is prudent to reduce the forecasted income in line with bookings. The service is proactively marketing all available business unit space with a view to securing additional tenants before the year end.

3.5.2 **Table: Forecast Variation Business and Economic Development**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Regeneration	0.390	0.514	0.124	0.061
Business & Enterprise	0.787	0.794	0.007	0.008
Resources & Performance	0.028	0.013	(0.015)	(0.026)
Total Business & Economic Development	**1.205**	**1.321**	**0.116**	**0.043**

3.6 Commercial & Business Redesign

3.6.1 This Service is showing an expected pressure of £0.550m (September, £0.400m) as shown in table 3.6.2 below. This movement in position is largely due to the costs of the Customer Journey work undertaken by ENGIE (£0.77m), costs of Mimecast which provides cyber resilience for email (£0.015m) in addition to staff savings which were originally shown within this service but have now been offset against the Management Savings CBF scheme under Central Items (£0.040m). The Service is actively reviewing the staffing structure in line with the priorities of the Council's change programme with a view to identifying further offsetting savings.

3.6.2 **Table: Forecast Variation Commercial and Business Redesign**

	Budget (£m)	Forecast (£m)	Variance Nov (£m)	Variance Sept (£m)
Head of Commercial & Business Redesign	(0.131)	0.353	0.484	0.367
ICT	1.545	1.611	0.066	0.033
Total Commercial and Business Redesign	**1.414**	**1.964**	**0.550**	**0.400**

3.7 Corporate Strategy

3.7.1 Corporate Strategy is forecasting a pressure of £0.111m as set out in Table 3.7.3 below (September, £0.118m restated for the movement of Community and Voluntary Sector Liaison from Corporate Strategy to Commissioning and Investment). This pressure is primarily a staffing cost pressure where resources are in place to support the organisation through the changes arising from the implementation of the Creating a Brighter Future programme and resources supporting work in respect of devolution. Consideration is being given to this on-going support and funding opportunities that will arise following the implementation of devolution in addition to the requirements to deliver the change programme.

3.7.2 The Service area is looking to manage some of the pressures through the year by focused vacancy management and identifying opportunities to increase income and reduce non-essential spend. There has been a small reduction in the pressure due to a vacancy being held open longer than originally forecasted.

3.7.3 **Table: Forecast Variation Corporate Strategy**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Corporate Strategy Management	0.078	0.098	0.020	0.020
Policy, Performance & Research	(0.171)	(0.130)	0.041	0.059
Marketing	0.122	0.182	0.060	0.046
Elected Mayor and Executive Support	(0.006)	(0.006)	0.000	0.000
Children's Participation & Advocacy	0.179	0.169	(0.010)	(0.007)
Total Corporate Strategy	**0.202**	**0.313**	**0.111**	**0.118**

3.8 Finance including Revenues & Benefits and Customer Services

3.8.1 The forecast pressure of £0.480m in the Finance Service (September, £0.566m) as set out in the table below relates to Revenues & Benefits and Customer Services. There are three main causes of this pressure which are detailed below. A prudent estimate of the position continues to be reported.

3.8.2 **Table: Forecast Variation Finance**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Finance Service	(0.542)	(0.542)	0.000	0.000
Internal Audit	(0.038)	(0.040)	(0.002)	(0.002)
Revenue & Benefits and Customer Services	(0.279)	0.203	0.482	0.568
Total Finance	**(0.859)**	**(0.379)**	**0.480**	**0.566**

Revenues and Benefits

3.8.3 A prudent assessment of the impact of the move to Universal Credit on the Benefits position has been made, in particular in relation to overpayment recovery (£0.276m)

3.8.4 We continue to monitor closely the impact that residents moving to Universal Credit in North Tyneside is having on the Benefit Subsidy Claim and Housing Benefit Overpayment income reduction. The pressure on Housing Benefit Overpayment income has increased due to more residents moving on to Universal Credit. This is positive as less overpayments are being created, but has also meant that a reduced opportunity to gain additional income from overpayments. This increase in Housing Benefit Overpayment income pressure has been offset in part by the associated reduction in subsidy loss and a consequential reduction in bad debt provision needing to be provided.

3.8.5 The movement since the reported forecast at September is mainly due to a improvement on the bad debt provision (£0.049m) and increased enforcement income (£0.035m).

3.9 Human Resources & Organisational Development

3.9.1 The pressure of £0.054m is unchanged from the reported position for September and relates mainly to a savings target which was applied to budgets for staff which, having originally transferred out to the Authority's business partner, were subsequently transferred back in.

3.9.2 **Table: Forecast Variance Human Resources and Organisational Development**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Human Resources & Organisational Development	(0.119)	(0.065)	0.054	0.054

3.10 Law & Governance

3.10.1 Law & Governance is forecasting a pressure of £0.210m which is unchanged from the position at September. The underlying issue is a staffing pressure of £0.213m. Successful recruitment has reduced the need for costly locums but this has been offset by an increased forecast within the courier service and necessary steps to strengthen the team dealing with members' enquiries.

