Cabinet – 1 April 2019
Agenda Item 6(a)

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 £0.642m. This is an improvement of £1.527m on the previous report taken to Cabinet based on forecasts at November 2018 of £2.169m. The budget includes £10.143m of budget savings as agreed at Council on 15 February 2018. Table 1, in paragraph 1.2, below sets out the variation summary across the General Fund.

1.2 Table 1: 2018/19 General Fund Revenue Forecast Outturn as at 31st January 2019

	Gross Expenditure			Income			Net Expenditure at 31.01.2019			Forecast Variance Nov 2018	Movement
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance		
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Health, Education, Care and Safeguarding	168.564	178.921	10.357	(104.882)	(109.485)	(4.603)	63.682	69.436	**5.754**	6.839	(1.085)
Commissioning and Asset Mgt	199.571	202.981	3.410	(180.755)	(183.775)	(3.020)	18.816	19.206	**0.390**	0.415	(0.025)
Environment, Housing and Leisure	68.859	70.310	1.451	(28.488)	(29.916)	(1.428)	40.371	40.394	**0.023**	0.257	(0.234)
Chief Executive Office	0.428	0.396	(0.032)	(0.447)	(0.447)	0.000	(0.019)	(0.051)	**(0.032)**	(0.036)	0.004
Business and Economic Development	2.135	2.302	0.167	(0.930)	(0.729)	0.201	1.205	1.573	**0.368**	0.116	0.252
Commercial and Business Redesign	6.811	7.576	0.765	(5.450)	(5.436)	0.014	1.361	2.140	**0.779**	0.550	0.229
Corporate Strategy	1.702	2.058	0.356	(1.500)	(1.692)	(0.192)	0.202	0.366	**0.164**	0.111	0.053
Finance	70.082	72.402	2.320	(70.941)	(72.810)	(1.869)	(0.859)	(0.408)	**0.451**	0.480	(0.029)
Human Resources and Organisational Development	2.129	2.493	0.364	(2.248)	(2.547)	(0.299)	(0.119)	(0.054)	**0.065**	0.054	0.011
Law and Governance	3.613	3.918	0.305	(3.723)	(3.732)	(0.009)	(0.110)	0.186	**0.296**	0.210	0.086
Central Items	22.006	16.946	(5.060)	(11.650)	(14.206)	(2.556)	10.356	2.740	**(7.616)**	(6.827)	(0.789)
Support Services	19.840	19.840	0.000	0.000	0.000	0.000	19.840	19.840	**0.000**	0.000	0.000
Total Authority	**565.740**	**580.143**	**14.403**	**(411.014)**	**(424.775)**	**(13.761)**	**154.726**	**155.368**	**0.642**	**2.169**	**(1.527)**

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 2: Year on Year savings since 2010 CSR**

Year	£m
2011/12	16.169
2012/13	16.739
2013/14	12.240
2014/15	16.552
2015/16	14.158
2016/17	15.737
2017/18	18.338
2018/19	10.143
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 £7.438m, equating to 66% of the overall target, is forecast so far to be saved (November, £7.177m representing 64% of the target). The table below shows the delivery by Service;

2.4 **Table 3: Creating a Brighter Future (CBF) savings at January 2019**

Service	Savings Target £m	Assumed in Forecast £m	To Be Delivered at Jan £m	% Achieved	Assumed in Forecast at Nov £m
Business & Economic Development	0.121	0.121	0.000	100%	0.121
Central Items	3.870	0.991	2.879	26%	0.991
Commercial & Business Redesign	0.060	0.060	0.000	100%	0.060
Commissioning & Asset Management	0.555	0.511	0.044	92%	0.510
Corporate Strategy	0.124	0.124	0.000	100%	0.124
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	4.185	0.735	85%	3.925
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**	**7.438**	**3.816**	**66%**	**7.177**

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 In relation to the Procurement targets of £2.000m, a total of £0.408m has been achieved while a further £0.435m of proposals continue to be monitored but not yet forecasted as achieved while investigations continue into their potential to deliver savings. 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.

2.8 The position for management savings also remains unchanged from November. The delivery of these plans will continue into 2019/20. Heads of Service continue to develop a range of plans 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.

Commissioning and Asset Management

2.9 The Service has made good progress and delivered 92% of its target at January 2019, 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. An option to mitigate this target has been prosposed and it is expected that, once fully developed, it will deliver the remaining savings in year.

Health Education, Care and Safeguarding

2.12 The Service is forecasting to deliver £4.185m amounting to 85% of its targets (November, £3.925 and 80%). 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. An agreement has now been reached with care home provider which will allow detailed work to review bandings of care homes to commence taking into account Care Quality Commission (CQC) ratings. It is not anticipated however, 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 present, 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 now in place. 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 agreed 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. The improvement in delivery since the November report is due to an overachievement of this s117 income against the target.

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, October/November and January 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. Heads of Service and their senior teams also attended 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 £5.754m representing an overall improvement of £1.085m since the November 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. A grant for Winter Pressures announced in October 2018 totalling £1.031m has now been included within the position. This is the main reason behind the improvement.

3.2.2 **Table 4: Financial Summary for HECS**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£m)
Corporate Parenting & Placements	13.953	17.594	3.641	3.440
Early Help and Vulnerable Families	2.130	2.053	(0.077)	(0.080)
Employment and Skills	0.601	0.526	(0.075)	(0.104)
Integrated Disability & Additional Needs Service	1.994	2.468	0.474	0.510
School Improvement	0.050	(0.033)	(0.083)	(0.069)
Wellbeing, Governance & Transformation	2.265	1.937	(0.328)	(0.338)
Disability & Mental Health	28.341	29.827	1.486	1.135
Wellbeing & Assessment	11.421	12.601	1.180	2.780
Integrated Services	2.473	2.143	(0.330)	(0.298)
Business Assurance	0.435	0.301	(0.134)	(0.137)
Public Health	0.019	0.019	0.000	0.000
Total HECS	**63.682**	**69.436**	**5.754**	**6.839**

3.2.3 On 2 October, the Government announced additional funding for adult social care to support NHS winter pressures. A grant determination letter outlined 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 were 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 After discussions with the Authority's Lead Members and local NHS partners it was agreed to apply the grant against existing excess demand for homecare and short term residential care packages above planned budget levels.

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 particularly in relation to their contribution for Mental Health Resettlement costs.

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 still 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 and recruitment costs. As indicated in section 2, the service is continuing to make progress in delivering another demanding set of savings projects but the remaining total of £0.735m targets which are not yet achieved are contributing to the overall projected pressure.

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

3.2.7 **Table 5: 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**	**Grants and client income £m**	**Staff £m**	**Other £m**	**Total £m**
Adults	0.245	0.109	3.679	0.391	(1.850)	(0.238)	(0.462)	1.874
Children	0.147	0.234	3.203	0.070	0.000	0.272	(0.046)	3.880
Total	**0.392**	**0.343**	**6.882**	**0.461**	**(1.850)**	**0.034**	**(0.508)**	**5.754**

Adult Services

3.2.8 In Adults there is a pressure of £1.874m which has reduced by £1.268m since the last report at November. The movement mainly relates to the application of the Winter Pressures Grant as described in paragraph 3.2.3 above (£1.031m) in addition to increased levels of client contributions (£0.888m) which have offset increases in third party payments (£0.651m).

3.2.9 The pressure predominantly relates to rising complexity of demand, foreseen by Cabinet. In addition there are £0.354m of, as yet, not fully delivered CBF targets mostly from 2018/19 but with an element relating to the prior year. There is also a remaining pressure of £0.391m from CCG income around the s256 mental health resettlement agreement. A full reworking of CCG recharges, for shared care and s117 Mental Health Aftercare income, has been completed for the third quarter billing as at the end of December, however we do not include any changes into the forecast until any CCG queries have been resolved. The demand pressure is backed by £1.800m of contingencies held centrally and has been partially offset by the Winter Pressures Grant.

