Cabinet – 29 July 2019
Agenda Item 5(a)

2019/20 Financial Management Report Annex

INDEX

SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 This report is the first monitoring report to Cabinet on the 2019/20 financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the policy priorities in the Our North Tyneside Plan. It provides the first indication of the potential revenue and capital position of the Authority at 31 March 2020. The report explains where the Authority continues to manage financial pressures. Like most local authorities, North Tyneside Council continues to face significant financial pressures. These were reported in the 2018/19 Outturn Report and continue to manifest in 2019/20.

1.2 The Authority's approved net revenue budget of £155.730m is forecast to outturn with a pressure of £5.263m. The budget includes £6.875m of savings as agreed at Council on 21 February 2019. Table 1 in paragraph 1.2 below sets out the variation summary across the General Fund.

1.3 Members will recall that the 2018/19 outturn position for the Authority was an underspend of £1.031m. However, within this position the Authority was required to manage pressures of £7.654m.

1.4 Taking these pressures from last financial year into account, along with budgetary changes made in setting the 2019/20 budget, the Authority is continuing to take a prudent approach to forecasting. This is the first report of the financial year and at this stage it is anticipated that the Authority will need to manage around £13.600m worth of pressures. Initial work suggests that management actions should see all but £5.263m of these pressures mitigated.

1.5 The most significant amount of these pressures continue to exist within Health, Education, Care and Safeguarding, primarily relating to demand and complexity driven pressures within adults and children's social care. Children's

Services are forecasting a year end pressure of £3.083m and Adults Services are forecasting a pressure of £2.528m. As Members will recall from 2018/19, the Authority is currently holding two contingency balances centrally for Children's (£2.616m) and Adults (£1.800m). If these two contingencies are to be applied the remaining pressures the Authority would be required to deal with would be £0.467m in Children's and £0.728m in Adults. Further details are contained within this report in Section 4.2.

1.6 On-going pressures relate to Customer Journey Programme and the development of the Outsystems software. Further details can be found in section 4.7 on this report.

1.7 In Environment, Housing & Leisure initial forecasts suggest that the service will outturn with a pressure of £0.730m. The main pressures are staffing, energy and rates, fleet and PFI. Currently the Service has identified £0.430m worth of potential management actions that may be able to offset these pressures at year end. The Service is committed to delivering a balanced position and is continuing to work on identifying options around the remaining £0.300m worth of pressures. Further details can be found in section 4.4.

1.8 Central Items is forecasting an underspend of £2.455m. This includes contingencies of £4.636m, which if allocated to the Service's would produce pressures in Central Items of £2.181m. The remaining pressure is as a result of Central Items holding the targets for the cross-cutting savings proposals, offset by forecasted underspends generated by management actions around Strain on the Fund and the Authority's Treasury Management Strategy.

1.8 **Table: 1 2019/20 General Fund Revenue Forecast Outturn as at 31 May 2019**

	Gross Expenditure			Income			Net Expenditure		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Health, Education, Care and Safeguarding	179.780	187.412	7.632	(111.711)	(113.732)	(2.021)	68.069	73.680	5.611
Commissioning and Asset Management	207.629	209.585	1.956	(185.327)	(187.109)	(1.782)	22.302	22.476	0.174
Environment, Housing and Leisure	70.732	72.766	2.034	(28.980)	(30.284)	(1.304)	41.752	42.482	0.730
Regeneration and Economic Development	2.242	2.237	(0.005)	(1.071)	(0.913)	0.158	1.171	1.324	0.153
Corporate Strategy	1.807	2.043	0.236	(1.609)	(1.729)	(0.120)	0.198	0.314	0.116
Chief Executive	0.432	0.382	(0.050)	(0.486)	(0.486)	0.000	(0.054)	(0.104)	(0.050)
Resources	79.499	73.051	(6.448)	(78.338)	(70.966)	7.372	1.161	2.085	0.924
Law and Governance	3.666	3.822	0.156	(3.811)	(3.907)	(0.096)	(0.145)	(0.085)	0.060
Central Items	17.774	14.116	(3.658)	(16.511)	(15.308)	1.203	1.263	(1.192)	(2.455)
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	20.013	20.013	0.000
Total Authority	**583.574**	**585.427**	**1.853**	**(427.844)**	**(424.434)**	**3.410**	**155.730**	**160.993**	**5.263**

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £6.875m in 2019/20 approved by Council in February 2019 bring the total savings the Authority has had to find in the nine years following the 2010 Comprehensive Spending Review (CSR) to £126.951m.

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
2019/20	6.875
Total Savings	**126.951**

2.3 In addition to the £6.875m of savings proposals required in 2019/20, £3.658m of prior year savings require a permanent solution in 2019/20. These savings were successfully achieved by in-year management actions during 2018/19. The total amount of savings that need to be achieved in 2019/20 is therefore £10.533m.

2.4 In tracking progress made against each individual saving proposal (as set out in table 5 below) £6.219m (59% of the target) is already forecast to be saved in 2019/20. An additional £1.100m (10% of the target) of management actions have been identified as achievable via Central Items in 2019/20. At this early stage in the financial year, a prudent approach is taken to reporting efficiency savings and they will only be reported as achieved in the forecast position when the impact can be seen flowing into the general ledger. As such it is projected that 31% of the target still needs to be achieved. Table 3 below shows the delivery by Service;

2.5 **Table 3: Efficiency Savings by Service at May 2019**

Service	2019/20 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
Regeneration and Economic Development	0.103	0.082	0.000	0.021
Central Items	6.058	2.376	1.100	2.582
Commissioning & Asset Management	0.176	0.176	0.000	0.000
Corporate Strategy	0.042	0.022	0.000	0.020
Environment, Housing & Leisure	0.886	0.886	0.000	0.000
Health, Education, Care & Safeguarding	3.268	2.677	0.000	0.591
Total	**10.533**	**6.219**	**1.100**	**3.214**

2.6 The governance structure of the Efficiency Savings programme includes a monthly review of progress by the Senior Leadership Team (SLT). In addition, in-year budget and performance progress meetings are held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main variations in relation to the savings still to be achieved are outlined in the sections below.

Central Items

2.7 The £2.582m of savings targets, currently forecast as still needing achievement, relate to cross-cutting targets from the following Efficiency Statement categories; A Focus on the Social Care Customer Experience (£0.903m), How We Are Organised (£0.687m) and Delivering Our Fees & Charges Policy (£0.992m).

2.8 These ambitious cross-cutting savings proposals were identified as being challenging to achieve and, as such, Cabinet and SLT have been working to formulate a permanent solution to meet these targets. In the previous financial year, the Authority was able to take advantage of its Treasury Management Strategy to secure in-year mitigations to offset these targets. Continued benefits of this Strategy have enabled management actions of £1.100m to be identified, which will provide in-year mitigations to these targets in 2019/20. SLT is continuing to work on identifying further activity, actions and plans to achieve the residual target.

2.9 One of the cross-cutting savings targets that is yet to be achieved relates to a proposal to maximise the Authority's resources in relation to sourcing, supply chain and commercials. The initial business case was developed in 2017/18 and included an ambitious target of £2.000m to be delivered by the end of 2018/19. A range of work has been performed in 2017/18 and 2018/19 which has allowed the Authority to realise £0.408m of this saving. A further £0.400m is expected to be achieved during 2019/20 and management actions of a further £0.200m are expected to be available to support the delivery of this target in 2019/20. Despite the level of work performed so far, the residual target remains a significant challenge for the Authority. SLT is working on developing new activities, actions and plans to deal with this residual target.

Central Items – Procurement

2.10 The review of the Procurement arrangement with Engie has proven that the original savings targets were overestimated. The Authority has a track record of delivering greater than anticipated savings from Procurement than previously expected. The Authority has already delivered substantial Procurement savings, which can be demonstrated within Construction but this has mostly been seen within the HRA. Following work completed in the early part of 2019/20, it is now estimated that the Authority can deliver a further £0.400m of savings within the General Fund from Procurement.

Central Items – Management

2.11 The initial management savings target was £2.500m and to date the Authority has achieved £1.300m. Actions currently underway which may have an impact and generate further savings are:-

- Contracted Services returning in-house;
- Redesigning Housing & Construction with wider impact on Environment Housing & Leisure; and
- Service restructures.

Central Items – Customer Service / Community Hubs

2.12 The initial savings target was £2.000m and to date the Authority has achieved £0.600m. Currently it is expected that a maximum of £0.200m can be achieved from the Community Hubs project due to a range of factors such as the Authority's commitment to its Customer Services offer, its commercial boundary with Engie and property costs at Wallsend and Whitley Bay. Through a range of available management actions, the Authority may be able to allocate an additional £0.300m against these tasks to reduce the overall residual balance.

Health Education, Care and Safeguarding

2.13 The Service is forecasting to deliver £2.677m (82%) of its targets at this stage in the year. A total of £0.375m of the target that is still to be achieved relates to the Efficiency Statement category of Responding to Rising Complex Needs. Work is still ongoing within HECS to deliver savings relating to enablement and the alternative delivery model.

2.14 In addition the following still require achievement as at May 2019; an amount of £0.100m relating to the implementation of assistive technology under the Efficiency Statement category of A Focus on the Social Care Customer Experience, £0.050m relating to a review of service delivery options under How We Are Organised, £0.050m relating to generating new income streams under Leading Sector-Led Improvement and £0.016m relating to a review of the Family Gateway under Continue to Redesign 0-19 Services.

2.15 A prudent view is being taken around savings to be achieved 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. These targets are all viewed as on track in terms of management actions and the Service is confident of delivering fully against targets in cash terms in due course. However, at this early stage in the year, these savings have been assumed as still requiring achievement whilst careful monitoring of actual results continues.