3.10.2 **Table: Forecast Variation Law and Governance**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Customer, Governance & Registration	(0.074)	(0.001)	0.073	0.072
Democratic & Electoral Services	(0.076)	(0.068)	0.008	0.002
Information Governance	(0.047)	0.014	0.061	0.047
Legal Services	(0.207)	(0.153)	0.054	0.092
North Tyneside Coroner	0.294	0.308	0.014	(0.003)
Total Law and Governance	**(0.110)**	**0.100**	**0.210**	**0.210**

3.11 Central Budgets & Contingencies

3.11.1 The 2018/19 forecast outturn set out in Table 3.11.2 below reflects an underspend of £6.827m on central budgets (September, underspend of £5.191m).

3.11.2 **Table: Forecast Variation Central Budgets and Contingencies**

	Budget (£m)	Forecast (£m)	Variance Nov(£m)	Variance Sep(£m)
Corporate & Democratic Core	9.546	9.371	(0.175)	(0.175)
Other Central Items	0.652	(6.000)	(6.652)	(5.016)
Total Central Items	**10.198**	**3.371**	**(6.827)**	**(5.191)**

3.11.3 The forecast underspend in Corporate and Democratic Core relates to savings against Pensions out of Revenue of £0.100m and Corporate and Democratic Core recharges to the Housing Revenue Account (HRA) from the General Fund of £0.075m.

3.11.4 There are several other areas where spend and income is forecast to deviate from the budget. Forecast underspends of £2.358m against external interest charges and of £0.369m, reflecting the impact of a detailed review of the level of internal borrowing and temporary borrowing to be maintained over the course of the year and reprogramming within the Investment Plan.

3.11.5 There is £0.204m of additional income forecast relating to recharges to services for costs of borrowing to finance investment in new vehicles and other assets being higher than originally planned. There is £0.726m of additional income forecast relating to North Tyneside's share of the Levy Account Surplus allocation announced as part of the Provisional Finance Settlement by Central Government on 13th December 2018. As part of the budget setting process for 2018/19 contingency budgets were created and held corporately for demand pressures within Adult Services (£1.800m) and Children's Services (£2.616m). The demand pressures are shown within the HECS service and the Central budget within Other Central Items is shown as underspent to offset this pressure. This continues to be monitored and any proposed permanent allocation of contingency would be reported to Cabinet for their expressed decision. In addition, there is an amount of £0.450m relating to a business rates refund for Segedunum and minor underspends of £0.010m across a range of cost centres.

3.11.6 From November monitoring the £0.400m of additional income from VAT changes within Sport and Leisure is now being reported centrally rather than within the service.

3.11.7 These underspends are partially offset by forecast pressures relating to the £2.379m of savings pressure relating to in year targets (See Section 2.6 to 2.8) and the £0.500m forecast pressure relating to the 2017/18 procurement saving. This pressure has increased by £0.088m since the September report due to the reduced assumption around management savings delivered across the Council (outlined in section 2.8). Further areas of savings within Procurement continue to be investigated and further management savings are expected to be identified as the review of leadership within each service area continues.

3.11.8 In addition to the improved position on centrally held savings targets, the remaining movement within Central Items is explained by additional section 31 grant funding of £0.345m and a dividend received from Kier North Tyneside of £0.250m.

3.12 New Revenue Grants

3.12.1 The following revenue grants have been received during October and November 2018.

Service	Grant Provider	Grant	Purpose	2018/19 value £m
Health, Education, Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	Allows Local Authorities to monitor performance of maintained schools, broker school improvement provision and intervene as appropriate.	0.259
Health, Education, Care and Safeguarding	Education and Skills Funding Agency	PE and Sport (Academic Year - September to August)	Funding passported to schools to improve the provision of PE and sport to help develop pupils healthy lifestyles.	1.128
Central Items	Department for Communities and Local Government	Adult Social Care Winter Funding	To ease NHS winter pressures.	1.031
Commissioning and Investment	Education and Skills Funding Agency	Teachers Pay Grant September 2018 to March 2019	Funding for schools to support the teacher pay award that came into effect on the 1 September 2018.	0.592
Total				**3.010**

SECTION 4 - SCHOOLS FINANCE

Update on the 2018/19 Position of All Schools

4.1 The first set of monitoring for the 2018/19 year was completed in October and the results show an overall improved position against budget plans of 0.936m. Monitoring 1 results are however, still forecasting a significant overall deficit position. We are anticipating a further improvement at monitoring 2 in January but the level of balances is still a cause for concern.

Table: Total School balance position against plan Surplus/ (Deficit) -committed and uncommitted

Phase	Outturn 2017/18 £m		Budget Plan 2018/19 £m	Monitoring 1 2018/19 £m	Improvement 2018/19 £m
Nursery	0.018		(0.003)	(0.005)	(0.002)
Primary	4.299		1.511	1.745	0.234
Secondary	(2.062)		(6.472)	(6.186)	0.286
Special/PRU	1.101		0.248	0.666	0.418
Total	**3.356**		**(4.716)**	**(3.780)**	**0.936**

4.2 Review meetings have now been held between the representatives of the Head of Resources and the Head of Health, Education, Care and Safeguarding and the Heads and Chairs of Governors of all schools under a deficit approval agreement. The overall improvement of the position of schools with an approved deficit budget was reported to Cabinet in November as £0.272m, this was finalised as £0.275m with a further small improvement reported by Backworth Park Primary.