3.2.10 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.

3.2.11 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.

3.2.12 Demand-led pressures (excluding those which form part of savings targets as yet not achieved as outlined in 2.12 to 2.16) total £3.679m above budget. These are analysed into the following service types;

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

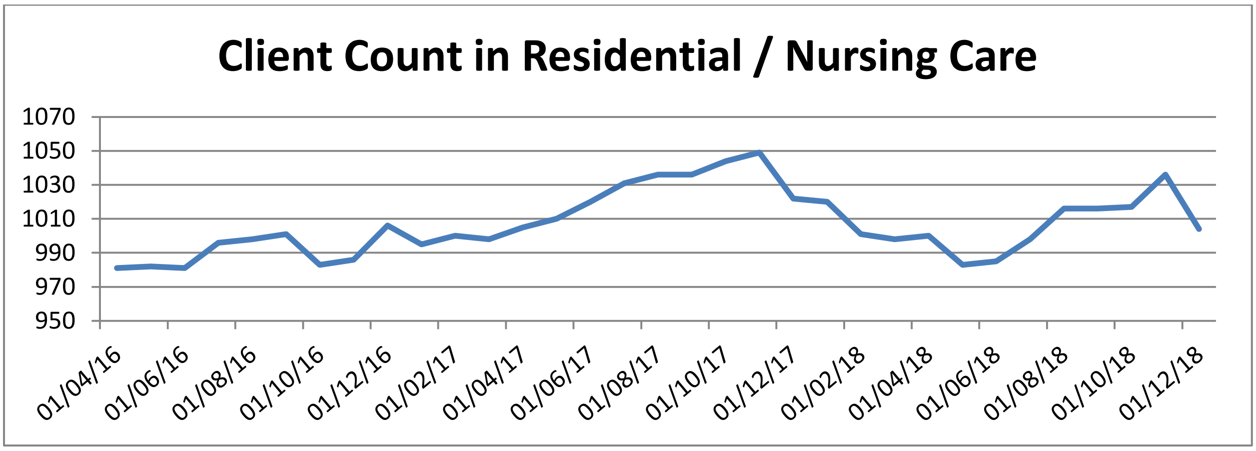
Type of Service	**Demand-led Pressure January £m**	**Demand-led Pressure November £m**
Residential and Nursing care	1.931	1.661
Homecare and Extra Care	1.078	0.953
Other Community Based Care	0.670	0.414
Total	**3.679**	**3.028**

Residential and Nursing Care

3.2.13 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.

3.2.14 This overall approach is having a positive impact on the numbers of placements across the service. We still have a lower level of placements than during the recent peak in November 2017 (as indicated in Chart at 3.2.15 below) but we did see an increase in demand in July and August which has been sustained through the autumn and into the winter. The number of clients placed at November 2017 was 1,050 which had dropped to 971 at the end of June 2018. The numbers rose to 1,036 in December but have now fallen back to 1,004 in January. The Service is continuing to carefully monitor levels of placements and is reviewing all proposed placements to appropriately challenge each decision.

3.2.15 **Chart 1: Trend of numbers of Clients in residential and nursing care**

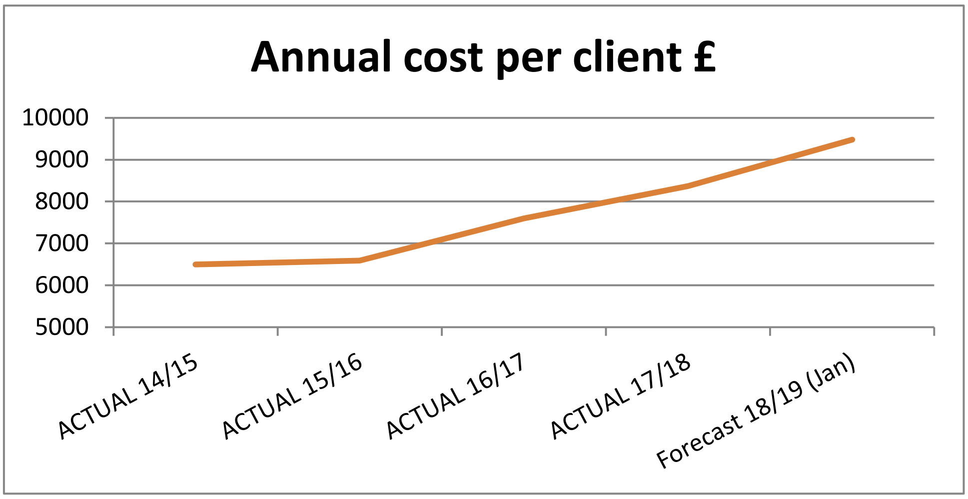


3.2.16 Residential and nursing placement forecasts are showing a pressure of £1.931m which has increased by £0.270m from the November position which showed a pressure of £1.661m. This increase is mainly due to the spike in admissions outlined in paragraph 3.2.14 above. The service is proactively working 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 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.

<u>Homecare and Extra Care</u>

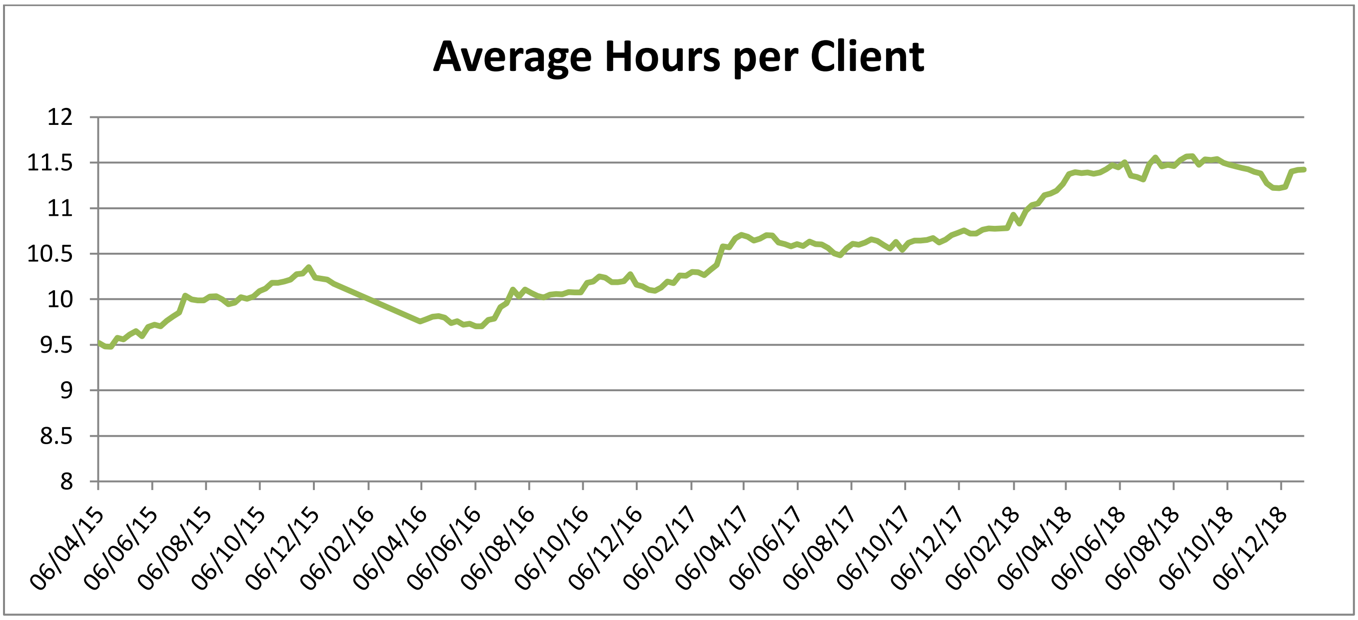
3.2.17 A general reduction in levels of residential and nursing care must be viewed in the context of increasing provision of hours per client of homecare and extra care as those not placed in care homes are supported to live at home with more complex needs. As reported during 2017/18, the Authority, 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.