SECTION 3 – NEW REVENUE GRANTS

3.1 The following revenue grants have been received or notified during April and May 2019.

Table 4: Revenue Grants Received or Notified in April and May 2019.

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Environment Housing and Leisure	Without Walls Consortium Ltd	Without Walls	To support street entertainers for the Mouth of the Tyne Festival	0.010
Environment Housing and Leisure	Ministry of Housing, Communities and Local Government	Local Authority EU Exit Preparation	To support costs associated with Brexit	0.105
Environment Housing and Leisure	Arts Council England	Arts Council National Lottery Project Grant	To support delivery of the Front and Centre Project	0.015
Health, Education, Care and Safeguarding	Police and Crime Commissioner for Northumberland	Early Intervention Youth Fund	To provide support for young people on the periphery of serious crime	0.005
Health, Education, Care and Safeguarding	Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	To support the monitoring of school performance and to broker school improvement provision	0.110
Health, Education, Care and Safeguarding	Youth Custody Service	Remands to Secure Accommodation	Supports the transfer of responsibility to Local Authorities for the cost of remand for youth detention	0.013

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Commissioning and Asset Management	Department for Education	Looked After Children Mental Health Assessment Pilot	Piloting a new mental health assessment framework for Looked After Children	0.048
Commissioning and Asset Management	Council for Disabled Children	Information, Advice and Support Programme Grant	To ensure children and young people with special educational needs have access to free and impartial advice	0.046
Total				**0.352**

SECTION 4 – SERVICE COMMENTARIES

4.1 Meetings have been held between finance officers and budget managers to review the forecast positions for 2019/20, with forecasts being prepared on a prudent basis at this early stage in the financial year. An initial meeting took place with Lead Members to review the 2018/19 outturn and discuss the initial outlook for 2019/20. Further meetings have been planned for July and quarterly thereafter with officers, the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources, and other relevant Cabinet Members to discuss the in-year finance and performance position. Heads of Service and their senior teams will also attend to discuss plans in progress to mitigate any pressures.

4.2 Health, Education, Care & Safeguarding (HECS)

4.2.1 HECS is forecasting a pressure against its £68.069m net controllable expenditure budget of £5.611m. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

4.2.2 **Table 5: Forecast Variation for HECS at May 2019**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Corporate Parenting and Placements	16.374	18.946	2.572	3.580
Early Help and Vulnerable Families	1.593	1.608	0.015	(0.081)
Employment and Skills	0.546	0.546	0.000	(0.077)
Integrated Disability and Additional Needs Service	2.269	2.765	0.496	0.347
School Improvement	0.088	0.088	0.000	(0.130)
Regional Adoption Agency	0.000	0.000	0.000	0.000
Children's Services Sub-total	**20.870**	**23.953**	**3.083**	**3.639**
Wellbeing, Governance & Transformation	2.299	2.236	(0.063)	(0.360)
Disability & Mental Health	31.279	32.070	0.791	1.383
Wellbeing & Assessment	10.299	12.040	1.741	1.412
Integrated Services	2.919	2.875	(0.044)	(0.457)
Business Assurance	0.298	0.401	0.103	(0.183)
Adult Services Sub-total	**47.094**	**49.622**	**2.528**	**1.795**
Public Health	0.105	0.105	0.000	0.000
Total HECS	**68.069**	**73.680**	**5.611**	**5.434**

Main budget pressures across HECS

4.2.3 In addition to its normal complex budget management, HECS has been required to deal with a combination of pressures and national policy changes. There are continuing upward pressures on care providers' fees partially resulting from the National Living Wage and an on-going challenge around ensuring that the NHS makes a fair contribution for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) faces continuing budget constraints.

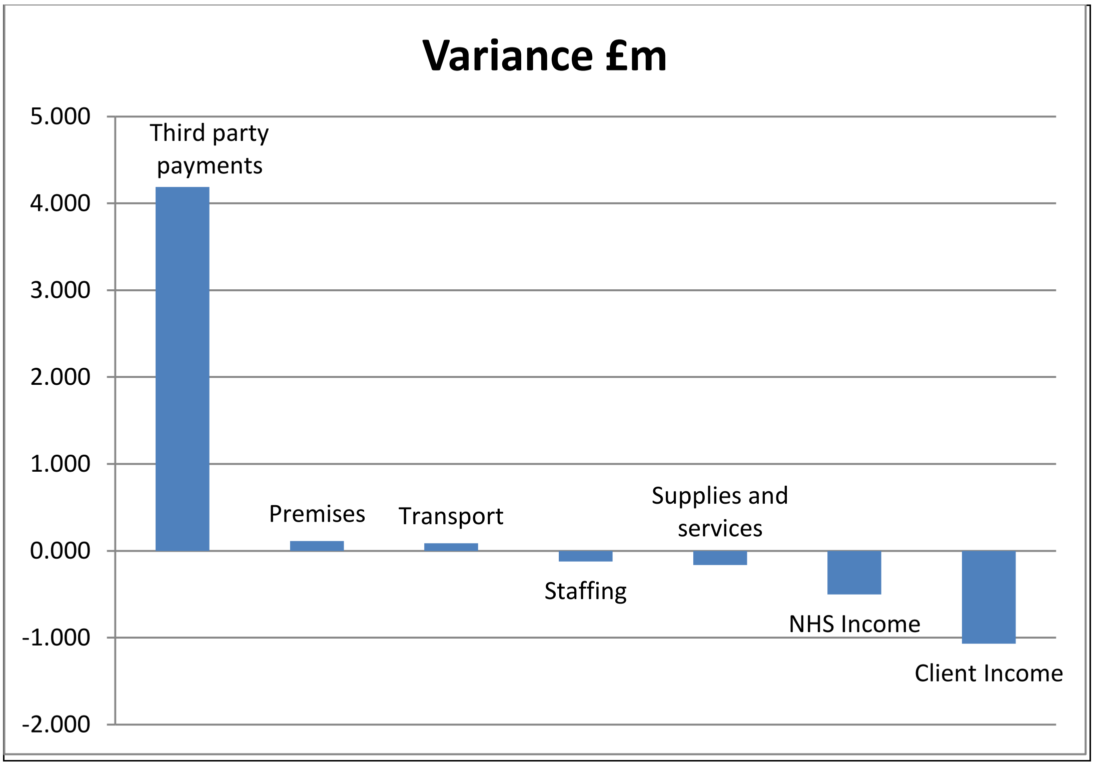
4.2.4 The main factor behind the pressure is third party payments in relation to fees for care homes and community-based packages for adults. In addition, there remains significant pressure within Corporate Parenting and Placements in relation to care provision for Looked After Children (LAC) and Care Leavers despite the overall numbers of LAC being relatively stable (see 4.2.22 below). This has combined with the on-going pressures in the workforce arising from staff retention costs and recruitment costs.

<u>Adult Services</u>

4.2.5 In Adult Services, the £2.528m pressure relates to third party payments for care provision which is £4.187m above budget levels. There are also smaller pressures relating to premises costs (£0.114m) and transport costs (0.088m). These pressures are partially offset by a higher than budgeted level of client contributions (£1.070m), and contributions from the NHS for clients with a health need (£0.504m). There are also underspends against supplies and services and staffing budgets of £0.163m and £0.124m respectively. The demand pressures were foreseen by Cabinet and backed by £1.800m of contingencies held centrally.

4.2.6 The factors behind the overall pressure of £2.528m are represented graphically below:

Chart 1: Breakdown of Budget Variances within Adult Social Care



4.2.7 In common with most local authorities, North Tyneside has seen demand for adult social care continue to rise as the success story of longer lifespans means there are many more people with 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.

4.2.8 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, HECS has been going through transformation to develop an asset-based approach that focuses on enhancing an individual's 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.

4.2.9 Pressures within external payments for care provision total £4.187m 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	May 2019/20 £m	2018/19 £m
Residential and Nursing Care	2.520	2.234
Homecare and Extra Care	0.955	1.376
Other Community-Based Care	0.712	0.660
Total	**4.187**	**4.270**

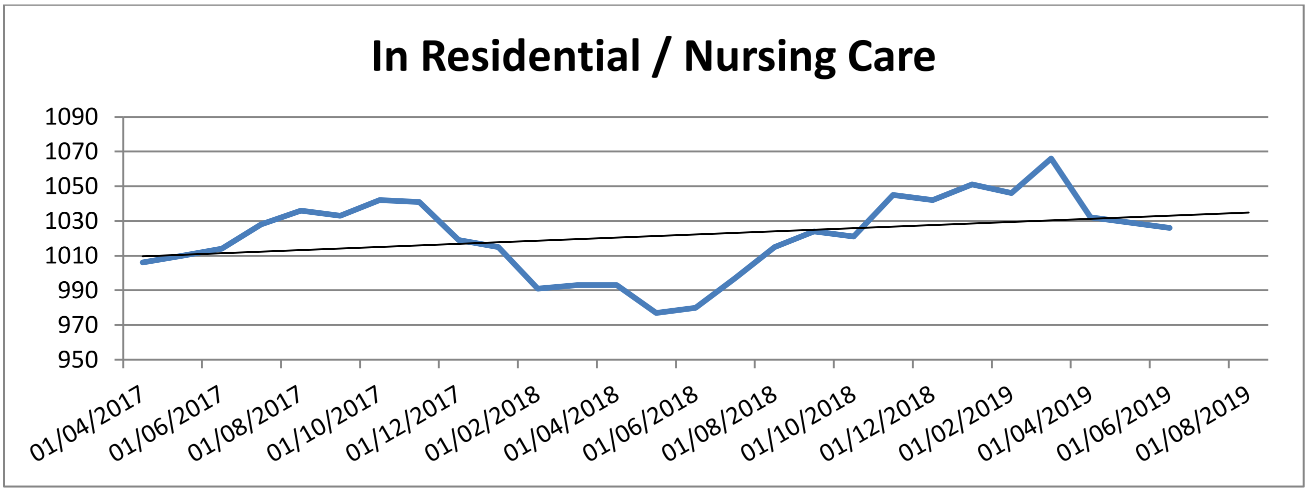
Residential and Nursing Care

4.2.10 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066. Internal processes to monitor the use of short-term placements have been strengthened and numbers of placements overall have fallen in April and May 2019. However, there are still 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.