4.3 Cabinet will recall that a programme of work is in progress with schools to consider further actions required to address the longer term approach to financial planning in North Tyneside. The programme is focussing on three new work streams and is also consolidating 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.

4.4 Since the previous report to Cabinet, the first new briefing session for Head Teachers on finance and resources issues has been held covering updates on the national funding formulae for School and High Needs Blocks, the introduction of a new funding forecasting tool for schools, teachers' pay award grant update and consultation on a new support and challenge framework for schools. In addition, detailed work has been performed with all schools with an approved deficit budget to remodel their future funding values under different scenarios using the new income forecasting tool. This has improved the expected budget position for a number of schools and has given all schools with an approved deficit a better understanding of the likely variation in possible funding levels allowing more robust plans to be developed. Further work is also being undertaken to review curriculum planning in specific schools with a view to identifying further achievable savings.

4.5 The DfE announced that a grant will be paid to all schools to offset the additional impact of the pay award above the 1% rise which was originally planned. Details of the allocations for this grant were published on 24 October 2018 as reported to Cabinet in November. However, a revision was published on 28th November increasing the amount paid to North Tyneside from £0.589m to £0.592m. This value will be passported to schools.

High Needs Block

4.6 Cabinet will recall that the High Needs block outturn in 2017/18 was a pressure of £0.430m. This pressure has continued in 2018/19 with a forecasted in year outturn variance of £0.600m and therefore a total cumulative pressure of just over £1m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ringfenced and does not form part of the General Fund.

4.7 The pressures in North Tyneside are in line with the national and regional picture. A recent freedom of information request indicated that for 2017/18, a total of 100 Local Authorities reported pressures in High Need out of 117 responding authorities. These pressures totalled £206m.

4.8 The regional picture for 2017/18 (based on previously supplied estimates as at April 2018) is as follows;

Table: Regional Pressures within High Needs 2017/18

Authority	DSG Allocation 2017/18 £m	Outturn Variance 2017/18 £m	Percentage Pressure %
Cumbria	38.6	3.9	10.1
Darlington	12.0	1.4	11.7
Durham	44.6	1.9	4.3
Gateshead	14.7	1.4	9.5
Hartlepool	10.9	0.9	8.3
Middlesbrough	23.0	1.0	4.3
Newcastle	36.0	(1.1)	(3.0)
North Tyneside	19.0	0.4	2.1
Northumberland	27.9	1.8	6.5
Redcar and Cleveland	16.1	0.8	5.0
South Tyneside	16.0	0.5	3.1
Stockton	24.6	2.2	8.9
Sunderland	16.0	1.2	7.5

4.9 The pressures in North Tyneside have come about due to additional places required in special schools, out of Borough placements and in relation to top up payments as outlined below;

Table: Forecasted High Needs Pressures as at November 2018

Provision	**Budget £m**	**Variance £m**	**Comment**
Special schools and PRU	10.746	0.200	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top ups	3.145	0.250	Pressures in pre 16 top ups e.g Norham ARP
Out of Borough	0.997	0.150	Additional costs of our most complex children currently not able to be supported in the Borough
Commissioned services	3.977	0.000	
Subtotal	**18.865**	**0.600**	
2017/18 b/fwd balance		0.430	
Total forecasted pressure		**1.030**	

4.10 Transfers have been made to the High Needs Block from the Schools Block in previous years. Department for Education guidelines state that Schools Forum can approve a transfer of up to 0.5% of the School Block which, on indicative 2019/20 values would be up to £0.591m. The Authority is intending to request approval for a transfer of up to 0.5% at the Schools Forum meeting on 19 December 2018. To date, we are aware that across the region, nine authorities have already requested a transfer or confirmed their intention to request transfers of between 0.5% and 1.6% for 2019/20. A transfer above 0.5% requires the approval of the Secretary of State.

Managing the High Needs Block

4.11 The following work is underway within the Authority to address pressure on the High Needs Block:

- A review of Additionally Resourced Provisions (ARPs) attached to schools is underway to consider changing needs, entry criteria, occupancy, funding, outcomes and delivery models. The approach has been piloted with Melrose ARP and is now being rolled out across all ARPs. The review will report on options for change in April 2019.

- The Keeping Children in School review of Moorbridge, PALs and Alternative Provision which reports in December 2018.

- The planning and preparation for the review of commissioned services has been undertaken and the review is about to commence. The review will investigate referral and entry arrangements, performance against KPIs, staffing arrangements, needs and trends, collaboration, including with Health, and key challenges and pressures. This review will make recommendations in May 2019.