3.2.18 **Chart 2: Trend in Annual Cost per Client of Homecare/Extra Care Services**



3.2.19 The number of hours provided per client has increased by 20% since April 2015 from 9.48 hours on average to 11.42 hours, indicating a significant increase in the levels of need which are now being supported in the community rather than in a residential setting. This level has remained relatively steady throughout 2018/19 to date as the service continues to review packages and explore assistive technology options. There has however been a prudent increase in the forecast costs of £0.125m after a careful review of invoices received to date.

3.2.20 **Chart 3: Average number of hours provided per client**



3.2.21 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

3.2.22 Forecasts for CCG income have been maintained at the November 2018 level pending finalisation of the quarter three update. The pressure of £0.391m relates to reduced Mental Health Resettlement income after agreement was reached with the CCG on future funding for infrastructure and placement costs (£0.667m) partially offset by increased recharges for clients with Mental Health Aftercare (s.117) services and clients with a jointly funded package. The service continues to carefully review all clients with s.117 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 collaboratively 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

3.2.23 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 £0.250m. 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. The increase has been the result of work performed by Commissioning to ensure that support plans and therefore payments to providers accurately reflect the care delivered.

Other

3.2.24 The pressure in placement costs and CCG income is being partially mitigated by the Winter Pressures grant income (£1.031m) and client contributions over budgeted levels of income (£0.819m), underspends in staffing of (£0.238m) and other areas totalling (£0.462m). The latter is comprised mainly of previously unallocated transformation budgets within Wellbeing, Governance and Transformation and additional resources that have become available following successful changes adopted in Integrated Services to manage costs down.

Children's Services

3.2.25 In Children's services the overall pressure of £3.880m has increased by £0.183m from the November position of £3.697m. The movement relates mainly to additional costs within Corporate Parenting and Placements where the majority of the pressures across Children's Services continues to be the ongoing demand related placement pressures of £3.203m, 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.

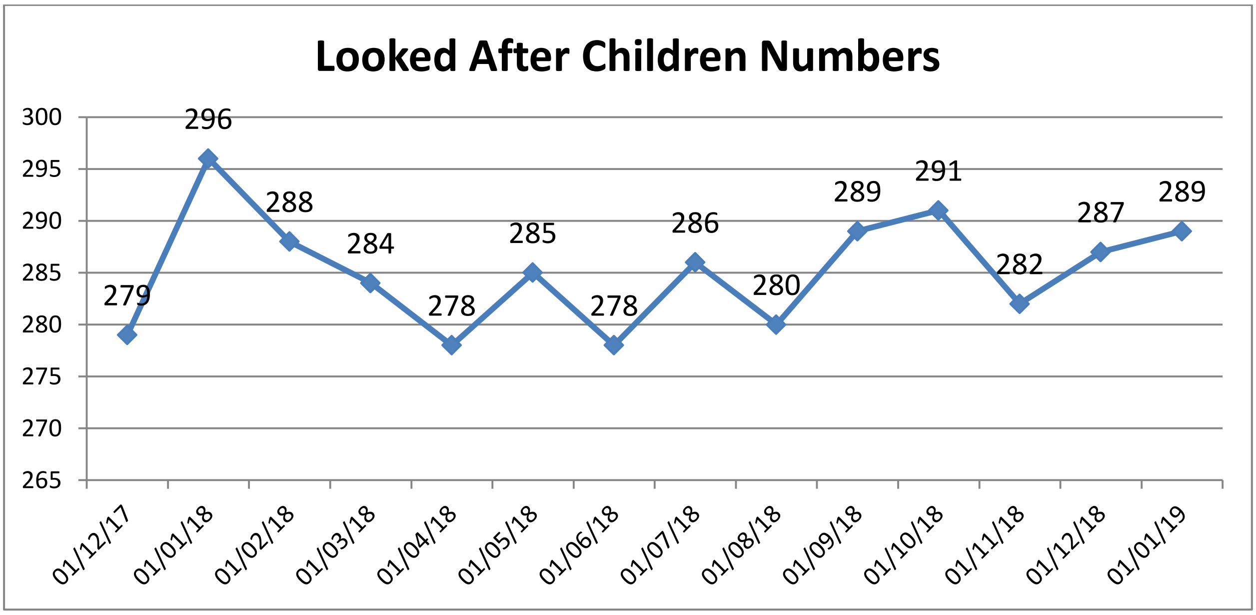
3.2.26 A breakdown of the total of demand led pressures of £3.203m is shown below;

Table 7: Analysis of Demand Led Pressures in Children's Services by Type

Type of Service	Demand-led Pressure Jan £m	Demand-led Pressure Nov £m
Placement costs for LAC	2.169	2.062
Costs relating to non LAC	0.926	0.926
Leaving Care costs	0.063	0.051
Management and legal fees	0.045	0.052
Total	**3.203**	**3.091**

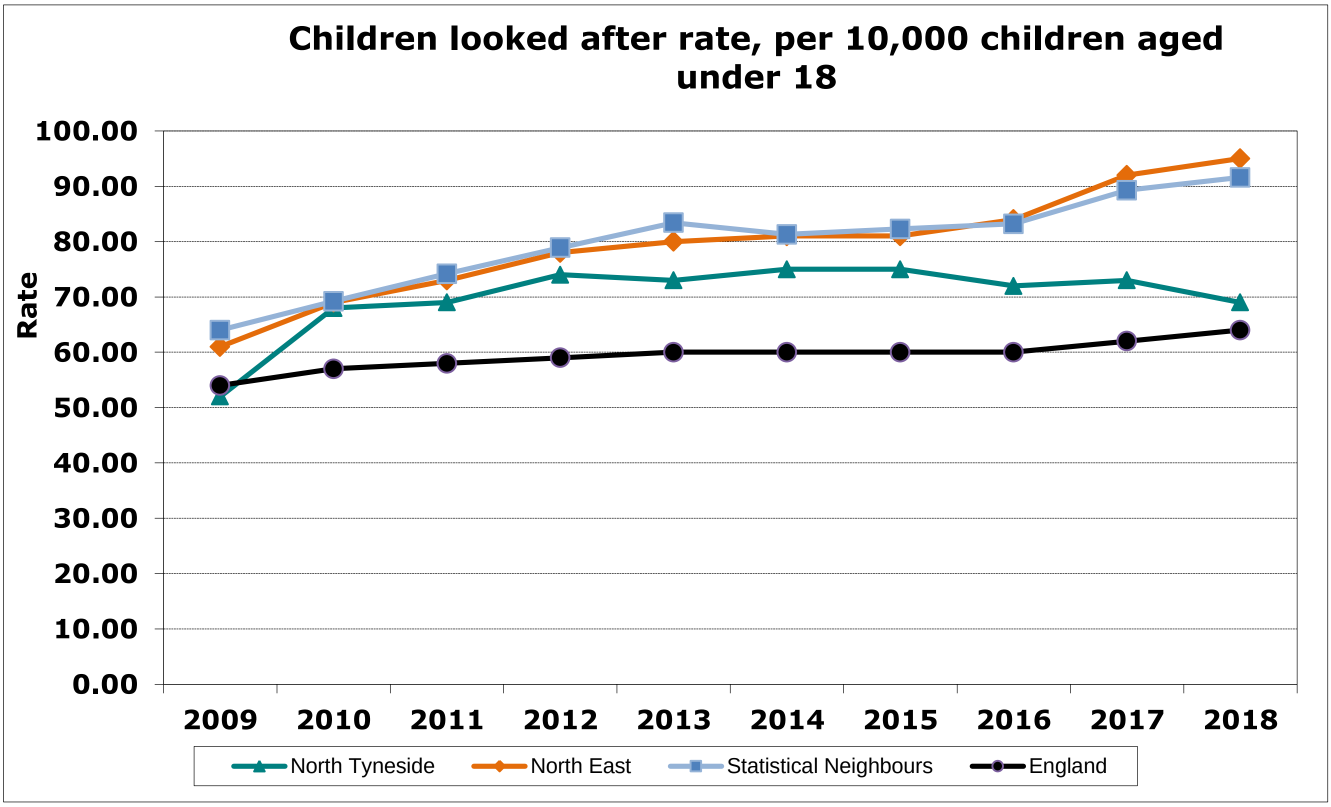
3.2.27 The main pressure continues to be in relation to placement costs for looked after children totalling £2.169m which is showing an increase of £0.107m since the November report. Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside the trend in numbers of Looked After Children has reflected the increases felt nationally but the numbers overall remain lower than the peak in January 2018 as demonstrated in chart 3.2.28 below:

