

North Tyneside Council Report to Cabinet 1 April 2019

ITEM 6(a)

Title: 2018/19 Financial
Management Report to 31
January 2019

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

PART 1

1.1 Executive Summary:

This report is the fifth 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 an indication of the potential revenue and capital position of the Authority at 31 March 2019 and reflects known pressures at this time. It is anticipated that the outturn forecast will continue to improve over the remaining months of the financial year as planned remedial actions continue to have an impact.

A number of sessions have already been held with Cabinet Members and senior management to give 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. Cabinet have also had sessions with senior management to discuss the pressures and potential remedial actions. Like most local authorities, North Tyneside Council continues to face financial pressures which were reported in the 2017/18 Outturn Report and have continued in 2018/19.

The report provides updates on:

- the forecast outturn of the Authority's General Fund and HRA revenue budget including details of where the Authority continues to manage financial pressures and what management mitigations are in place where issues have been identified;
- the delivery of 2018/19 approved budget savings plans;
- 2018/19 schools' budgets;
- the delivery of the Capital Investment Plan including details of variations and reprogramming that are recommended for approval;

- the current performance against the policy priorities in the 2018-2020 Our North Tyneside Council Plan as context for the financial position; and
- details of additional grants received by the Authority during December 2018 and January 2019.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) note the forecast budget monitoring position for the General Fund, Housing Revenue Account (HRA) and Schools' Finance as at 31 January 2019 (Annex Sections 1 to 5);
- (b) approve the receipt of new revenue grants totalling £0.326m (Annex Section 3 12.1);
- (c) note the Authority's Investment Plan spend of £48.740m to 31 January 2019 (Annex Section 6) and the financing of the Plan to the end of the year; and
- (d) approve variations of £4.881m and re-programming of (£5.693m) 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 14 December 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 fifth monitoring report presented to Members on the Authority's 2018/19 financial position. It provides an update on 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 re-programming, that are recommended for approval.

1.5.2 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 £154.726m including £10.143m of savings to be achieved.

The forecast overall outturn position in an estimated pressure against the approved net budget of £0.642m, a £1.527m improvement on the figures reported to Cabinet at its meeting of 21 January 2019. The improvement has mainly been achieved through the inclusion of a £1.031m Winter Pressures grant (announced in October 2018) and the continued benefits of the Authority's Treasury Management Strategy providing savings against external interest charges of £0.792m. However there continues to be pressure in Children's Services of £3.880m and Adult Services of £1.874m, 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 £3.641m of pressures in Corporate Parenting and Placements, £1.180m in Wellbeing and Assessment and £1.486m in Disability & Mental Health. These areas are being reported across England as pressure points with people living longer with more complex needs and the number of children being assessed for entry to the care system increasing dramatically. Within the Authority the drivers for these pressures continue from 2017/18 and arise from:

- Continued pressure in Adult and Children's Social Care Services due to increased life expectancy meaning people with learning and physical disabilities are living longer and often with multiple complex issues. Although the service manages demand as effectively as possible to ensure that the most intensive services are targeted at those with the greatest need, this can only contain, or at best slightly reduce, the overall size of the population in receipt of the services. However, the average cost of these services has risen due to the increased average complexity of the needs of those clients;
- Ongoing negotiations with the North Tyneside Clinical Commissioning Group to agree adequate levels of contributions for clients with health needs and to support social care;
- 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; and
- The timing of delivery of some aspects of the Creating a Brighter Future Programme to the extent that achievement of some savings may not occur until 2019/20. We are currently seeing £7.438m of the savings (66%) targets being delivered and this continues to improve.

Service areas have continued to develop further actions to mitigate identified financial pressures. It is anticipated that the outturn forecast will continue to improve over the remainder of the financial year as planned remedial actions impact on both expenditure and income.

1.5.3 Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2019 of £6.626m, which is £3.956m higher than budget. The higher than forecast balances are partly 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 (£2.513m), against an in-year budget of £1.970m, due to additional income of (£1.283m) and a reduction in forecast expenditure of (£1.230m), mainly due to the progress of the Construction Options Project (£0.758m).

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of 28 January 2019, 1,713 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position continues to be closely monitored as the year progresses to identify any adverse impacts on the budget position.

1.5.4 School Funding:

Schools receive 2 monitoring visits by the Schools Finance Team during the financial year. The first set of monitoring for the 2018/19 year was completed in October 2018 and the results show an overall improved position against budget plans of £0.936m. The second set of monitoring was completed in February showing a further improvement of £0.556m resulting in an overall improvement against original budget plans of £1.492m. Monitoring 2 results are however, still forecasting a significant overall deficit position and the level of balances is still a cause for concern.

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 was forecast at November. However, in December 2018, the Government announced additional funding for High Needs in 2018/19 and 2019/20. The additional funding amounts to £0.426m for North Tyneside Council in each of the two years and this has reduced the cumulative pressure in 2018/19 to £0.604m. 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.

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. 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.