- Sufficiency planning is being strengthened to better align the availability of special school places in North Tyneside with needs, in light of the increase in children with Social Emotional and Mental Health (SEMH) needs, Autism Spectrum Disorder (ASD) and Profound and Multiple Learning Difficulties (PMLD) and to reduce the requirement for more expensive out of borough placements. This includes planning the use of the DfE SEND Reform Capital Grant of £0.616m to increase places for children with Education Health and Care Plans (EHCPs). To manage pressures in the system and reduce the need for out of borough provision, the emerging priorities for capital funding are Beacon Hill (PMLD), Silverdale (SEMH) and accommodating post-16 learners with complex needs from Woodlawn.

SEND Review and Joint Commissioning Arrangements

The following work is underway within the Authority to review SEND and joint commissioning arrangements:

- A comprehensive SEND review is focussed on managing demand across the whole system and ensuring sufficient, high quality provision in borough. The review is examining all processes associated with EHCPs. This has resulted in action to increase efficiency, strengthen gatekeeping and improve partnership working across education, health and social care. The review, which is ongoing, is looking at the statutory assessment process, quality assurance arrangements, decision making panels and tribunal outcomes.

- A SEND Vision Statement and Joint Commissioning Strategy, 2018 – 2021, providing a planning framework for the local area partnership has been endorsed by the SEND Board, CYPL Partnership and Health and Wellbeing Board. This strengthens the arrangements to keep services under review and includes the Council and Clinical Commissioning Group working with Schools, Specialist Providers, Health and other partners. This work will align with that of the Authority's High Needs Commissioning Group.

Planning for 2019/20 Schools Funding

4.12 Schools Forum is due to meet on 19 December 2018 to consider its response to a consultation with all schools completed during November 2018 on key decisions relating to the application of the local formula for distributing funding to schools in 2019/20. This consultation also sought views on a potential transfer to support the High Needs Block.

4.13 A total of 29 schools responded to the consultation (38%) with the majority view being to maintain stability with the current North Tyneside local formula and to distribute any additional funding through the basic entitlement to benefit all pupils within North Tyneside. Schools were agreeable to a transfer to the High Needs Block provided all necessary steps were being taken to ensure the High Needs funding was being used effectively to deliver appropriate outcomes for children and young people and that value for money could be demonstrated.

4.14 The remaining steps for the finalisation of individual school funding allocations is as follows;

Date	Activity
19 December 2018	Schools Forum considers consultation response and gives its view on proposals for local funding allocation formula to individual schools. Forum will be asked to agree any transfers between funding blocks subject to national guidance.
December 2018	Local Government Finance settlement announced including school funding amounts
9 January 2019	Additional Schools Forum meeting to receive an update on initial Designated Schools Grant allocations for 2019/20 and agree centrally retained and de-delegated amounts.
21 January 2019	Deadline for submission of final local School Allocations to DfE (the APT)
28 February 2019	Deadline for confirmation of schools budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

4.15 A further update will be provided in the budget monitoring report brought to Cabinet in March 2019.

SECTION 5 - HOUSING REVENUE ACCOUNT

Forecast Outturn

5.1 The forecast set out in Table 5.5 below is based on the forecast results at November 2018 and reflects an improved position since September. Rental income continues to perform well against budget due to the reduction in the number of empty homes being maintained (£0.514m) with expectations that, if the trend continues, the overall position could improve further before the end of the year. In addition, the income from temporary dispersed accommodation continues to trend above budget (£0.078m), whilst service charge income, including furniture packs, is also maintaining a positive trend linked to the improving position on empty homes (£0.309m).

5.2 There is a significant forecast underspend of £1.022m in the position for HRA Management Costs, mainly down to the progress of the Construction Options Project (£0.758m). These savings are in three main areas;

- £0.251m for materials. The majority of this budget line was created to fund the purchase the stock held by Kier North Tyneside at point of transfer or purchase new materials. However it is now assumed that the majority of materials would be transferred at value to the HRA balance sheet as a stock asset and therefore no revenue costs would be incurred in 2018/19.
- £0.300m due to savings against assumed interest costs for vehicle purchases no longer required as a result of the Steering Group's decision to purchase the new fleet using a contribution from the North Tyneside Living PFI reserve surplus.
- £0.207m savings in staffing and consultancy costs partly as a result of appointments not commencing until part way through the year.

The remaining HRA Management Cost underspend reflects a large number of smaller variations including current vacancy forecasts of £0.082m and increased water rates commission of £0.100m with the balance of £0.082m spread across a wide range of cost centres.

5.3 Although there is an increasing take-up of Universal Credit which has an increasing impact on the in-year bad debt provision requirement, this is still forecast to be (£0.050m) under budget based on current estimate. In addition, it is anticipated that the HRA general contingency provision will not be fully required resulting in a saving of £0.030m and the Transitional Protection fund used to maintain PFI tenants rents at pre PFI levels is continuing to show a reduction in payments resulting in a saving of £0.015m.

5.4 All of the £0.858m of savings identified in the 2018/19 budget approved by Cabinet are on target to be delivered in full.