3.2.28 **Chart 4: Looked after Children numbers at each month end**



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 5: Comparative Performance in Rates of LAC per 10,000 Children**



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 7% of provision but is very costly, amounting to 41% of the overall placement cost. The average cost of a residential care placement has reduced to £0.214m from £0.238m although there are four more placements than at November. The numbers of placements and average annual costs can be volatile and a change in the mix of needs of the children placed at any one time can have a significant impact on overall costs.

3.2.32 **Table 8: 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 Jan 19
External Residential Care	1.310	0.214	7,573	7%	22
External Fostering	0.289	0.041	9,701	9%	22
In-House Fostering Service	0.533	0.024	76,076	70%	205
External Supported Accommodation	0.093	0.55	965	1%	14
Other*	(0.056)	various	15,146	13%	26
Total	**2.169**		**109,461**	**100%**	**289**

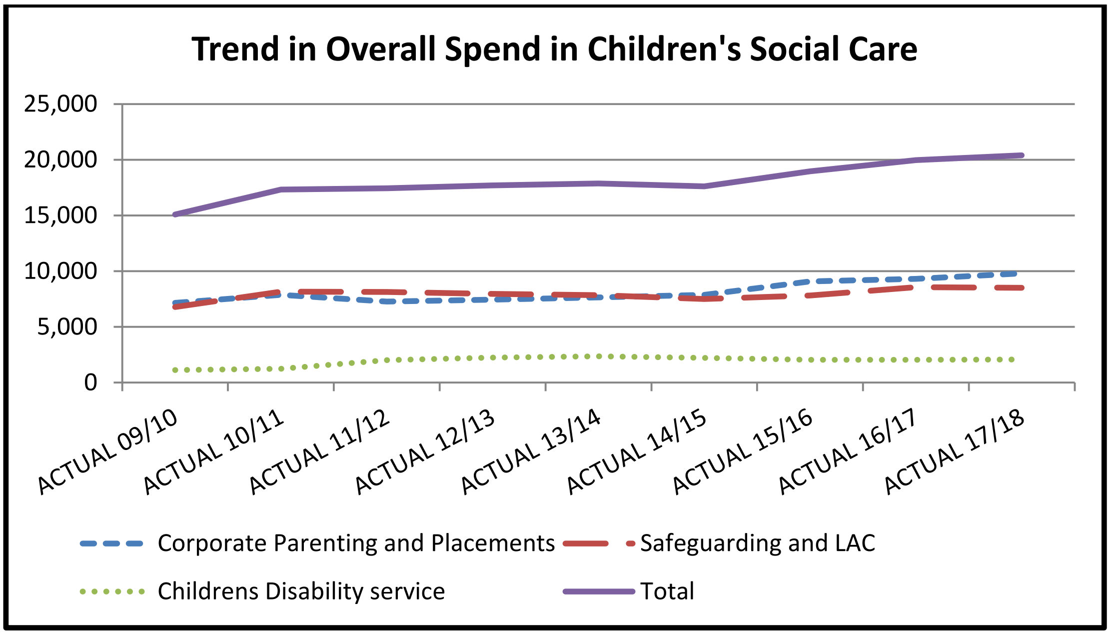
*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

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 unchanged from the November report. 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 6: 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 £0.272m mainly due to the need to use agency workers earlier in the financial year and market supplement payments.

<u>Other</u>

3.2.37 There is a net undersend of £0.046m which predominantly relates to grant income in employment and skills.

3.3 Commissioning & Asset Management

3.3.1 Commissioning and Asset Management is forecasting a pressure of £0.390m as set out in 3.3.2 below. This compares to the November position of £0.415m.

3.3.2 **Table 9: Commissioning and Asset Management forecast variation**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£m)
School Funding & Statutory Staff Costs	15.341	15.296	(0.045)	0.000
Commissioning Service	0.405	0.405	0.000	0.000
Child Protection Independent Assurance and Review	0.672	0.688	0.016	0.017
Facilities and Fair Access	0.095	0.220	0.125	0.127
Community & Voluntary Sector Liaison	0.438	0.438	0.000	(0.003)
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	1.644	0.249	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 & Asset Management	**18.816**	**19.206**	**0.390**	**0.415**

3.3.3 The largest area of pressure within Commissioning and Asset Management is Property, where a variance of £0.249m 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 £0.076m 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 £0.032m and within Home to School Transport of £0.042m partially offset by (£0.025m) of underspends, mainly from staffing.

3.3.5 The previously highlighted risk that food prices may be subject to increases as a consequence of the extreme weather experienced in 2018 as we progress through the winter does not seem to have had any significant further impact at this stage. The Service is continuing to keep a close watch on prices.

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 an overspend of £0.023m against the £40.371m budget, as set out in Table 3.4.2 below. The underlying forecast position has improved by £0.234m from the last reported position of £0.257m pressure at November.

3.4.2 **Table 10: Forecast Variation in Environment Housing & Leisure to budget**

	Budget (£m)	Forecast (£m)	Variance (Jan) (£m)	Variance (Nov) £m
Sport & Leisure	3.112	3.205	0.093	0.245
Arts Tourism & Heritage	1.675	1.673	(0.002)	0.015
Libraries & Community Centres	5.026	5.116	0.090	0.090
Security & Community Safety	0.176	0.238	0.062	0.069
Fleet Management	0.586	0.456	(0.130)	(0.126)
Waste Strategy	11.162	10.856	(0.306)	(0.252)
Bereavement	(0.761)	(0.752)	0.009	0.009
Street Environment	7.810	7.900	0.090	0.090
Head of Service and Resilience	0.110	0.133	0.023	0.019
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	0.013
Planning	0.108	0.108	0.000	0.000
General Fund Housing	0.893	0.878	(0.015)	(0.011)
Total Environment, Housing and Leisure	**40.371**	**40.394**	**0.023**	**0.257**

3.4.3 Although the underlying position has improved since the last reported 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 £0.432m across the service and premises-related energy and water pressures of £0.310m. These pressures are offset by increased net income of £0.284m, plus cost savings in waste (£0.325m) and fleet (£0.131m). In addition, there are a range of miscellaneous operational pressures across the service areas described in the paragraphs below amounting to £0.021m.

3.4.4 The main area of the underlying improvement in the position since November is in relation to increased Sport & Leisure income of £0.152m and cost reductions of £0.054m within Waste. Other net savings of £0.028m have also been identified.

Sport & Leisure

3.4.5 The Council is currently benefiting from increased income of £0.400m due to changes in VAT rules, however since November monitoring this income is reported centrally. Sport & Leisure are reporting further income above budget levels of £0.433m, which is mainly due to increased take-up in gym membership.

3.4.6 There is a pressure of £0.244m around staffing costs which is mainly caused by the need to cover shifts and back-fill for sickness.

3.4.7 The balance of the position is made up of operational expenditure pressures the largest of which are premises costs of £0.167m within the service area, relating to energy and water costs in addition to supplies and services costs of £0.115m.

Arts, Tourism & Heritage

3.4.8 Whilst the service area is almost breaking even, there is a historical pressure in rates of £0.125m which is being offset in 2018/19 by a rates rebate in relation to Segedunum museum.