4.2.11 Alternative provisions of services are being identified for short-term placements to prevent admission to long-term residential care such as Reablement services, community based intermediate care or extra care provisions. HECS is continuing 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.

4.2.12 The numbers of placements overall for Residential and Nursing Care is starting to fall, reducing from 1,066 in March 2019 to 1,026 at the end of May 2019. However, the numbers in care at May 2019 (1,026) are higher than May 2018 which stood at 977.

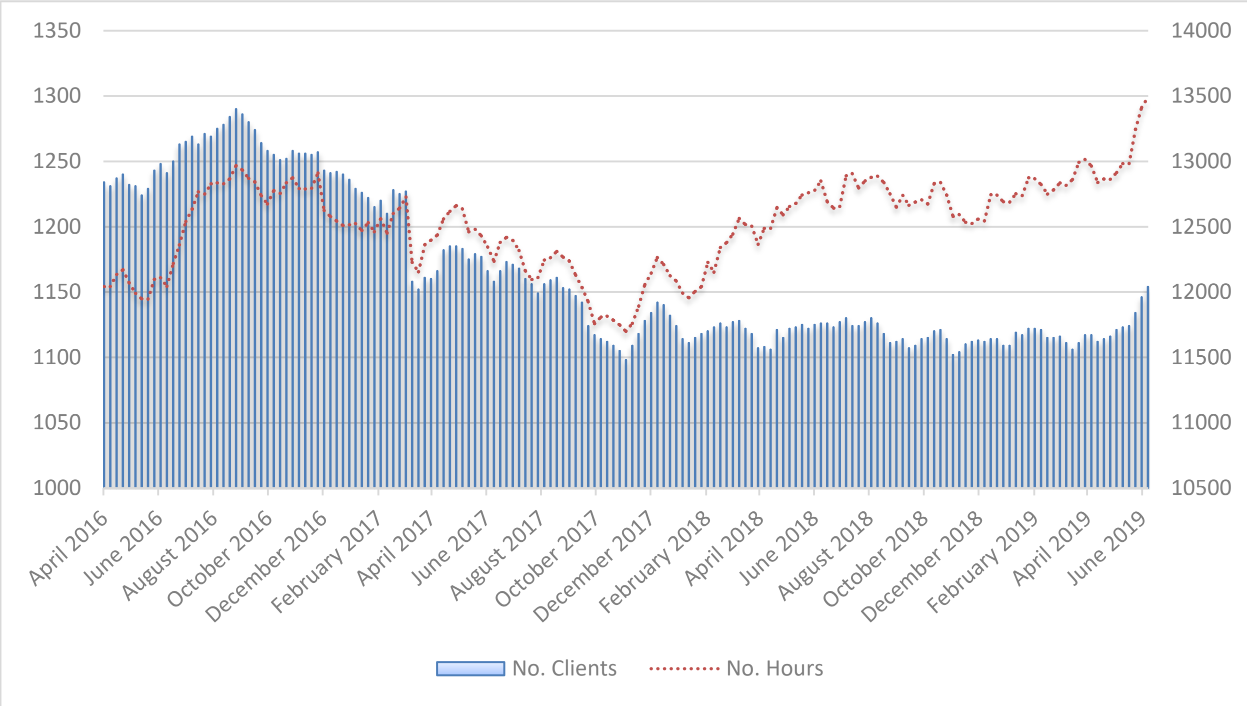
Chart 2: Movement in Numbers of Clients in Residential and Nursing Care since April 2017



Homecare and Extra Care

4.2.13 As reported during 2018/19, the Authority, in line with the national trend, has seen an in increase in the number of homecare hours provided despite a fall in the total number of clients receiving this type of service. This is demonstrated by chart 3 below:

4.2.14 **Chart 3: Trend in Annual Cost per Client of Homecare/Extra Care Services**



4.2.15 HECS is working hard to continue embedding the asset-based approach by re-engineering the customer pathway through 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

4.2.16 There is an over-achievement of s117 Mental Health Aftercare income of £0.521m and a £0.060m budget surplus on general recharges for items such as staffing costs. This is offset by a shortfall of income for jointly funded packages of care where a client has a significant health need (£0.077m). Recharges for jointly funded packages of care have been reducing for a number of years falling from £2.440m in 2017/18 to £1.680m in 2018/19. The forecast for 2019/20 at May is £1.634m. 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 late 2018 with revised national tools to support the assessment of continuing healthcare; the Authority is continuing to work through these issues in conjunction with the CCG.

Client Income

4.2.17 Client income is forecast to over-recover against budget by £1.070m. This includes an additional £0.120m relating to the full year impact of the new contributions policy agreed by Cabinet in 2018.

Transport and Premises

4.2.18 There are pressures in transport costs of £0.088m relating to vehicles for teams providing community-based care. In addition there are pressures of £0.114m in premises costs relating mainly to rent for respite premises for clients with a learning disability and accommodation costs for teams based within the community.

Children's Services

4.2.19 In Children's Services the £3.083m pressure relates mainly to demand pressures of £2.572m in Corporate Parenting and Placements and £0.496m in Integrated Disability and Additional Needs, which were foreseen by Cabinet and backed by £2.616m of contingencies held centrally.

Corporate Parenting and Placements

4.2.20 The pressures within Corporate Parenting and Placements can be broken down as follows:

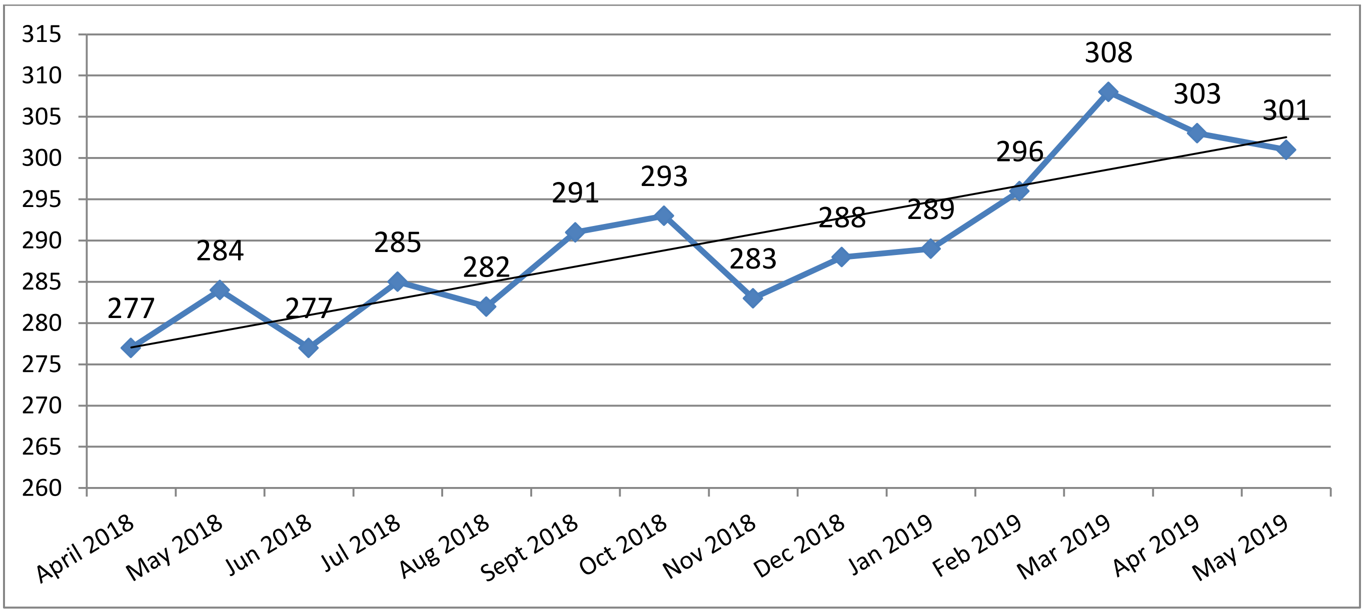
Table 7: Analysis of Pressures in Corporate Parenting and Placements

Type of Service	Budget 2019/20 £m	Variance May £m
Care provision - LAC	9.186	1.658
Care provision – Non LAC	3.202	0.472
Management and Legal Fees	0.098	0.112
Social Work	3.844	0.330
Safeguarding Operations	0.044	0.000
Total	**16.374**	**2.572**