5.5 Table: Forecast Variance Housing Revenue Account

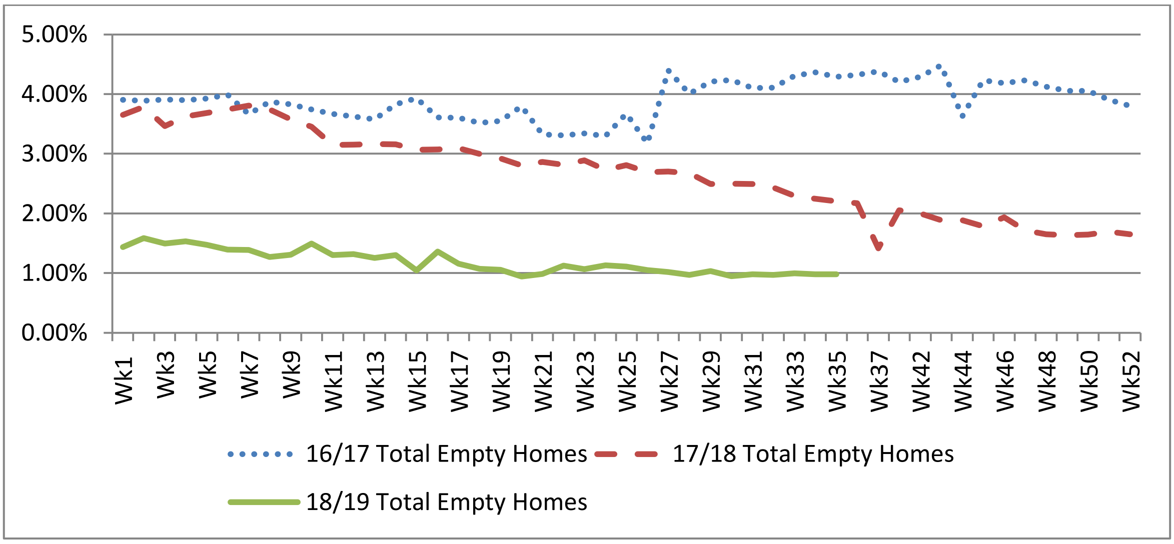
	FULL YEAR - 2018/19			Variance
		Forecast Outturn		
	Full Year Budget £m	Actual £m	Nov 2018 Variance £m	Sep 2018 £m
INCOME				
Rental Income	(58.960)	(59.867)	(0.907)	(0.650)
Other Rental Income - Shops & Offices etc.	(0.260)	(0.283)	(0.023)	(0.023)
Interest on Balances	(0.030)	(0.050)	(0.020)	(0.020)
PFI Credits	(7.693)	(7.693)	0.000	0.000
	(66.943)	**(67.893)**	**(0.950)**	**(0.693)**
EXPENDITURE				
Capital Charges - Net Effect	12.093	12.080	(0.013)	(0.013)
HRA Management Costs	12.338	11.316	(1.022)	(1.020)
PFI Contract Costs	9.597	9.597	0.000	0.000
Repairs	11.478	11.468	(0.010)	(0.010)
Revenue Support to Capital Programme	9.570	9.570	0.000	0.000
Contribution to Major Repairs Reserve – Depreciation	11.972	11.972	0.000	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.010	0.915	(0.095)	(0.095)
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	68.913	**67.773**	**(1.140)**	**(1.138)**
	1.970	**(0.120)**	**(2.090)**	**(1.831)**
BALANCES BROUGHT FORWARD	**(4.640)**	**(6.083)**	**(1.443)**	**(1.443)**
BALANCES TO CARRY FORWARD	**(2.670)**	**(6.203)**	**(3.533)**	**(3.274)**

5.6 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personalised budget support to help residents manage their household finances. At the 26th November, 1,391 North Tyneside Homes' tenants have moved on to Universal Credit, which is up from 1,062 at the 30th September. A team is working proactively with tenants to minimise arrears. This will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