Libraries & Community Centres

3.4.9 Libraries & Community Centres continue to forecast operational pressures of £0.090m, mainly due to historical energy pressures.

Security & Community Safety

3.4.10 The service is forecasting a net pressure of £0.067m, which is a small improvement since November. The pressure is due to historical and challenging income targets, though the service is mitigating their impact by removing staff posts where possible.

Fleet Services/Facilities Management

3.4.11 The Fleet Services and Facilities Management service area continues to forecast a saving against budget with a marginally improved £0.130m surplus against budget. The additional cost of financing 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.

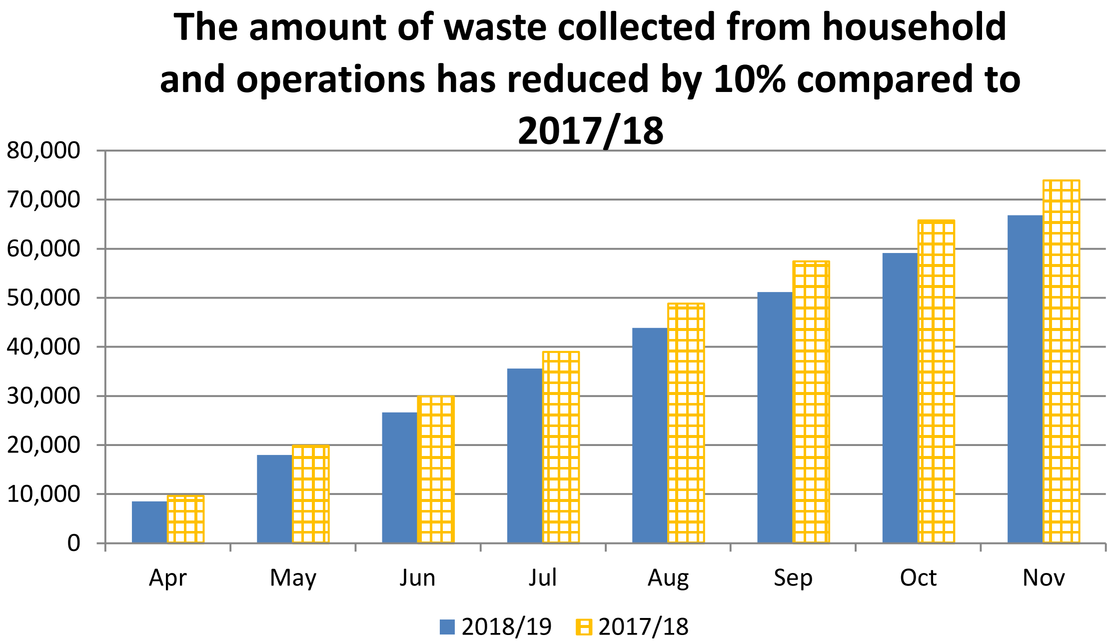
Waste Strategy

3.4.12 Waste Strategy is forecasting an underspend for 2018/19 of £0.306m, an improvement of £0.054m from November's reported position. The Service is confident that the additional costs for the first year of introducing the alternate weekly collections (including provision of new bins) and expanding garden waste collection will be met within the overall budget set for waste without the need for the use of a contingency reserve established to cover these costs.

3.4.13 **Disposal Costs**

As previously reported, home recycling has been positively impacted by the price of disposal being less than half the originally budgeted price per tonne for the year.

3.4.14 **Chart 7: Overall Waste Tonnage – Comparison to 2017/18 and 2016/17**



3.4.15 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.

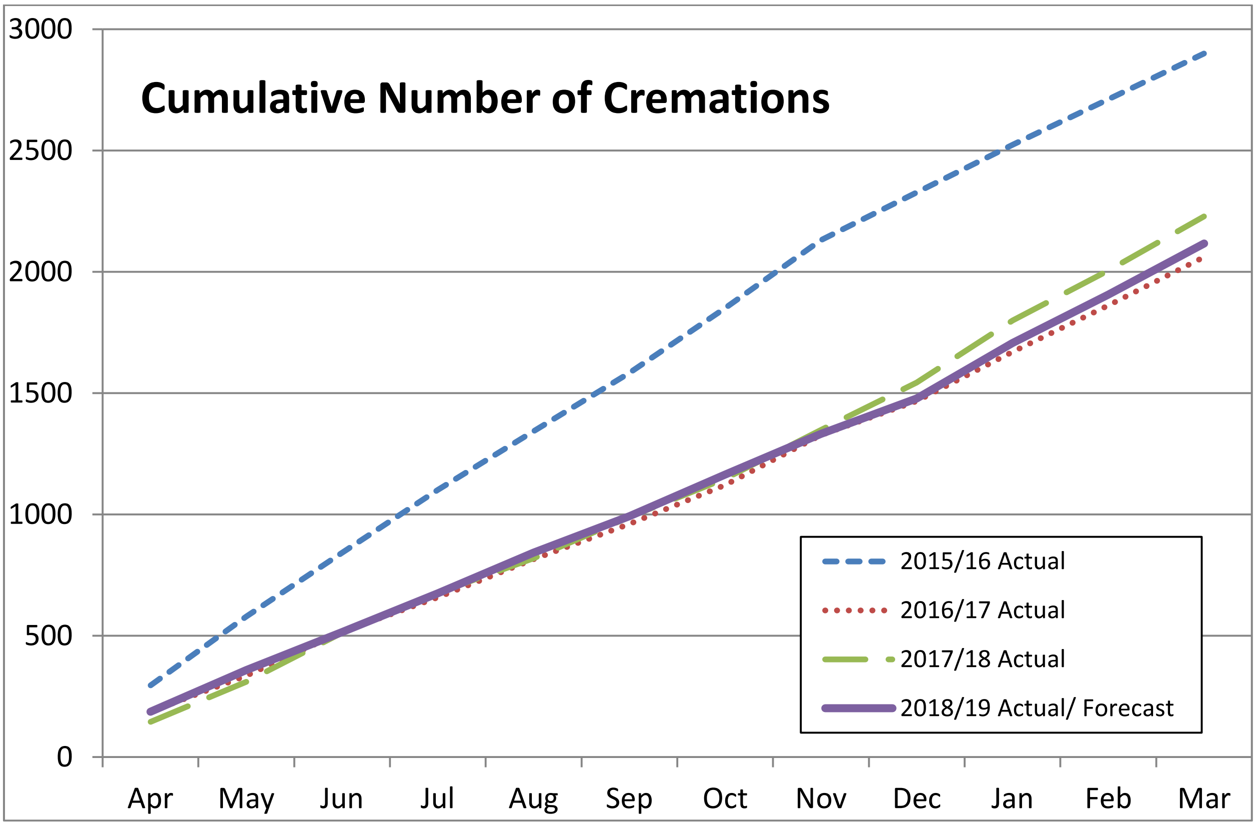
Bereavement

3.4.16 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.

3.4.17 The service has been 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 3.4.18 below. Note the high levels of cremations in 2015/16 were due to the closure of the crematorium in Blyth following a fire. In the current financial year, the number of cremations in the period April 2018 to

December 2018 (1,478) is lower compared against the same comparable period in 2017 (1,544).

3.4.18 **Chart 8: Annual cumulative Number of Cremations (2018/19 forecast on trend to date)**



Street Environment

3.4.19 The net £0.090m pressure is primarily due to £0.075m income targets pressures (mainly across Outdoor Parks) plus £0.065m expenditure pressures across Horticulture, which is offset in part by operational savings across the rest of the service.

Street Lighting PFI

3.4.20 The street-lighting PFI break-even position reflects a pressure due to increased energy costs mitigated by a planned draw-down from the PFI reserve.

Consumer Protection & Building Control

3.4.21 This service area includes taxi licencing where there is an expected £0.096m income shortfall, as previously reported.