Following Schools Forum on 14 January 2019, the local formula for distribution of the Schools Block was finalised in line with the views of schools individually and collectively in Schools Forum. The results of this consultation outlined the preference to maintain stability within the allocations as far as possible. Individual School Budget funding values were calculated and notified to schools on 1 February 2019. Schools are required to complete their budget planning process and produce a three-year budget plan approved by their governing bodies by 31 May 2019.

1.5.5 Investment Plan:

To the end of January 2019 spend of £48.740m had been incurred which represents 62.41% of the revised plan and over 65.25% for General Fund schemes.

The 2018-2021 Investment Plan, as adjusted for proposed reprogramming, totals £169.721m (£78.102m 2018/19) and is detailed in the Annex report, table 6.10.1. Section 6 of the Annex to this report also sets delivery progress to date, planned

delivery for 2018/19, reprofiling of £5.643m from 2018/19 into 2019/20 and £0.050m from 2018/19 into 2020/21 and variations of £4.881m (£1.192m in 2018/19).
The revised Investment plan stands at £78.102m for 2018/19.

1.5.6 New Revenue Grants:

There have been additional revenue grants received during December 2018 and January 2019 totalling £0.326m the details are which are set out below.

Grant Paying Body	Name of Grant	Purpose of Grant	2018/19 Allocation (£000)
Education and Skills Funding Agency	Pupil Premium (DSG)	Aims to address the current inequalities by ensuring funding to tackle disadvantage to reach the pupils that need it most. Reduction in funding allocation.	(78)
Disabled Facilities Grant	Adaptations to disabled people's homes	To help deliver more home adaptations and to help more disabled people to live independently and safely in their own homes.	163
Department for Work & Pensions	Reducing Parental Conflict Programme	To strengthen strategic leadership around parental control and fund training for frontline staff to identify and respond to parental conflict.	40
Public Health England	Innovation Fund for Children of Alcohol Dependent Parents	A comprehensive 'whole system pathway' will be developed to increase identification of children of alcohol dependent parents.	48
Department for Education	Step up to social work cohort 6	To support training for social workers	48
Department for Housing, Communities and Local Government	Brexit funding	Supporting authorities to ensure they are prepared for any potential impact caused by the withdrawal from the EU.	105
		GENERAL FUND REVENUE	326

1.5.7 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.

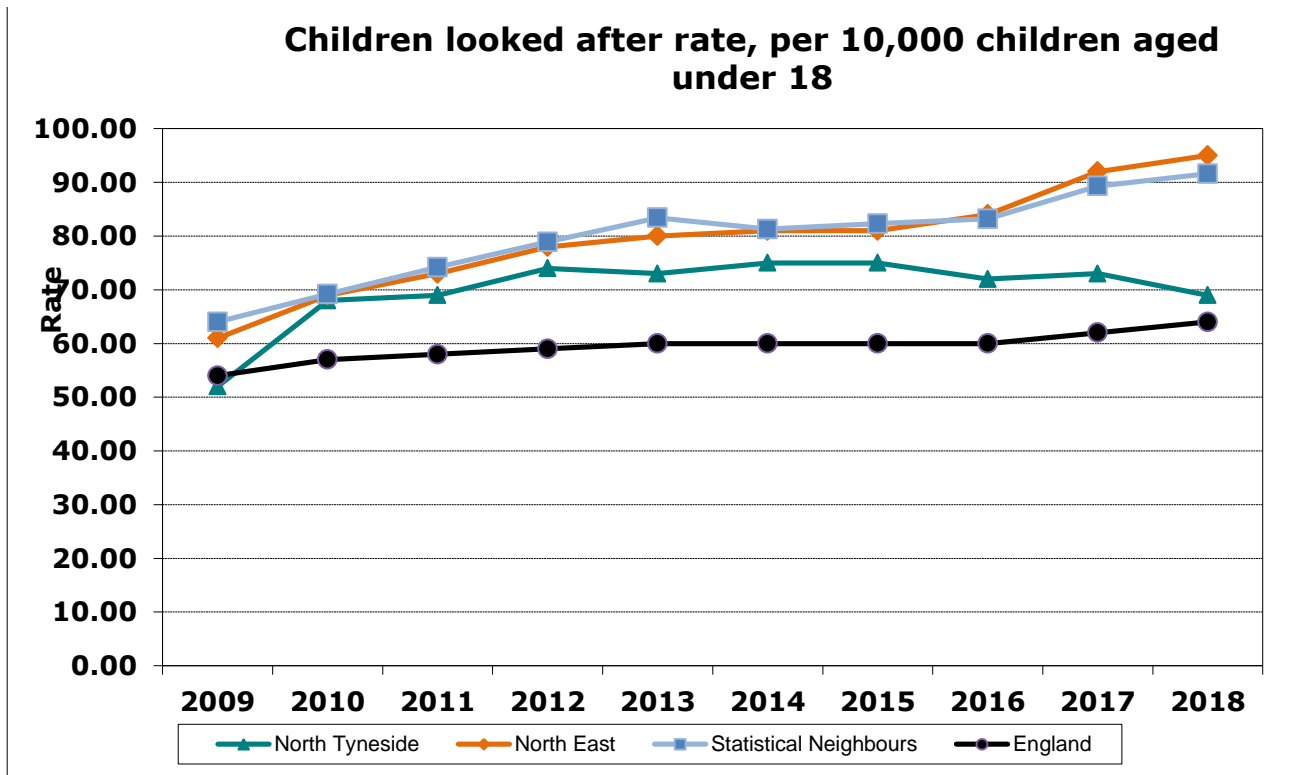
Need increases with age. According to National Audit Office using data from Health Survey England 2016, people aged 80 were twice as likely to need help with activities of daily living as those aged between 65 and 69. According to the Office for National statistics in 1997, around one in every six people (15.9%) were aged 65 years and over, increasing to one in every five people (18.2%) in 2017 and is projected to reach around one in every four people (24%) by 2037.