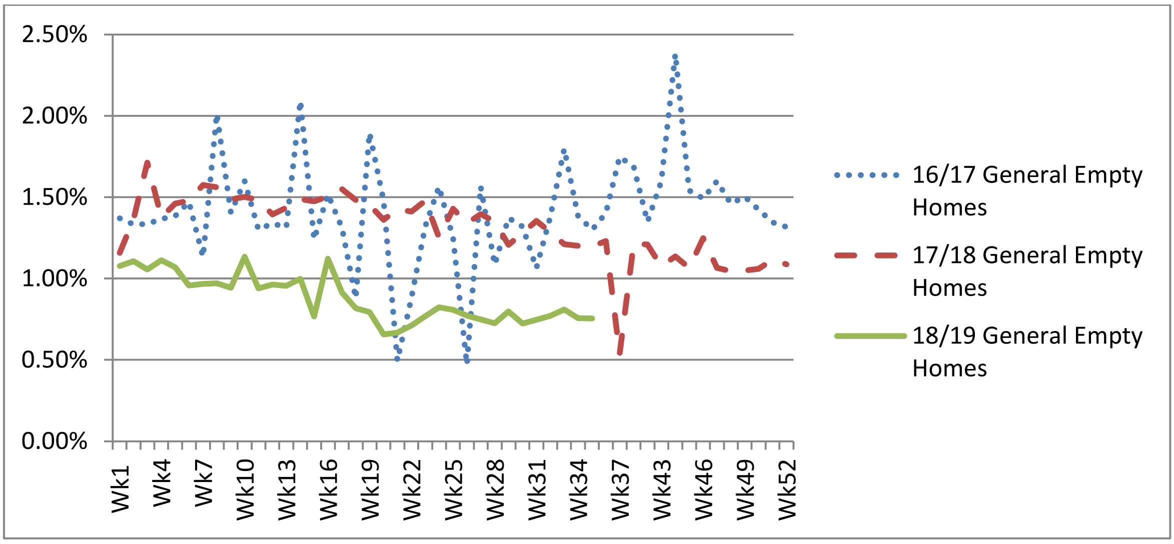
Empty Homes

5.7 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 positive performance continues the trend over the last couple of years following the completion of the North Tyneside Living Schemes. As a result, income forecasts are again exceeding budget projections. Tables 5.8 to 5.10 illustrate the movement in levels of empty homes for 2018/19 compared to 2017/18 & 2016/17.

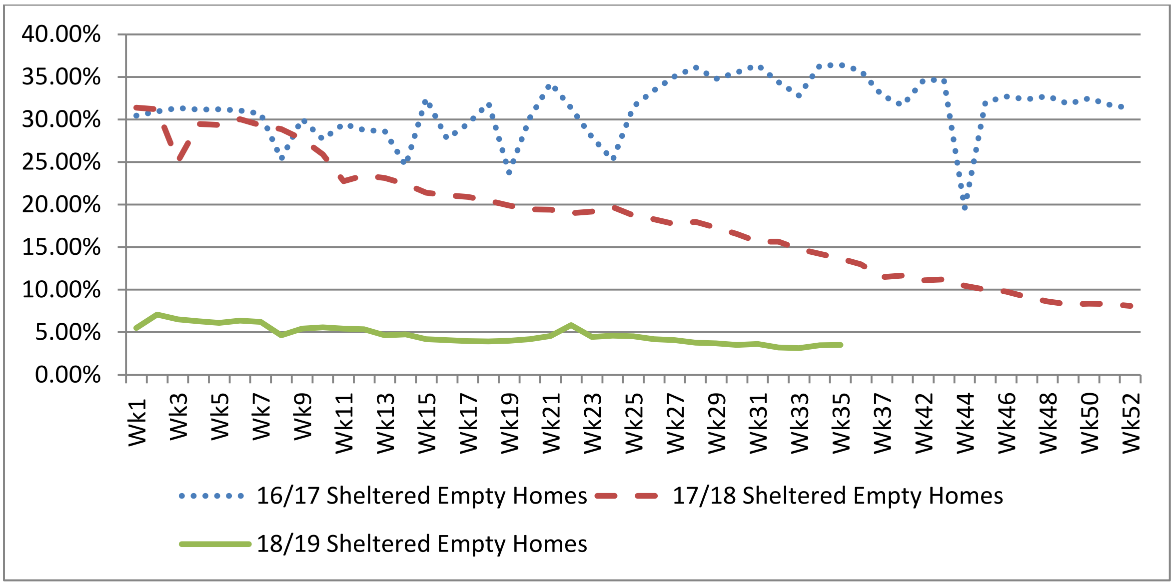
5.8 Table: All Stock Empty Homes as a Percentage of Total Homes



5.9 Table: General Stock Empty homes as a Percentage of Total Homes



5.10 Table: Sheltered Stock Empty Homes as a Percentage of Total Homes



Right to Buy (RTB) Trends

5.11 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£22,000) which had remained static as property values had increased, making RTB less financially attractive 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 income for the HRA.

5.12 Table: RTB Trends and Financial Impact

	Sales assumed by self-financing	Actual RTB Sales	Additional RTB Sales above Budget assumptions	Estimated lost rent per annum (£m)	Capital Receipts (£m)
2012-13	40	85	45	0.315	3.477
2013-14	47	122	75	0.457	4.957
2014-15	53	100	47	0.397	3.938
2015-16	55	135	80	0.577	5.548
2016-17	55	136	81	0.557	5.632
2017-18	56	158	102	0.630	7.758
2018-19 YTD	37	93	56	0.418	4.493
	343	829	486	3.351	35.803

5.13 In the period (2012-2018), the Authority has built over 130 new homes through the HRA, which has helped mitigate a portion of the revenue loss from the 829 sales in the same period. However, the cumulative impact on HRA annual rental income from RTB over this period is in excess of £3m.

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. The vast majority of the 70 projects are currently on target to deliver on time and on budget. Some of the key highlights of the Investment Plan due to be delivered during 2018/19 are summarised below:

Affordable Homes New Build and Conversion Works

6.2 There are currently 4 projects that have already completed or will complete during 2018/19; these are:

- The construction of 20 new affordable units in Dudley, on the former Dudley & Weetslade Club site. Work completed in July 2018;
- The conversion of Perth Gardens into 7 new affordable units. Work completed in October 2018;
- The construction of 13 new affordable homes in Battle Hill, on the former Bonchester Court site. Works are due to complete March 2019; and
- The construction of 9 new affordable homes in Battle Hill, on the former Beadnell Court site. Works are due to complete March 2019.