3.5 **<u>Business & Economic Development</u>**

3.5.1 This Service is now forecasting a pressure of £0.368m as shown in the table below compared to a pressure of £0.116m reported at November. The movement in the forecasted position is due to additional costs from the opening of the Dome at Whitley Bay (£0.267m). The remaining pressure relates to business unit rental and berthing fees at the Swan site continuing to be below budget levels. Berthing fees are volatile and the position could improve by the year end but it is prudent to minimise the forecasted income in line with confirmed bookings. The service is proactively marketing all available business unit space with a view to securing additional tenants.

3.5.2 **Table 11: Forecast Variation Business and Economic Development**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£m)
Regeneration	0.390	0.762	0.372	0.124
Business & Enterprise	0.787	0.796	0.009	0.007
Resources & Performance	0.028	0.015	(0.013)	(0.015)
Total Business & Economic Development	**1.205**	**1.573**	**0.368**	**0.116**

3.6 Commercial & Business Redesign

3.6.1 This Service is showing an expected pressure of £0.779m (November, £0.550m) as shown in table 3.6.2 below. This movement in this position is largely due to the costs of the Customer Journey work undertaken by ENGIE (£0.225m). There is also an underlying pressure of project staff once all project funding has been utilised. 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 12: Forecast Variation Commercial and Business Redesign**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£m)
Head of Commercial & Business Redesign	(0.184)	0.538	0.722	0.484
ICT	1.545	1.602	0.057	0.066
Total Commercial and Business Redesign	**1.361**	**2.140**	**0.779**	**0.550**

3.7 Corporate Strategy

3.7.1 Corporate Strategy is forecasting a pressure of £0.108m as set out in Table 3.7.3 below (November, £0.111m restated for the movement of Community and Voluntary Sector Liaison from Corporate Strategy to Commissioning and Asset Management). This pressure continues to be 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 work in respect of devolution.

3.7.2 The Service is reviewing the funding aspects of work associated with the North Of Tyne Combined Authority to ensure that costs are being recovered appropriately.

3.7.3 **Table 13: Forecast Variation Corporate Strategy**

	Budget (£m)	Forecast (£m)	Variance Dec(£m)	Variance Nov(£m)
Corporate Strategy Management	0.078	0.097	0.019	0.020
Policy, Performance & Research	(0.172)	(0.075)	0.097	0.041
Marketing	0.122	0.177	0.055	0.060
Elected Mayor and Executive Support	(0.005)	(0.003)	0.002	0.000
Children's Participation & Advocacy	0.179	0.170	(0.009)	(0.010)
Total Corporate Strategy	**0.202**	**0.366**	**0.164**	**0.111**

3.8 Finance including Revenues & Benefits and Customer Services

3.8.1 The forecast pressure of £0.451m in the Finance Service (November, £0.480m) 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 14: Forecast Variation Finance**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£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)	0.174	0.453	0.482
Total Finance	**(0.859)**	**(0.408)**	**0.451**	**0.480**

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 (£0.280m).

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 November is mainly due to an improvement on the bad debt provision and increased enforcement income.

3.9 Human Resources & Organisational Development

3.9.1 The pressure of £0.065m compares to the November position of £0.054m with the increased forecast due to increased maternity cover costs and costs relating to the staff survey. The overall pressure 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 15: Forecast Variance Human Resources and Organisational Development**

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

3.10 Law & Governance

3.10.1 Law & Governance is forecasting a pressure of £0.296m compared to November (£0.210m). The pressure predominantly relates to staffing with the service, earlier in the year, forced to incur high costs for locum staff. This has been largely resolved by successful recruitment, however since the November report, there has been an increased staffing forecast within the Coroner's service.

3.10.2 **Table 16: Forecast Variation Law and Governance**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£m)
Customer, Governance & Registration	(0.074)	(0.017)	0.057	0.073
Democratic & Electoral Services	(0.075)	(0.073)	0.002	0.008
Information Governance	(0.047)	0.010	0.057	0.061
Legal Services	(0.207)	(0.130)	0.077	0.054
North Tyneside Coroner	0.293	0.396	0.103	0.014
Total Law and Governance	**(0.110)**	**0.186**	**0.296**	**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 £7.616m on central budgets (November, underspend of £6.827m).

3.11.2 **Table 17: Forecast Variation Central Budgets and Contingencies**

	Budget (£m)	Forecast (£m)	Variance Jan(£m)	Variance Nov(£m)
Corporate & Democratic Core	9.546	9.371	(0.175)	(0.175)
Other Central Items	0.810	(6.631)	(7.441)	(6.652)
Total Central Items	**10.356**	**2.740**	**(7.616)**	**(6.827)**

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 £3.150m against external interest charges have increased by £0.792m at the November report explaining the overall improvement in Central Items. There continues to be an underspend 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, £0.345m additional s31 grant, £0.250m dividends 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 has been 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. 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.

3.12 New Revenue Grants

3.12.1 The following revenue grants have been received or notified during December 2018 and January 2019.

Table 18 : New Revenue Grants

Service	Grant Provider	Grant	Purpose	2018/19 value £m
Commissioning and Asset Management	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 from £8,650,630 to £8,572,815).	(0.078)
Ministry of Housing, Communities and Local Government	Disabled Facilities Grant	Adaptations to disabled peoples homes	To help deliver more home adaptations and to help more disabled people to live independently and safely in their own homes.	0.163
Health, Education, Care and Safeguarding	Department for Work and Pensions	Reducing Parental Conflict Programme	To strengthen strategic leadership around parental conflict and fund training for frontline staff to identify and respond to parental conflict. Strategic Leadership Support (SLS) grant £15,000 Practitioner Training (PT) grant £25,100.	0.040
Health, Education, Care and Safeguarding	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 dependant parents with clear referral pathways and provision of evidence based interventions and support.	0.048

Human Resources and Organisational Development	Department for Education	Step up to Social work Cohort 6	Funding to support training of social workers	0.048
Environment Housing and Leisure	Department for Housing, Communities and Local Government	Brexit funding	Supporting authorities to ensure they are prepared for any potential impact caused by the withdrawl from the EU.	0.105
Total				**0.326**

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. 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. The table below shows balances analysed by phase.

4.2 **Table 19: 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	Monitoring 2 2018/19 £m	Improvement of Monitoring 2 from Budget Plan 2018/19 £m
Nursery	0.018	(0.003)	(0.005)	0.002	0.005
Primary	4.299	1.511	1.745	1.934	0.423
Secondary	(2.062)	(6.472)	(6.186)	(5.796)	0.676
Special/PRU	1.101	0.248	0.666	0.636	0.388
Total	**3.356**	**(4.716)**	***(3.780)**	**(3.224)**	**1.492**

*Note – monitoring 1 was originally reported as £3.780m overall deficit in the November report. There was subsequently a number of small revisions totalling an improvement of £0.012m as forecasts were finalised.

4.3 A second round of 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. There has been general improvement of £0.629m compared to original budget plans in the balances of these schools with the total cumulative balances moving from £8.213m at monitoring one to £7.856m at monitoring two against original plans totalling £8.485m .

4.4 **Table 20: Monitoring Two Results – Schools in deficit**

School	Outturn Balance 2017/18 £m	Deficit Approval Sought 2018/19 £m	Monitoring 1 position £m	Monitoring 2 position £m	Improvement (monitoring 2 vs deficit approval) £m
Backworth Park Primary	0.000	(0.091)	(0.079)	(0.072)	0.019
Ivy Road Primary	(0.123)	(0.278)	(0.263)	(0.249)	0.029
Percy Main Primary	0.001	(0.086)	(0.059)	(0.078)	0.008
Monkseaton Middle	0.034	(0.088)	(0.056)	0	0.088
Marden High	(0.429)	(0.646)	(0.635)	(0.564)	0.082
Norham High	(1.168)	(1.549)	(1.510)	(1.512)	0.037
Longbenton High	(0.916)	(1.702)	(1.691)	(1.688)	0.014
Monkseaton High	(2.464)	(3.652)	(3.647)	(3.603)	0.049
Whitley Bay High	(0.516)	(0.393)	(0.273)	(0.090)	0.303
Total	**(5.581)**	**(8.485)**	**(8.213)**	**(7.856)**	**0.629**

4.5 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; and
- Closing the Gap.