Care Provision – LAC

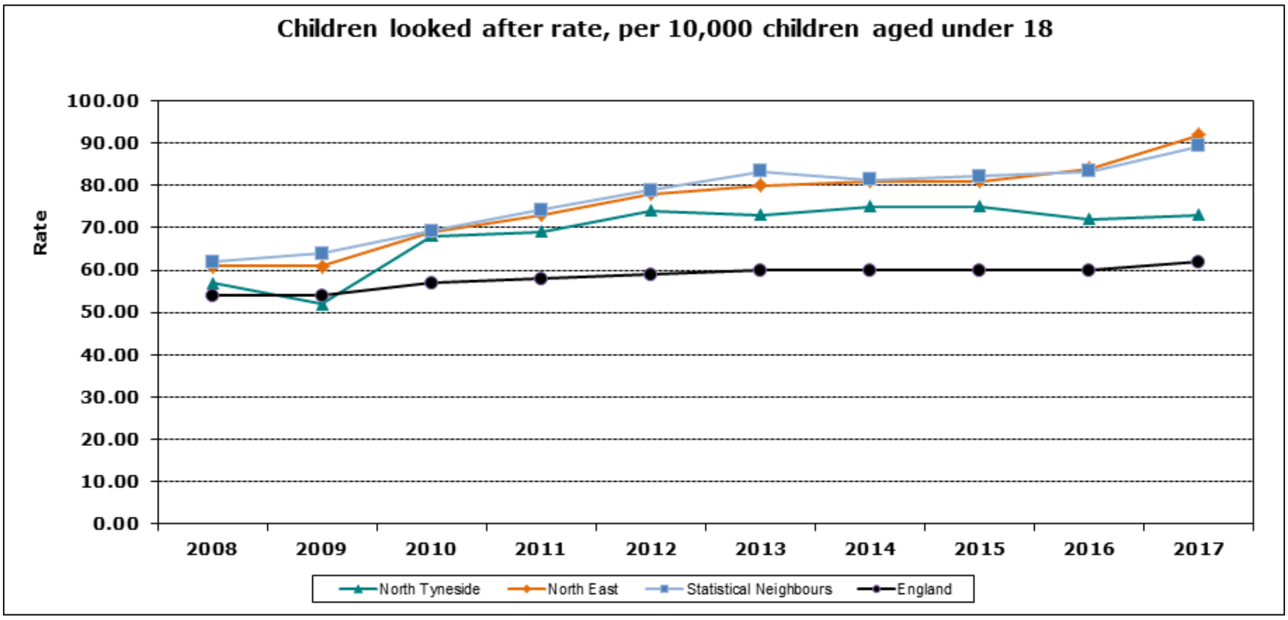
4.2.21 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of Looked After Children (LAC) has mirrored the increases felt nationally. Numbers were however, steady through 2018/19 before rising to 308 at the year end. Numbers of LAC have fallen to 301 at the end of May 2019. The increase seen at the end of the 2018/19 financial year related to delays in the Courts resulting in fewer LAC leaving the system.

4.2.22 **Chart 4: Looked After Children Numbers at the End of Each Month**



4.2.23 The most recent available national comparators from 2017/18, as demonstrated by chart 5 below, shows that North Tyneside, although above the England average, performs well within the North East region in relation to the rates of LAC. Updated national figures for 2018/19 will be available in autumn 2019.

4.2.24 **Chart 5: Comparative Performance in Rates of LAC per 10,000 Children under 18**



4.2.25 In addition to the recent rise in overall numbers of LAC since February 2019, placement mix also 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 33% of the overall placement cost. The average cost of a residential care placement at present is £0.249m; however this is very volatile and is dependent on the individual needs of the cohort of children and young people in externally provided residential placements at a point in time. External supported accommodation can also be expensive and there is currently a cohort of four young people with very complex needs being supported at an average cost in excess of £0.005m per week. Forecasts assume these young people will be moved to less costly provision for the second half of the year.

4.2.26 **Table 8: Forecast cost, forecast variance, average placement cost and placement mix**

Placement Type	19/20 Forecast Variance	Average Annual Placement cost £m	19/20 Bed nights	Placement Mix	No. of LAC at May 19
External Residential Care	0.912	0.249	6,765	6%	22
External Fostering	0.067	0.036	10,431	10%	24
In-House Fostering Service	0.000	0.020	76,188	69%	208
External Supported Accommodation	0.679	0.112	3,078	3%	10
Other*	0.000	various	13,482	12%	37
Total	**1.658**		**109,944**	**100%**	**301**

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

4.2.27 Children's Services has been successful in reducing the use of externally provided supported accommodation, which is the next most expensive form of provision after residential care. This has been achieved by making full use of the Authority's in house provision jointly working with the housing team 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.

Care Provision – Non-LAC

4.2.28 The pressure of £0.472m relating to care provision for non-LAC relates predominantly to children under a Special Guardianship Order (SGO). Cabinet will recall that the Authority's policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £2.616m established in Central Items in 2018/19 was, in part, intended to mitigate against these costs.

Management and Legal Fees

4.2.29 There is an over-commitment in management staffing costs of £0.012m within the overall pressure of £0.112m, but the main pressure shown here relates to a prudent assumption of achievement of 50% of the savings target in relation to sector-led improvement income leaving a £0.050m pressure and a forecast of £0.050m of the saving against legal fees as yet to be achieved.

Social Work

4.2.30 Within the overall pressures of £2.572m for Corporate Parenting and Placements, there are staffing pressures of £0.330m. Cabinet is aware of the particular challenges faced across the children's social care sector nationally. The net pressure is due to the need to establish an additional team, to support with case load management, which is forecast to be in place for six months (£0.150m) and market supplement payments (£0.180m). At the time of reporting, no agency staff are currently required and case loads are in line with good practice.

Integrated Disability and Additional Needs

4.2.31 There is a pressure of £0.496m as at May 2019. This pressure relates to operational staffing costs within in-house residential services of £0.200m, and an associated unachieved health income target of £0.085m. In addition, there are pressures relating to the delivery of the Authority's statutory duties in relation to Special Educational Needs and Disability (SEND) with additional management capacity and loss of grant funding forecast to cause a pressure of £0.077m. There are also staffing pressures of £0.135m in Educational Psychology partly relating to cover arrangements associated with maternity leave.

4.3 Commissioning and Asset Management

4.3.1 Commissioning and Asset Management is forecasting a pressure of £0.174m as set out in table 9 below compared to the 2018/19 position of £0.335m.

4.3.2 **Table 9: Commissioning and Asset Management Forecast Variation**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
School Funding & statutory staff costs	18.289	18.289	0.000	(0.106)
Commissioning Service	0.402	0.402	0.000	(0.026)
Child Protection independent assurance and review	0.674	0.684	0.010	0.011
Facilities and Fair Access	0.247	0.411	0.164	0.222
Community and Voluntary Sector Liaison	0.439	0.439	0.000	0.007
Strategic Property and Investment	0.795	0.795	0.000	0.072
High needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	1.357	1.357	0.000	0.171
Commissioning & Asset Management & support	0.154	0.154	0.000	(0.004)
Procurement	(0.055)	(0.055)	0.000	(0.012)
Total Commissioning & Asset Management	**22.302**	**22.476**	**0.174**	**0.335**

4.3.4 The main budget pressures across Commissioning and Asset Management relate to Facilities and Fair Access where there are inflationary pressures of £0.042m within Catering and £0.048m in Cleaning. In addition, there are pressures within Home to School Transport of £0.074m due to the increasing number of pupils attending special schools. There has been a 5% increase in the specific Consumer Price Index for food and beverages over the last three year period which on an annual spend of £2.2m equates to a pressure of £0.110m across the Service; this has been partially mitigated by cost efficiencies and by raising additional income.

4.3.5 The Service is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services and within Home to School Transport work is actively progressing on route rationalisation using the new QRoute system.

4.3.6 The pressures which existed in Property at the 2018/19 year end are forecast to be mitigated by more efficient delivery of the in-house service in relation to repair and maintenance and security costs at the Sir G.B. Hunter Memorial Hospital site have been reduced.

4.4 **<u>Environment, Housing & Leisure (EHL)</u>**

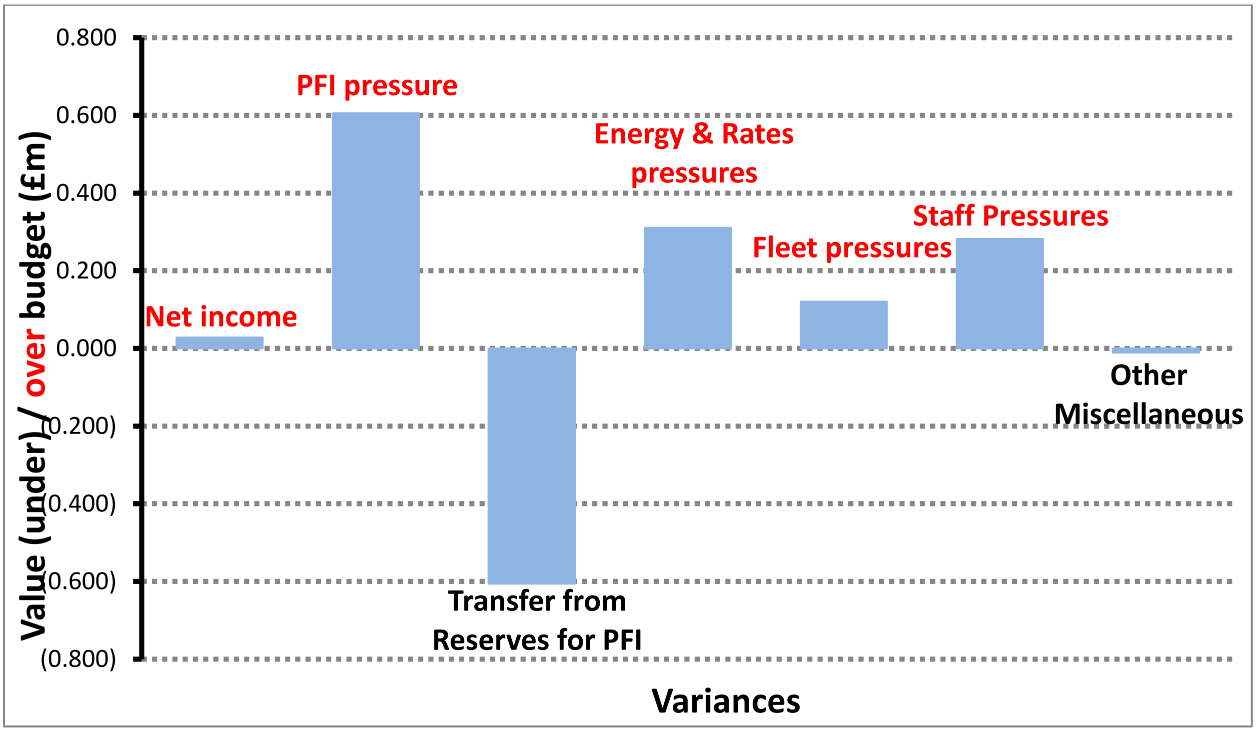
4.4.1 EHL is forecasting a pressure of £0.730m against the £41.752m budget, as set out in Table 10 below. The initial outlook for 2019/20 shared with Lead Members during the recent Budget and Performance session indicated that the Service was working hard to mitigate pressures of £1.378m and, by year end, expected to be able to manage those pressures in their entirety. This first monitoring position continues to take a prudent view at this early stage in the year as planning for mitigating savings is still in progress. This monitoring position reflects a £0.606m transfer from reserves to cover Private Finance Initiative (PFI) pressures. EHL is committed to delivering a balanced position.