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. Department for Education figures show that the number of children in care nationally is rising at its fastest rate in five years. Nationally there were 72,670 children in care in

the 12 months to the end of March 2017, compared with 70,440 the year before and 69,480 in 2015. In addition, the proportion of children in care had at that point risen to the highest level on record.

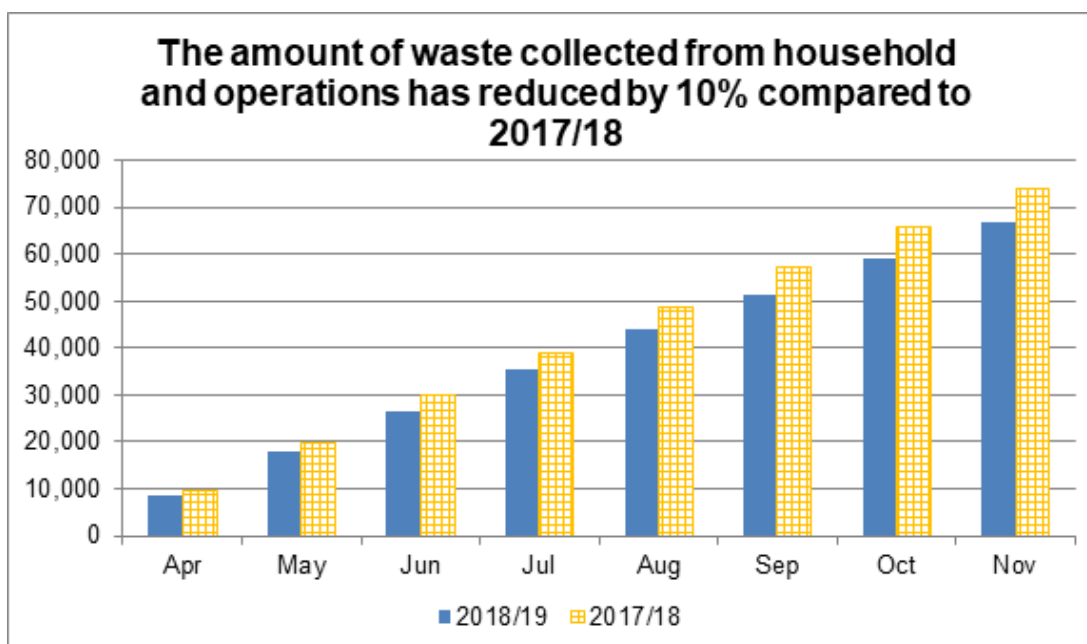
The Authority is forecasting a pressure of £3.641m in Corporate Parenting and Placements (2017/18, £3.817m). The new model for children has been designed in part to address these financial pressures and more details are set out in sections 2 and 3 of the Annex to this report.

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



At the end of November, the overall amount of waste collected from household and operations across the borough is showing a 10% decrease compared to last year. This decrease demonstrates the beneficial impact of the measures implemented at the Household Waste Recycling Centre from July 2017 to tackle illegal usage of the site and the introduction of alternate weekly waste collections at the end of August 2018. Encouragingly, following the implementation of alternate weekly waste collections, home kerbside recycling is showing a 14% increase as residents are changing their behaviour and considering how to best dispose of their household waste. It is anticipated that home recycling performance will show further improvement as the free garden waste scheme is extended to newly built homes from Spring 2019.

Chart: Waste Collection 2017/18 vs. 2018/19



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 January 2019
Appendix 1: 2018-2021 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Senior Manager Financial Strategy and Planning – Tel. (0191) 643 8109
David Dunford – Acting Senior Business Partner – Tel. (0191) 643 7027

Cathy Davison – Treasury Management & Investment Plan matters – Tel. (0191) 643 5727
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 12 March 2019.

2.2 Legal

The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, Cabinet Members, the Senior Leadership Team and Senior Finance Officers.

2.3.2 External Consultation / Engagement

The 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

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