4.6 Since the previous report to Cabinet, improved solutions for school financial management have been explored including a new five year budget planning and monitoring tool. Further detailed consultation on a new support and challenge framework for schools has taken place with a sub group of Schools Forum. Further work has been ongoing to review curriculum planning in specific schools with a view to identifying further achievable savings. A refresh of the 'rich picture' in relation to schools pupil projections is underway and will be completed during February 2019. This will further enhance understanding of the impact of the pattern of required school places around the Borough on current and future school balances.

High Needs Block

4.7 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. 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.

4.8 The pressures in North Tyneside are in line with the national and regional picture and result from additional places required in special schools, out of Borough placements and in relation to top up payments as outlined below;

4.9 **Table 21: Forecasted High Needs Pressures as at January 2019**

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	
Additional Funding announced in December 2018	0.000	(0.426)	
Subtotal	**18.865**	**0.174**	
2017/18 b/fwd balance		0.430	
Total forecasted pressure 2018/19		**0.604**	

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. The Authority requested and was granted approval for a transfer of 0.25% of the block value amounting to £0.302m at the Schools Forum meeting on 14 January 2019.

Managing the High Needs Block

4.11 Work continues to manage expenditure within the High Needs Block. A review of Additionally Resourced Places (APRs) and commissioned services is in progress and is expected to report findings in April and May 2019 respectively.

4.12 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.

4.13 A comprehensive special educational needs review is also underway which is examining all processes associated with Education Health and Care Plans

(EHCPs). This has resulted in action to increase efficiency, strengthen gatekeeping and improve partnership working across education, health and social care. The review is looking at the statutory assessment process, quality assurance arrangements, decision making panels and tribunal outcomes.

Planning for 2019/20 School Budgets

4.14 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.

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 January 2019 and reflects an improved position since November. Rental income continues to perform well against budget due to the reduction in the number of empty homes being maintained (£0.709m), with this continued trend now forecast for the remainder of 2018/19. In addition, the income from temporary dispersed accommodation continues to trend above budget (£0.082m), whilst service charge income, including furniture packs, is also maintaining a positive trend linked to the improving position on empty homes (£0.441m).

5.2 There is a significant forecast underspend of £1.098m 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; and
- £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 £0.056m and increased water rates commission of £0.100m, reduced forecasts on utility costs within the PFI sheltered schemes (£0.144m), with the balance of £0.040m spread across a wide range of cost centres.

5.3 There is now an increasing rate of take-up of Universal Credit which has an increasing impact on the in-year bad debt provision requirement and despite previously predicting an underspend it now appears there may be an overspend (£0.100m), however, this is currently forecast to be offset against a one-off credit for council tax voids from the construction/refurbishment stage of the PFI sheltered project. 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 22: Forecast Variance Housing Revenue Account**

	FULL YEAR - 2018/19			
		Forecast Outturn		
	Full Year Budget £m	Actual £m	Jan 2019 Variance £m	Nov 2018 Variance £m
INCOME				
Rental Income	(58.960)	(60.198)	(1.238)	(0.907)
Other Rental Income - Shops & Offices etc.	(0.260)	(0.285)	(0.025)	(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)	**(68.226)**	**(1.283)**	**(0.950)**
EXPENDITURE				
Capital Charges - Net Effect	12.093	12.075	(0.018)	(0.013)
HRA Management Costs	12.338	11.240	(1.098)	(1.022)
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	0.906	(0.104)	(0.095)
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	68.913	**67.683**	**(1.230)**	**(1.140)**
	1.970	**(0.543)**	**(2.513)**	**(2.090)**
BALANCES BROUGHT FORWARD	**(4.640)**	**(6.083)**	**(1.443)**	**(1.443)**
BALANCES TO CARRY FORWARD	**(2.670)**	**(6.626)**	**(3.956)**	**(3.533)**

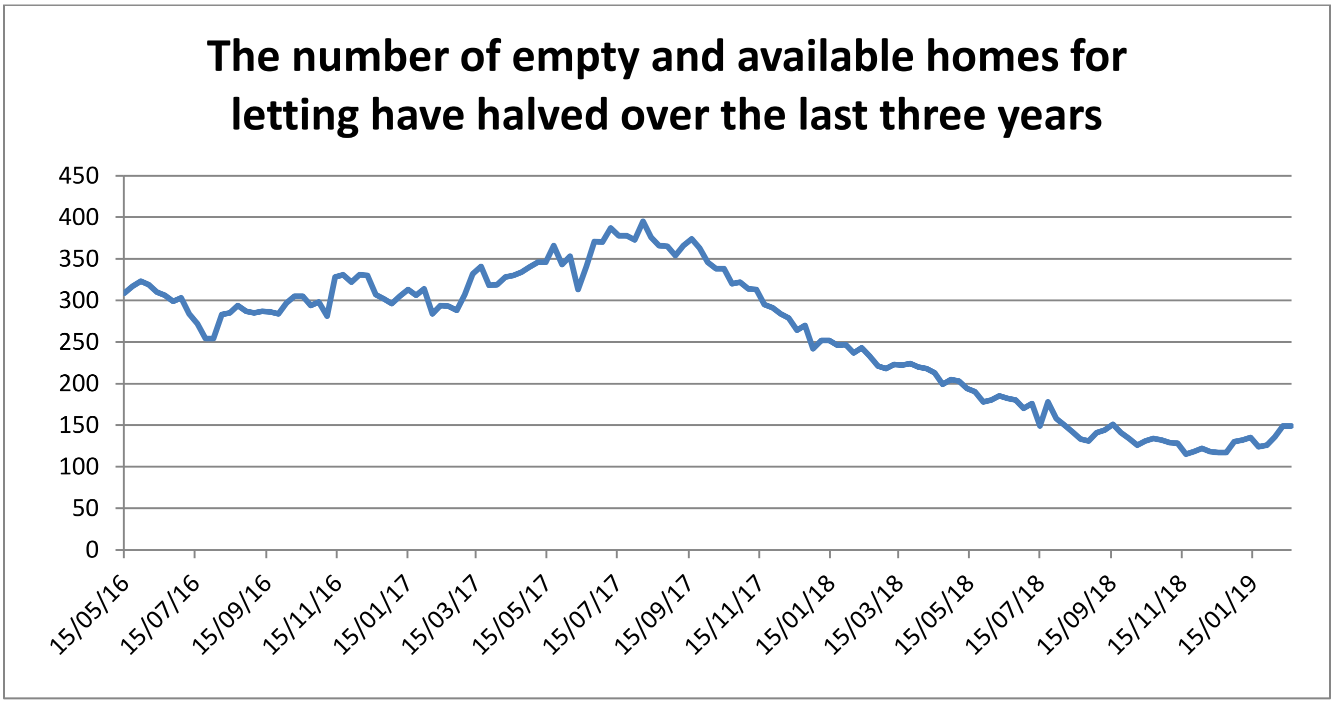
5.6 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personalised budget support to help residents manage their household finances. At the 28 January, 1,713 North Tyneside Homes tenants have moved on to Universal Credit, which is up from 1,391 at the 26 November. 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. Table 5.8 illustrates the movement in levels of empty homes between

2016/17 and 2018/19.

5.8 **Chart 9: Number of Empty Homes vacant and available for letting**



Right to Buy (RTB) Trends

5.9 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£0.022m) which had remained static as property values had increased, making RTB less financially attractive to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £0.075m and then subsequently annual inflation was added to the maximum. The table below shows the trend in RTB sales since that time, and the financial impact this has had on income for the HRA.