4.4.2 **Table 10: Forecast Variation in Environment Housing & Leisure**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Sport & Leisure	3.101	3.367	0.266	0.291
Cultural Services	6.927	7.149	0.222	0.000
Security & Community Safety	0.302	0.306	0.004	0.054
Fleet Management	0.808	0.928	0.120	(0.022)
Waste and Recycling Disposal	7.230	7.181	(0.049)	(0.530)
Waste Management	3.607	3.744	0.137	0.222
Local Environmental Services	7.247	7.276	0.029	(0.043)
Head of Service and Resilience	0.133	0.155	0.022	(0.006)
Street Lighting PFI	4.396	4.397	0.001	0.000
Consumer Protection & Building Control	0.829	0.818	(0.011)	0.090
Transport and Highways	6.091	6.094	0.003	(0.027)
Planning	0.170	0.170	0.000	0.006
General Fund Housing	0.911	0.897	(0.014)	(0.009)
Total Environment, Housing and Leisure	**41.752**	**42.482**	**0.730**	**0.026**

4.4.3 The main pressures are identified in chart 6 below as energy and rates pressures across the service areas of £0.299m and historical staff-related pressures of £0.282m. In addition there are new pressures in Fleet Management due to the capital financing of the new vehicles of £0.120m, offset by small gains in income and other miscellaneous operational savings.

4.4.4 **Chart 6: EHL Underlying Pressures and Achieved Mitigation Savings 2019/20**



4.4.5 The following paragraphs 4.4.6 to 4.4.18 outline the pressures in each service area;

Sport and Leisure

4.4.6 Sport and Leisure is predicting a pressure of £0.266m, which is a small improvement on 2018/19. Whilst income budget targets around gyms have increased by £0.600m compared to 2018/19, EHL is still expecting a £0.109m improvement against these revised targets.

4.4.7 The improved income is offsetting historical pressures within Sport and Leisure around staffing and utility costs. EHL is planning to mitigate the overall pressures by continuing the promotional work which was successful in 2018/19, which saw increases to the numbers using leisure facilities across the year.

Cultural Services

4.4.8 Cultural Services within North Tyneside are showing a forecast pressure of £0.222m, which includes historical pressures due to utility and rates costs and income shortfalls. EHL is expecting to mitigate these pressures primarily by maximising the return from the Playhouse and Mouth of the Tyne Festival, along with close management of operational expenditure.

Security and Community Safety

4.4.9 This service area has reviewed and realigned both structure and finances to increase its overall viability. Following this review it is expecting to come close to break-even in 2019/20, an improvement over the outturn pressure of £0.054m in 2018/19.

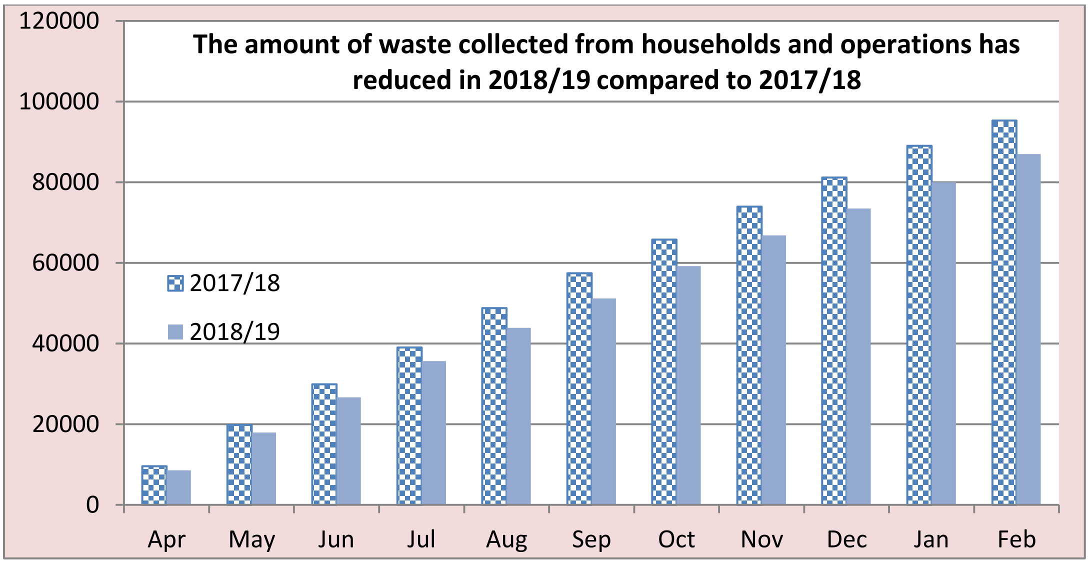
Fleet Management

4.4.10 Fleet Management is starting 2019/20 with a recognised pressure in relation to increased capital financing costs for newly purchased vehicles. This service area is prudently forecasting other costs, such as maintenance, materials and other operational expenditure whilst it carries out a review of recharging and maintenance plans. In past years the additional cost of financing new vehicles has been successfully offset by the associated reduction in servicing and maintenance costs of newer vehicles and EHL is working hard to identify further mitigating savings to deliver a balanced budget position.

Waste Management including Recycling and Disposal

4.4.11 Waste Management is currently predicting pressures associated with staffing and transport in relation to additional routes for new housing. However, these pressures are forecast to be partially offset by a review of transport charges and management of staffing resources. Provisional tonnage information at April reflects the continuing reduction in household waste generated that occurred in 2018/19 and is reflected in Chart 7 below:

4.4.12 **Chart 7: Overall Waste Tonnage – Comparison of 2018/19 to 2017/18**



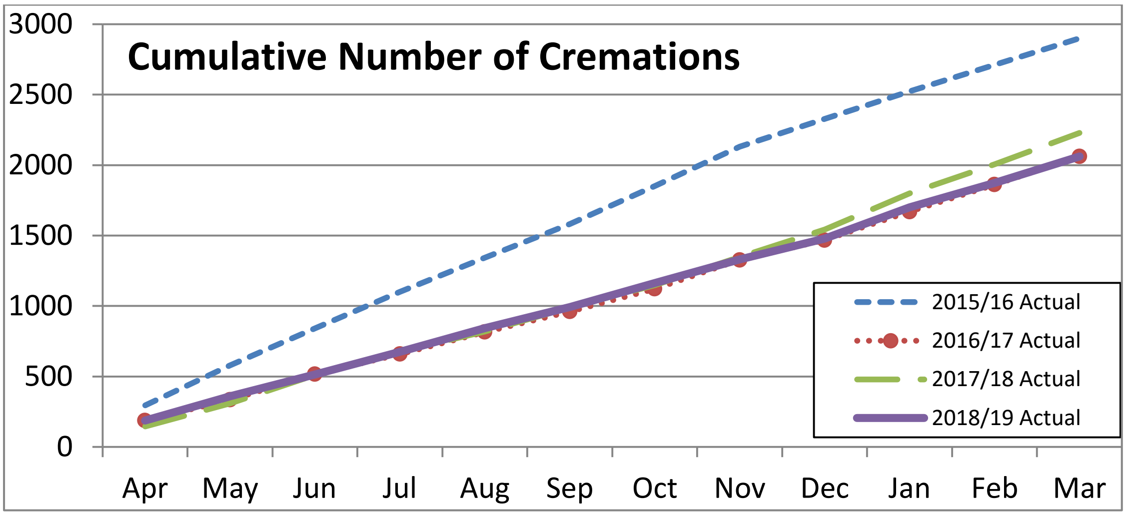
4.4.13 In 2018/19 a 9% decrease in waste volumes was experienced compared to 2017/18. This decrease reflects the beneficial impact of the measures implemented at the Household Waste Recycling Centre from July 2017 to tackle illegal usage of the site and the introduction of alternate weekly waste collections at the end of August 2018.

4.4.14 The recycling disposal contract is due for renewal in 2019/20 and is currently going through the appropriate re-procurement process. Due to events affecting the global market for recyclable material, it is envisaged that the costs to the Authority of the new contract will be higher. It now appears unlikely that the long term impacts of this will be met within existing budgets. However, in 2019/20 it is projected that, due to the Authority still benefiting from the favourable terms of the existing contract for the first six months of 2019/20, EHL should be able to mitigate the impact of this re-procurement in 2019/20 using all available Waste resources.