In addition to the above projects that will be complete in year, there will be a number of other schemes progressed through the design, planning and procurement process during 2018/19 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 2018/19:

- Kitchen and bathroom improvements to 549 homes;
- Heating upgrades to 600 homes;
- Boundary improvements to 1,310 homes;
- External decoration to 2,181 homes;
- Roof replacements to 347 homes;
- External brickwork repairs to 359 homes;
- Footpath repairs throughout the borough; and
- Fire door replacement to 74 blocks of flats.

Education Investment Works

6.4 Capital investment in schools will see the following works delivered during 2018/19:

- Delivery of the priority condition related projects across the school estate as part of the schools condition investment programme;
- Priority Schools Building Programme 2 (PSBP2)(Off Balance Sheet);
- Cullercoats Primary School – this project is being delivered as part of PSBP2 as a heavy refurbishment programme rather than a new build. Discussions have now been finalised between the Education and Skills Funding Agency (ESFA), the appointed contractor, Kier North East, and the school. The enabling works commenced end of May 2018 and the main contract

- commenced in June 2018. It is expected that the works programme will conclude early 2020; and
- Backworth Park Primary School – the relocation to a new site to accommodate local increase in pupil population as a consequence of existing and newly approved residential developments was completed in September 2018.

Highways and Infrastructure Works

6.5 The main Highways & Infrastructure works include:

- Delivery of the LTP including the annual resurfacing programme, integrated transport projects and additional highways maintenance works including works to footways and pavements;
- Completion of Central Promenade Reconstruction Scheme;
- Completion of the final phase of the A1058 Coast Road major scheme (Norham Road Bridge) in August 2018;
- Completion of the North Bank of Tyne highway improvements;
- Commencement of construction on the A189 Salters Lane major highways scheme;
- Completion of Briar Vale major drainage improvements which will be the final phase of surface water works at Murton Gap; and:
- As part of the 2018 Budget, the Government announced additional grant funding for local highways maintenance for works on potholes of which £1.001m was allocated to North Tyneside.

Regeneration Works

6.6 Regeneration Works for 2018/19 include:

- The Spanish City was officially opened on 21 July 2018 with 16,000 people visiting over the weekend. The Spanish City started operating on 23 July and is now fully operational. Public feedback has been overwhelmingly positive;
- Empress Gardens is complete and was open to the public from 21st July 2018;
- High Point development – the new show home was officially opened by the Mayor on 5 June 2018 and two promotional launch events took place on 22 and 23 June 2018. The properties are currently being marketed with a number being under offer;
- Forest Hall – improvements to include: footpath widening and resurfacing, replacement street lighting, introduction of trees, reconfiguration of parking arrangements, improvements to Station Road and Forest Hall Road Junction and refreshing street furniture. Works commenced in November 2018 with completion scheduled for March 2019; and
- Swans – the next phase of works will cover feasibility work at the Swans Quay, demolition works and refurbishment works at the Centre for Innovation (CFI) .

Variations to the 2018-21 Investment Plan

6.7 As part of the regular investment programme monitoring £0.459 variations and £0.417m reprogramming have been identified.

Table 6.7.1 details the changes to the approved 3-year Investment Plan, as agreed at Council on 15 February 2018.

6.7.1 Table: 2018 - 21 Investment Plan changes identified

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**Total £m**
Approved Investment Plan – Council 15 February 2018	**84.059**	**43.216**	**32.073**	**159.348**
Previously Approved Reprogramming/Variations				
Cabinet 12 March 2018	0.709	0	0	0.709
Cabinet 29 May 2018	8.130	0	0	8.130
Cabinet 30 July 2018	(14.613)	15.582	5.100	6.069
Cabinet 10 September 2018	4.111	(0.117)	0.257	4.251
Cabinet xx November 2018	0.234	(7.412)	(6.948)	(14.126)
Approved Investment Plan	**82.630**	**51.269**	**30.482**	**164.381**
October/November				
Variations	0.390	0.069	0	0.459
Reprogramming	(0.417)	0.417	0	0
Total Variations	**(0.027)**	**0.486**	**0**	**0.459**
Revised Investment Plan	**82.603**	**51.755**	**30.482**	**164.840**

6.8 The details of the main elements of the £0.459m variations are shown below. The revised 2018-21 Investment Plan is attached as **Appendix 1**:

(a) **HS051 Private Sector Empty Homes Programme £0.069m (2019/20)** – Indiciatve grant allocations have now been confirmed and have increased by £0.069m to £0.347m;

(b) **HS004 Disabled Facilities Grant (DFG) £0.163m** – The Chancellor announced an additional £55 million capital funding for the DFG. This funding is to help deliver more home adaptations and to help more disabled people to live independently and safely in their own homes. North Tyneside's grant allocation is £0.163m to be spend by 31 March 2019;

(c) **DV065 North Shields Fisherman's Heritage Project £0.035m** – A contingency allocation of £0.035m has been made to allow for the completion of the public realm works around the Fiddlers Green Sculpture;

(d) **ED132 Schools Capital Allocations £0.034m –** Section 106 funds are to be utilised to support resurfacing works to the car park at John Spence Community High School;