5.10 **Table 23: 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	46	112	66	0.446	5.422
	352	848	496	3.379	36.732

5.11 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 848 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;
- 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;
- Roll out of Healthy Pupils Capital Fund to schools to help improve the physical and mental health of children and yound people by improving abd increasing availability to facilities for physical activities, healthy eating, mental health and wellbing and medical conditions; and
- The final allocations for schools have now been published and the additional funding of £1.129m has been allocated as part of the Devolved Formula Capital (DFC) arrangements.

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) .

Other Works

- A joint bid with Killingworth Young Peoples Club for Football Foundation funding, for the provision of a full size flood lit artificial grass pitch at Amberley Playing Fields has been approved and will be delivered in 2019/20.

Variations to the 2018-21 Investment Plan

6.7 As part of the regular investment programme monitoring £4.881 variations and £5.693m 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 24: 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 26 November 2018	0.234	(7.412)	(6.948)	(14.126)
Cabinet 21 January 2019	(0.027)	0.486	0	0.459
Approved Investment Plan	**82.603**	**51.755**	**30.482**	**164.840**
December/January				
Variations	1.192	3.456	0.233	4.881
Reprogramming	(5.693)	5.643	0.050	0
Total Variations	**(4.501)**	**9.009**	**0.283**	**4.881**
Revised Investment Plan	**78.102**	**60.854**	**30.765**	**169.721**

6.8 The details of the main elements of the £4.881 m variations are shown below. The revised 2018-21 Investment Plan is attached as **Appendix 1**:

(a) **ED075 Devolved Formula Capital £1.129m** – As part of the Government's Budget announcement on 29 October 2018, the Chancellor of the Exchequer confirmed a one-off £400m to help schools. The final capital allocations for schools have now been published and the additional funding has been allocated as part of the Devolved Formula Capital (DFC) arrangements, £0.565m 2018/19 and £0.564m 2019/20;

(b) **DV066 Investment in North Tyneside Trading Company £2.000m** – Following delegated approval on the 15 January 2019, the Authority will invest a further £2.000m of Section 106 commuted sums into the Development Company to purchase a further 18 homes. This has been allocated over two financial years, £0.255m 2018/19 and £1.745m 2019/20;

(c) **EV056 Additional Highways Maintenance £1.001m** – In the 2018 Autumn budget the Chancellor of the Exchequer announced additional funding of £420m to help with the maintenance of roads, footways and highway structures. North Tyneside's allocation was £1.001m. Although this additional funding is referenced in the 2018/19 Financial Management report to Cabinet on 21 January it has not yet been added to the plan. The officer team have been working with the IPB Highways Investment Sub Group to set out proposals for spending the additional funding and where this should feature in the Investment Plan. The sub group approved the spending proposals and it was agreed that £0.297m should be spent during the remainder of the 2018/19 year. The balance will allocated to 2019/20 as it is not practically possible to spend the whole of the £1.001m during the remainder of this financial year;

(d) **CO077 Amberley Playing Fields – Artificial Grass Pitch £0.714m** – Officers have been working in partnership with the Football Foundation and Killingworth Young Peoples Club (KYPC) to develop the joint bid for funding for provision of a full size flood lit Artificial Grass Pitch (AGP) at Amberley Playing Fields. An application for funding was submitted in October 2018 and confirmation was received on 22 January 2019 that the application for funding had been approved with an offer of up to £0.500m toward the development of a new AGP. This together with Council Contribution from Section 106 funding of £0.214m is to be added to the Investment Plan. The local contribution from KYPC of £0.041m has already been spent during the work leading to the application to the Football Foundation;

(e) **ED188 Special Educational Needs and Disabilities £0.233m** – In December 2018 the Department for Education announced a further £100m increase to the Special Provision Capital Fund Nationally. In January 2019 the allocation for each authority was announced. North Tyneside's allocation is £0.233m. Work is ongoing to develop more detailed plans to support the offer of educational places for children with Education Health and Care Plans (EHCP) by the end of January 2019. This funding has been allocated to 2020/21 budget;

(f) **GEN03 Purchase of Land at Royal Quays Marina £0.075m** – An opportunity has arisen to purchase land at Royal Quays Marina that would allow for a new car parking facility linked to Port of Tyne and the improvement of disembarkation facilities at Northumbria Quay through the use of the existing car parking area. The newly purchased land will be developed to provide a replacement car parking facility. There will be no cost to the Authority as all costs will be reimbursed by the Port of Tyne; and,

(g) **DV058 Swan Hunters Regeneration £0.271m credit** – Reduction in the Local Growth Fund grant budget to reflect the funding available.

6.9 The details of the £5.693m reprogramming are shown below.

(a) **DV058 Swan Hunters Regeneration £0.965m** – Plot 6 demolition will not be delivered until 2019/20 due potential delays raised following bat surveys. Delivery options are also being considered for the site which has resulted in reprogramming of budgets;

(b) **EV084 A189 Improvements Haddricks Mill to West Moor £2.474m** –For network management reasons, the A189 scheme has been split into 3 phases. The first phase from the boundary with Newcastle to West Farm Avenue junction commenced in autumn last year in order to take advantage of the road closure associated with the nearby Newcastle City Council road works. Phase 2 consists of the next section of the A189 from West Farm Avenue to West Moor roundabout. Work has commenced and will continue through to September 2019. The final phase is the signalisation of West Moor roundabout. This will be done as a Section 278 scheme associated with a nearby Bellway development. This last phase is being programmed to commence directly after completion of Phase 2;

(c) **DV064 Council Property Investment £0.250m** – Further opportunities for residential sites continue to be investigated but it is unlikely that the site studies will be required until 2019/20; and,

(d) **DV066 Investment in North Tyneside Trading Company £2.004m** – It is predicted that the spend on debt and equity into Aurora Properties will be lower than forecast in 2018/19. This is due to the costs for Northumberland Square not being incurred in 2018/19 and Empress Point starting on site later than originally planned. It is therefore requested that £2.004m is reprogrammed 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 25: Impact of variations on Capital Financing

	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Approved Investment Plan – Cabinet January 2019	**82.603**	**51.755**	**30.482**	**164.840**
Council Contribution	(2.388)	2.463	0	0.075
Grants and Contributions	(2.113)	6.636	0.283	4.806
Total Financing Variations	**(4.501)**	**9.099**	**0.283**	**4.881**
Revised Investment Plan	**78.102**	**60.854**	**30.765**	**169.721**

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 £0.175m capital receipts have been received in 2018/19. The receipts position is shown in Table 6.11.1 below.

6.11.1 Table 26: 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
New Variations	0.075	0	0	0.075
Revised requirement	**0.075**	**1.080**	**0.000**	**1.155**
Receipts Brought Forward	0.000	(0.100)	0.000	0.000
Useable Receipts received 2018/19	(0.175)	0.000	0.000	(0.175)
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, £5.847m receipts have been recorded in 2018/19 of which £1.405m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £10.677m to be carried forward to fund future years.

6.12.1 **Table 27: 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)	(10.677)	(3.914)	(7.014)
Receipts Received 2018/19	(5.847)	0	0	(5.847)
Receipts Pooled Central Government	1.405	0	0	1.405
Surplus Balance to fund future years (subject to further pooling)	**(10.677)**	**(3.914)**	**(2.547)**	**(2.547)**

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 31 January 2019

6.13 Actual expenditure in the General Ledger was £48.740m, 62.41% of the total revised Investment Plan at 31 January 2019.

6.13.1 **Table 28: Total Investment Plan Budget & Expenditure to 31 January 2019**

	2018/19 Revised Investment Plan £m	**Actual Spend to 31 January 2019 £m**	**Spend as % of revised Investment Plan %**
General Fund	47.900	31.253	65.25%
Housing	30.202	17.487	57.90%
TOTAL	**78.102**	**48.740**	**62.41%**