Local Environmental Services

4.4.15 This service area is predicting an overall pressure which is mainly in relation to an expected income shortfall in Bereavement. In previous years this area has achieved or surpassed income targets, but 2018/19 reflected the lowest burial and cremation numbers for four years, as reflected in Chart 8. The drop in income will be taken into account when the management review charges for its services for October, with a view to mitigating the current shortfall. EHL will continue to manage overall costs and look for opportunities to make additional savings whilst closely reviewing the income levels.

4.4.16 **Chart 8: Annual Number of Cremations (2015/16 to 2018/19)**



Street Lighting PFI

4.4.17 The Street Lighting PFI is predicting a cost pressure, which for 2019/20 is forecast to be £0.606m, mainly caused by increased energy costs. As the Authority has planned for this issue, this pressure will be mitigated by a draw-down from the PFI reserve established for this purpose and this will deliver a balanced budget position.

Consumer Protection & Building Control

4.4.18 In 2018/19 this service area reported an outturn pressure of £0.090m, including a £0.122m shortfall in taxi licensing. In 2019/20 Capita, the Authority's Technical Services partner, has agreed to undertake a review of the service to mitigate this pressure and the risk to the Authority.

4.5 **Regeneration and Economic Development**

4.5.1 Regeneration and Economic Development is forecasting a pressure of £0.153m at 31 May 2019 as summarised in table 11 below:

4.5.2 **Table 11: Forecast Variation for Regeneration and Economic Development**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Regeneration	0.309	0.429	0.120	0.418
Business & Enterprise	0.754	0.772	0.018	(0.019)
Resources & Performance	0.108	0.123	0.015	(0.014)
Total Business and Economic Development	**1.171**	**1.324**	**0.153**	**0.385**

4.5.3 The pressures result from a forecast shortfall against budget for berthing fee income of £0.148m and for rental income for business units at the Swans Centre for Innovation of £0.063m. These pressures are partially offset by savings in supplies and services at Swans Quay mainly relating to security services.

4.6 **Corporate Strategy**

4.6.1 Corporate Strategy is forecasting a pressure of £0.116m as set out in table 12 below. Staffing pressures are partially offset by savings in supplies and services mainly in relation to subscriptions to various bodies. Corporate Strategy are looking to partly mitigate the pressures through the year by focused vacancy management and identifying opportunities to increase income and reduce non-essential spend.

4.6.2 **Table 12: Forecast Variation Corporate Strategy**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Corporate Strategy Management	(0.019)	0.005	0.024	0.032
Policy, Performance & Research	(0.059)	(0.086)	(0.027)	0.147
Marketing	0.092	0.162	0.070	0.051
Elected Mayor and Executive Support	(0.003)	0.008	0.011	0.013
Children's Participation & Advocacy	0.187	0.225	0.038	(0.001)
Total Corporate Strategy	**0.198**	**0.314**	**0.116**	**0.242**

4.7 Resources

4.7.1 The forecast pressure of £0.874m within Resources, as set out in table 13 below, mainly relates to Customer Journey and Digital Strategy, within ICT Retained Services.

4.7.2 **Table 13: Forecast Variation Resources**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Chief Executive	(0.054)	(0.104)	(0.050)	(0.016)
ICT Retained Services	1.805	2.689	0.884	1.189
Finance Service	(0.449)	(0.449)	0.000	(0.331)
Internal Audit	(0.088)	(0.088)	0.000	(0.049)
Revenues, Benefits and Customer Services	(0.020)	(0.025)	(0.005)	0.087
Human Resources	(0.334)	(0.289)	0.045	0.021
Organisational Development	0.247	0.247	0.000	0.000
Total Resources	**1.107**	**1.981**	**0.874**	**0.901**

4.7.3 Within ICT Retained Services, the main pressures relates to continuing staffing pressures associated with the Customer Journey project (£0.162m). There is also an on-going pressure of £0.262m relating to the Outsystems software development and hosting platform for the production of custom applications. The reduction in pressure from 2018/19 results from costs relating to support for the Customer Journey project provided by ENGIE that will end by 30 September 2019.

4.7.4 Also within ICT Retained Services are budget pressures within Digital Strategy which relate to ICT costs for systems which are outside the ENGIE contract. These include telephony, network and storage support and maintenance packages amongst other smaller items.

4.7.5 Human Resources is showing a pressure of £0.045m due to staffing pressures following the transfer of the Service back to the Authority from ENGIE.

4.7.6 Within Revenues, Benefit and Customer Services, pressures remain relating to reduced enforcement income and bank charges; however, these are entirely offset by an improved benefits subsidy position, an improved bad debt position and savings on supplies and services.

4.8 Law and Governance

4.8.1 Law and Governance is forecasting a pressure of £0.060m, reduced from 2018/19, due to the replacement of more costly locums with directly-employed staff. In addition, in 2018/19 there was a one-off backdated cost relating to the Coroners Service (£0.090m).

4.8.2 **Table 14: Forecast Variation for Law and Governance**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Customer, Governance and Registration	(0.075)	(0.046)	0.029	0.053
Democratic & Electoral Services	(0.064)	(0.058)	0.006	0.010
Information Governance	(0.113)	(0.135)	(0.022)	0.040
Legal Services	(0.186)	(0.162)	0.024	0.109
North Tyneside Coroner	0.293	0.316	0.023	0.119
Total Law and Governance	**(0.145)**	**(0.085)**	**0.060**	**0.331**

4.8.3 There is a forecast pressure from operational costs within the Coroner Service based on activity levels for 2018/19, comprising of costs relating to fees from funeral directors for removal of bodies and for post mortem costs (£0.023m) and a staffing pressure with Legal Services (£0.024m). Within Customer, Governance and Registration there is a forecast shortfall against income targets of £0.015m and supplies and services pressures of £0.011m with the balance being minor operational staffing pressures of £0.003m.

4.9 **Central Items**

4.9.1 The 2018/19 forecast outturn set out in Table 15 below reflects an underspend of £2.455m on central budgets, including contingency budgets relating to pressures in adult and children's social care of £4.416m.

4.9.2 **Table 15: Forecast Variation Central Budgets and Contingencies**

	Budget £m	Forecast £m	Variance May £m	Variance 2018/19 £m
Corporate & Democratic Core	9.545	9.545	0.000	(0.259)
Other Central Items	(8.282)	(10.737)	(2.455)	(8.626)
Total Central Items	**1.263**	**(1.192)**	**(2.455)**	**(8.885)**

4.9.3 Within Other Central Items there are several areas where spend and income is forecast to deviate from budget. Continued savings have been identified resulting from the application of the Authority's Treasury Management Strategy. There is a saving of £0.730m relating to Public Works Loan Board loans taken out at a lower rate of interest than budgeted for (£0.355m) and a reduction in borrowing costs resulting from higher internal borrowing (£0.375m). In addition, reprogramming within the Investment Plan has delivered a credit against Minimum Revenue Provision of £0.370m at this stage in the year. This total saving of £1.100m could provide in-year mitigation to the cross cutting savings targets which are yet to be permanently saved as outlined in sections 2.7 to 2.9. There is also a saving against budget of £0.600m for Strain on the Fund costs.

There are contingency budgets of £4.636m including the £4.416m held against pressures in social care. There is a total of £0.218m other smaller savings.

4.9.4 These underspends are partially offset by savings targets forecast as still to be fully achieved. These relate to the following Efficiency Statement Categories; A Focus on the Social Care Customer Experience, How We Are Organised and Delivering Our Fees and Charges Policy. There is an increase to the bad debt provision of £0.250m.

SECTION 5 - SCHOOLS FINANCE

Schools Balances in 2018/19

5.1 Cabinet will recall that during 2018/19, collective school balances in North Tyneside maintained schools reduced from a surplus of £3.357m at the start of the year to a surplus of £1.599m at year end. This position was significantly better than the initial forecast when the outturn was expected to be an overall deficit of £4.716m, an improvement of £6.315m.

School Budgets 2019/20

5.2 Schools are required to submit their rolling three year budget plan to the Authority by 31 May each year. The total planned deficit for school balances is £5.045m in 2019/20. The total planned school balances by phase is shown below:

Table 16: Summary of Planned School Balances for 2019/20 by Phase

Phase	Outturn 2018/19 £m	Budget Plan 2019/20 £m
Nursery	0.009	0.002
Primary	3.789	2.603
Secondary	(3.279)	(7.866)
Special/PRU	1.080	0.216
Total	**1.599**	**(5.045)**

5.3 Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2018/19 was the fourth year of balances decreasing following a long term trend of rising balances in North Tyneside and the overall projected balances for 2019/20 continues this trend.

School Deficits

5.4 As well as school balances reducing overall, some individual schools continue to face significant financial challenges.