(e) **Section 106 to support Health Facilities £0.090m** – Section 106 funding of £0.090m to be passported to the Clinical Commissioning Group (CCG) to provide improvements to Wide Open Medical Centre ;

(f) **EV073 Coast Road Safety Improvement Scheme. £0.103m –** An amount was set aside at the start of the project to be used towards the cost of the scheme. As the scheme has been completed the earmarked reserve will be transferred to the investment Plan for financing purposes;

(g) **IT026 Citizen Interaction and Self Service £1.003m credit** – The main elements of the project have been completed. The remaining components of the project will now be delivered through revenue budgets and therefore the remaining budget of Council Contribution will be transferred to GEN03 Contingencies; and,

(h) **GEN03 Contingencies £0.968m** – Allocation to DV065 North Shields Fisherman's Project £0.035m (See c above) and the release of funding from IT026 Citizen Interaction and Self Service ,£1.003m.

6.9 The details of the £0.417m reprogramming are shown below.

(a) **ED188 Special Education Needs and Disabilities £0.167m -** To align the use of the funding with the Keeping Children in School Iniaitive. The reprofiling into 2019/20 is required to realign the capital allocations in accordance with published priorities;

(b) **HS051 Private Sector Empty Homes Programme £0.135m** – To reflect the expected work programme to be delivered during 2018/19; and,

(c) **EV034 Local Transport Plan £0.115m -** Due to procedural requirements for closing a public right of way at Borough Road Bridge, the demolition work will not be able to take place until summer 2019 so there will be a requirement to reprofile £0.115m of bridges funding associated with this scheme into 2019/20.

6.10 The impact of the changes detailed above on capital financing is shown in Table 6.10.1 below.

6.10.1 Table: Impact of variations on Capital Financing

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Approved Investment Plan – Cabinet November 2018	**82.630**	**51.269**	**30.482**	**164.381**
Council Contribution	(0.038)	0.038	0	0
Grants and Contributions	(0.033)	0.389	0	0.356
Revenue Contribution	0.044	0.059	0	0.103
Total Financing Variations	**(0.027)**	**0.486**	**0**	**0.459**
Revised Investment Plan	**82.603**	**51.755**	**30.482**	**164.840**

Capital Receipts – General Fund

6.11 There were no General Fund Capital Receipts brought forward at 1 April 2018. All receipts received in 2017/18 were either applied to finance capital expenditure or to pay off debt. The capital receipts requirement for 2018/19 approved by Council on

15 February 2018 was £Nil (£1.080m for 2018-21). To date £0.100m capital receipts have been received in 2018/19. The receipts position is shown in Table 6.11.1 below.

6.11.1 Table: Capital Receipt Requirement – General Fund

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Requirement reported to 15 February 2018 Council	0.000	1.080	0.000	1.080
Reprogramming from 2017/18	0	0	0	0
Revised requirement	**0.000**	**1.080**	**0.000**	**1.080**
Receipts Brought Forward	0.000	(0.100)	0.000	0.000
Useable Receipts received 2018/19	0.100	0.000	0.000	0.100
Balance to be generated	**(0.100)**	**0.980**	**0.000**	**0.980**

Capital receipts – Housing Revenue Account

6.12 Housing Capital Receipts brought forward at 1 April 2018 were £7.014m. The Housing receipts are committed against projects included in the 2018-21 Investment Plan. The approved Capital Receipt requirement for 2018/19 was £2.261m. This, together with the reprogramming of £1.482m credit reported to Cabinet meeting on 29 May 2018 and 30 July 2018 Cabinet, gives a revised requirement of £0.779m. To date, £4.829m receipts have been recorded in 2018/19 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 £10.127m to be carried forward to fund future years.

6.12.1Table: Capital Receipt Requirement - Housing Revenue Account

	2018/19 £m	2019/20 £m	2020/21 £m	2018-21 £m
Requirement reported to 15 February 2018 Council	2.261	4.763	1.367	8.391
Reprogramming from 2017/18	0.518	0	0	0.518
Reprogramming 2018/19	(2.000)	2.000	0	0.000
Revised Requirement	**0.779**	**6.763**	**1.367**	**8.909**
Receipts Brought Forward	(7.014)	(10.127)	(3.364)	(7.014)
Receipts Received 2018/19	(4.829)	0	0	(4.829)
Receipts Pooled Central Government	0.937	0	0	0.937
Surplus Balance to fund future years (subject to further pooling)	**(10.127)**	**(3.364)**	**(1.997)**	**(1.997)**

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2018/19.

Investment Plan Monitoring Position to 30 November 2018

6.13 Actual expenditure in the General Ledger was £39.657m, 48.01% of the total revised Investment Plan at 30 November 2018.

6.13.1Table: Total Investment Plan Budget & Expenditure to 30 November 2018

	2018/19 Revised Investment Plan £m	Actual Spend to 30 November 2018 £m	Spend as % of revised Investment Plan %
General Fund	52.401	26.263	50.12%
Housing	30.202	13.394	44.35%
TOTAL	**82.603**	**39.657**	**48.01%**