5.5 There were nine schools with approved deficits in 2018/19 and five of these schools continue to be in deficit for 2019/20. Schools Forum and senior officers worked closely with these schools during the year which, for the five schools remaining in deficit in 2019/20, contributed to an improved outturn of £7.247m compared to the approved deficit budgets planned totalling £7.827m. Two schools, Monkseaton Middle School and Whitley Bay High School, ended 2018/19 in a surplus position and are no longer in deficit in 2019/20. In addition, Backworth Park Primary School and Percy Main Primary School have submitted budget plans for 2019/20 which forecast an improved position, as a result both schools will no longer require a Licenced Deficit Agreement. The progress of the five individual schools remaining in deficit is outlined in table 17 below:

5.6 **Table 17: Schools in a Continuing Deficit Position**

School	Deficit Approval 2018/19 £m	Outturn 2018/19 £m	Improvement £m	Budget Plan 2019/20 £m
Ivy Road Primary	(0.278)	(0.223)	0.055	(0.357)
Marden High	(0.646)	(0.533)	0.113	(0.603)
Norham High	(1.549)	(1.462)	0.087	(2.057)
Longbenton High	(1.702)	(1.544)	0.158	(2.195)
Monkseaton High	(3.652)	(3.485)	0.167	(4.492)
Total	**(7.827)**	**(7.247)**	**0.580**	**(9.704)**

5.7 There are also six schools new to deficit in 2019/20 and details are provided in Table 18 below:

Table 18: Schools New to Deficit in 2019/20

School	Outturn 2018/19 £m	Budget Plan 2019/20 £m
Beacon Hill	0.301	(0.211)
Fordley Community Primary	(0.033)	(0.019)
Forest Hall Primary	0.000	(0.025)
Holystone Primary	(0.034)	(0.023)
St Aidan’s RC Primary	(0.022)	(0.025)
St Bartholomew’s C of E Primary	(0.005)	(0.033)
Total	**0.207**	**(0.336)**

5.8 Further work is underway with special schools to look at appropriate levels of funding for the needs of their current cohort of pupils. A review of High Needs provision in North Tyneside is also being undertaken and the outcome of this review will be reported to Cabinet in due course.

5.9 Deficit challenge sessions have commenced for schools with a continuing deficit and these will be concluded in June. A session has been held with schools new to deficit in 2019/20 to explain the process of deficit approval and challenge sessions with these schools are planned for early July.

5.10 In April 2019 Schools Forum approved changes to the Scheme for Financing Schools in respect of Licenced Deficit Agreements. It is anticipated that the changes made to the scheme for financing schools will improve financial governance for 2019/20 and beyond.

5.11 Under the revised Scheme all schools that are new to deficit and require a Licenced Deficit Agreement in 2019/20, will be required to return to financial balance within a maximum timescale of 3 years. Previously the maximum timescale allowed was 5 years. Those schools that are already operating under a Licenced Deficit Agreement will need to produce robust financial recovery plans which show the school achieving an in-year balanced position within 3 years with a view to start repaying the deficit in year 4 and subsequent years.

5.12 The Authority recognises that school budgets are under increasing pressure with rising costs relating to pay awards including the implications of the Nation Living Wage and North Tyneside Living Wage, pension contributions, apprenticeship levy and inflationary pressures on premises, equipment and materials costs. As a consequence the Authority is introducing a Support and Challenge process to help schools to deliver excellent outcomes for pupils within available resources.

5.13 The Support and Challenge Framework is aimed at helping schools currently in deficit recover financial sustainability as quickly as possible but it is also intended to introduce earlier intervention and prevention measures for schools showing signs of future financial difficulties. Under the framework the Authority will allocate an annual RAG rating to each school based on the three year budget plan produced by 31 May each year. Additional support will then be offered appropriate to the RAG rating of the individual school.

5.14 In 2018/19, Schools Forum agreed to delegate an amount of £0.131m for schools in financial difficulty often referred to as 'headroom' funding. Schools Forum agreed to offset the costs of the Schools Procurement Officer of £0.010m against this fund. Schools Forum also agreed to centrally retain a sum of £0.250m to support schools with falling rolls. A sub group of Schools Forum met during 2018/19 to develop criteria for allocation of this funding. As this agreement was outstanding at 31 March 2019, these amounts have been carried forward into 2019/20 for allocation in the current financial year. In addition to the 2018/19 centrally retained and de-delegated budgets, an amount of £0.432m was also carried forward from 2017/18 (net of repayments of funding back to academies during the year) into 2019/20 as summarised in Table 19 below:

5.15 **Table 19: Centrally retained and de-delegated funds to support schools in Financial Difficulty**

	£m
Carried forward from 2017/18	0.467
Less repayments to academies	(0.035)
Falling rolls funding 2018/19	0.250
Headroom funding 2018/19	0.131
Procurement Officer costs	(0.010)
Carried forward into 2019/20	**0.803**

5.16 A sub group of Schools Forum has met with schools applying for assistance and an allocation of the funding available. Initial recommendations will be taken to the July 2019 meeting of Schools Forum and any funding agreements will be reported to Cabinet in due course.

5.17 As in previous years, the details of schools balances will be reported to the Department for Education (DfE) through the Consistent Financial Reporting (CFR) return. This return will be co-ordinated by the Authority and will be submitted by the deadline in July 2019. The CFR is then used to populate parts of the s251 Outturn return which will be submitted to the DfE by the end of August 2019 for verification in September. Full details of each individual school's balance will then be reported to Cabinet.

High Needs Block

5.18 Cabinet will recall that the High Needs block ended 2018/19 with a pressure of £0.920m. 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. This overall pressure in the High Needs block is in line with the national and regional picture and Members will be aware of the high level of interest in special needs provision and associated funding issues in the national media.

5.19 Initial forecasting of the budget position for 2019/20 indicates a similar level of pressure within the year. There has been a rise in demand for special school places and the Authority. The total number of places the Authority is planning for at the end of 2019/20 is approximately 762. This compares to a total of 664 places at the beginning of 2018/19. These additional places create pressures in relation to place funding of £10,000 per place and the associated top-up funding reflecting each child's level of need. A breakdown of the in-year pressure is shown in Table 20 below:

5.20 **Table 20: Breakdown of High Needs Pressures at May 2019**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	11.833	1.098	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	0.085	Pressures in pre 16 top ups e.g. Norham ARP, Melrose ARP
Out of Borough	1.730	(0.181)	
Commissioned services	3.524	(0.050)	
Subtotal	**20.232**	**0.952**	

Managing the High Needs Block

5.21 Work continues to manage expenditure within the High Needs block. A review of Additionally Resourced Places (APRs) and commissioned services is in progress with initial findings reported in April and May 2019 respectively. The Authority is working through the findings and recommendations with stakeholders to agree the next steps to delivering improvements and identifying efficiencies.

5.22 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.

5.23 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.

Early Years Block

5.24 The Early Years block outturn for 2018/19 was a surplus of £0.881m. This included a brought forward deficit of £0.020m from 2017/18. An adjustment to funding takes place each May/June when the DfE reviews funding estimates based on the January pupil census prior to the new financial year. The Authority is anticipating a clawback of funding as a result of this review. Initial indications for 2019/20 show that services can be delivered within the budget available.

Planning for 2020/21

5.25 The Authority is currently working with the Schools Forum finance sub group to review modelling the conversion of the Authority's local funding formula to the National Funding Formula. The review is due for completion during July 2019 and the outcome will be reported to Schools Forum at its July meeting. The process will continue in line with the key milestones outlined below:

Table 21: Process to Agree the Schools Allocation Formula for 2020/21

	Task	Timescales
1	To review the current formula	May/June 19
2	Suggest a number of scenarios showing how it could be changed to move towards the National Funding Formula	3 June 19
3	Model the scenarios	3-24 June
4	Analyse the impact	24 June 19
5	Agree proposal for Schools Forum	July 19
6	Schools Forum agree proposals to consult on	12 September 19
7	Consult with all schools (providing support to interpret)	16 September to 31 October 19
8	Results of consultation back to Schools Forum	13 November 19
9	The Authority decides on the allocation formula taking into account views of schools and Schools Forum	November 19

SECTION 6 - HOUSING REVENUE ACCOUNT

Forecast Outturn

6.1 The forecast set out in Table 22 below is based on the results to May 2019 and reflects a balanced position or underspends across all cost areas. Rental income continues to perform well against budget forecast due to the continued reduction in the number of empty homes being maintained, leading to a forecast over-recovery against budget (£0.134m). Income from Garages also continues to perform above budget (£0.027m), however, this is partially offset by a reduction in service charge income (including furniture packs) of £0.100m. Based on this early performance the rental income could continue to improve throughout the remainder of 2019/20, however, some of this improved position may be offset by the continuing impact of Universal Credit and the potential of an increase in the bad debt provision, both of which will be closely monitored throughout the year.

It is anticipated that significant savings in repairs and management costs will be realised as a result of benefits realisation from the insourcing of the Kier Joint Venture and the creation of the new Housing Property and Construction Service. However, at this stage the service is still bedding in and getting used to new systems and processes. A lot of work is on-going to establish the true level of saving that will be realised, and as soon as this can be established it will be reported to Members through the budget monitoring process.

6.2 **Table 22: Forecast Variance Housing Revenue Account**

	FULL YEAR - 2019/20			Variance
		Forecast Outturn		
	Full Year Budget £m	Actual £m	May 2019 Variance £m	2018/19 £m
INCOME				
Rental Income	(58.697)	(58.758)	(0.061)	(1.185)
Other Rental Income - Shops & Offices etc.	(0.275)	(0.275)	(0.000)	(0.094)
Interest on Balances	(0.050)	(0.050)	0.000	(0.023)
PFI Credits	(7.693)	(7.693)	0.000	0.000
	(66.715)	**(66.776)**	**(0.061)**	**(1.302)**
EXPENDITURE				
Capital Charges - Net Effect	12.110	12.110	0.000	(0.027)
HRA Management Costs	12.036	12.030	(0.006)	(1.816)
PFI Contract Costs	9.641	9.641	0.000	0.000
Repairs	11.959	11.911	(0.048)	(0.002)
Revenue Support to Capital Programme	9.053	9.053	0.000	(0.517)
Contribution to Major Repairs Reserve – Depreciation	12.392	12.392	0.000	0.517
Contingencies, Bad debt Provision & Transitional Protection Payments	1.000	1.000	0.000	(0.043)
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	69.046	**68.992**	**(0.054)**	**(1.888)**
	2.331	**2.216**	**(0.115)**	**(3.190)**
BALANCES BROUGHT FORWARD	**(6.202)**	**(7.303)**	**(1.101)**	**(1.443)**
BALANCES TO CARRY FORWARD	**(3.871)**	**(5.087)**	**(1.216)**	**(4.633)**

6.3 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 personal budget support to help residents manage their household finances. A team is working proactively with tenants to minimise arrears, and this is being closely monitored as the year progresses to identify any adverse impacts on the budget position. For the first time in the last 15 years there was a pressure on the bad debt provision in 2018/19, which is an indication of the impact this change is having on levels of arrears. At 1 April 2019 there were 2,005 North Tyneside Homes' tenants on Universal Credit with arrears totalling £1.163m. As at 17 June 2019 this number had increased to 2,284 with related arrears of £1.464m.

Right to Buy (RTB) Trends

6.4 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 attractive financially 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.

6.5 **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	56	135	79	0.538	6.533
2019-20 YTD	9	16	7	0.063	0.782
Total	**371**	**887**	**516**	**3.534**	**38.625**

6.6 In the period (2012-2019), the Authority has built over 175 new homes through the HRA, which has helped mitigate a portion of the revenue loss from the 887 sales in the same period. However, the cumulative impact on HRA annual rental income from RTB over this period is in excess of £3.500m

SECTION 7 - INVESTMENT PLAN

Review of Investment Plan - Position Statement

7.1 The Authority's Investment Plan represents the capital investment in projects across all Service areas. The vast majority of the 40+ 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 2019/20 are summarised below:

Affordable Homes New Build and Conversion Works

7.2 2 projects have been completed to date in 2019/20:

- The construction of 13 new affordable homes in Battlehill, on the former Bonchester Court site. Completed May 2019; and,
- The construction of 9 new affordable homes in Battlehill, on the former Beadnell Court site. Completed May 2019.

There are a number of projects that the Authority will progress following Cabinet approval gained on 28 May 2019. These include:

- The development of 12 affordable homes at Cedars, North Shields;
- The demolition of the existing building and development of 3 affordable homes at Edwin Grove, Howdon;
- The development of 11 affordable homes on the former site of Bawtry Court, Battle Hill;
- The refurbishment and remodelling of 2 properties at Wellfield, Whitley Bay following compulsory purchase; and,
- Develop plans for affordable homes at Murton.

Housing Investment Work

7.3 The Housing Capital delivery programme will see the following works delivered across the borough during 2019/20:

- Kitchens and bathrooms to 654 homes;
- Heating upgrades to 600 homes;
- Boundary improvements to 1,281 homes;
- External decoration to 1,928 homes;
- Roof replacements to 260 homes;
- External Brickwork Repairs to 190 homes;
- Footpath repairs throughout the borough; and,
- Firedoor replacement to 630 flats within communal blocks.

Education Investment Works

7.4 Delivery of the priority condition related projects across the school estate as part of the schools condition investment programme.

Priority Schools Building Programme (PSBP) 2 (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. Works commenced in May 2018 and follow a 5 phase programme extending to January 2020.

Highways and Infrastructure Works

7.5 The main Highways & Infrastructure works include:

- Delivery of the Local Transport Plan (LTP) including the annual resurfacing programme and integrated transport projects;
- Delivery of the Additional Highway Maintenance Programme including footway improvements in line with the Mayor's priorities;
- Works to the Southern Promenade sea wall repair scheme;
- Completion of final phase of A1058 Coast Road Cycle Scheme;
- Completion of the North Bank of Tyne highway improvements; and,
- Completion of construction on the A189 Salters Lane major highways scheme.

Regeneration Works

7.6 Regeneration Works for 2019/20 include:

Swans – the next phase consists of:

- CFI Phase 2 – works started May 2019 with completion expected November 2019; and,
- Plot 6 basement demolition – the contract will be tendered with completion expected during 2019/20.

Variations to the 2019-2023 Investment Plan

7.7 In addition to the regular investment programme monitoring process, officers have carried out an in-depth review of the Investment Plan to confirm the expected spend profiles of projects. As result of this, reprogramming of £8.106m has been identified from 2019/20 into 2020/21. In addition, there have been a number of funding announcements since the original budget was set in February that require variations.

Table 24 below details the changes to the approved 4-year Investment Plan, as agreed at Council on 21 February 2019.

7.7.1 **Table 24: 2019 - 23 Investment Plan changes identified**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Approved Investment Plan – Council 21 February 2019	**62.758**	**42.463**	**37.008**	**37.055**	**179.284**
Previously Approved Reprogramming/Variations					
Cabinet 1 April 2019 (Appendix 1)	6.828	0	0	0	6.828
Cabinet 28 May 2019	8.484	0	0	0	8.484
Approved Investment Plan	**78.070**	**42.463**	**37.008**	**37.055**	**194.596**
April/May 2019					
Variations	3.362	1.169	0	0	4.531
Reprogramming	(8.106)	8.106	0	0	0
Total Variations	**(4.744)**	**9.275**	**0**	**0**	**4.531**
Revised Investment Plan	**73.326**	**51.738**	**37.008**	**37.055**	**199.127**

7.8 The details of the main elements of the £4.531m variations are shown below:

(a) **HS004 Disabled Facilities Grant £1.867m** – The Ministry of Housing, Communities and Local Government announced the 2019/20 allocation, £1.647m in May 2019. The budget is also to be adjusted by £0.220m to reflect the actual grant brought forward from 2018/19;

(b) **EV076 Operational Depot Accommodation Review £2.012m** – European Funding has been approved towards the Killingworth Depot Project. This will enable a site solution approach to energy reduction and generation with energy efficiency and functionality as the key principles. This will use a range of energy efficient systems, alongside energy generation and energy storage/distribution solutions to support a progressive move to an electric powered operational fleet;

(c) **Transforming Cities Fund £0.949m -** The Transforming Cities Fund (TCF) is capital funding managed by the Department for Transport (DfT). As part of the Joint Tranche 1 bid North Tyneside has been awarded the following funding:

- **Coast Road Cycle Route £0.237m** – The majority of this cycle route has been upgraded utilising Cycle City Ambition Funding. The additional funding will allow the completion of the final phase and further enhancement of the route;
- **Tyne View Terrace £0.427m** – this will upgrade the existing cycle route on the south side of A187 Tyne View Terrace, improving the route to the Tyne Pedestrian and Cycling Tunnel; and
- **Northumberland Park to Cobalt £0.285m** – a section of the cycle route is being upgraded utilising Early Measures Funding, the additional funding would allow additional linkages to the route to be upgraded;

(d) **BS029 Wallsend Customer First Centre (CFC) Alcohol Treatment Capital Fund £0.411m** – Following a successful bid, Public Health funding has been awarded to relocate the existing integrated alcohol and drug treatment service from their current premises into a bespoke unit in the Wallsend Customer First Centre;

(e) **DV058 Swan Hunters Redevelopment £0.936m credit** – Following the decision of Cabinet on 28 May 2019 the Quay Infrastructure Local Growth Fund (LGF) Stage 2 business case will not currently be developed any further, therefore, the LGF funding (£0.144m) has been removed from the plan and the council contribution element of £0.126m transferred to contingencies. The deferral of the business case for the Centre for Innovation (CFI) Phase 3 enabling works (South Block demolition) has resulted in the assumed LGF funding of £0.666m relating to this also being removed;

(f) **EV034 Local Transport Plan £0.144m** – This reflects The Department for Transport 2019/20 Pothole Fund allocation;

(g) **BS026 Asset Planned Maintenance £0.100m** – relates to the demolition to part of the Sir G.B. Hunter Memorial Hospital site and premises which will be funded by a contribution from the Health Service for dilapidation costs for the premises that were previously leased to the Health Service;

(h) **IT027 Self Service Kiosk Replacement £0.100m** – Transfer from GEN03 Contingencies to fund replacement self-service kiosks at Customer First Centres. The current machines are not PCI (Payment Card Industry) compliant;

(i) **CO076 Lockey Park Play Improvement £0.074m** – Section 106 funding for new play equipment at Lockey Park; and

(j) **CO078 Coastal Revival Fund £0.048m** – As the accountable body, North Tyneside Council are to administer the grant awarded to The Exchange North Tyneside Ltd to fund refurbishment of the theatre and kitchen area.

7.9 As outlined in paragraph 7.7, an exercise has been undertaken to review all projects in the Investment Plan to align the budget profile with the project's expected delivery. Total reprogramming to the end of May 2019 of £8.106m has been identified and is detailed in Table 25 below:

7.9.1 **Table 25: Reprogramming by Project**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
DV066 Investment in North Tyneside Trading Company	(0.800)	0.800	0	0	0
ED075 Devolved Formula Capital	(1.000)	1.000	0	0	0
EV076 Operational Depot Accommodation Review	(2.469)	2.469	0	0	0
HS004 Disabled Facilities Grants	(1.437)	1.437	0	0	0
HS044 HRA New Build	(2.400)	2.400	0	0	0
Total Reprogramming	**(8.106)**	**8.106**	**0**	**0**	**0**

7.10 The impact of the changes detailed above on capital financing is shown in Table 26 below.

7.10.1 **Table 26: Impact of variations on Capital financing**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Approved Investment Plan – Cabinet 28 May 2019	**78.070**	**42.463**	**37.008**	**37.055**	**194.596**
Council Contribution	(3.269)	3.269	0	0	0.000
Grants and Contributions	0.925	3.606	0	0	4.531
HRA Capital Receipts	(1.796)	1.796	0	0	0.000
HRA House Building Fund	(0.604)	0.604	0	0	0.000
Total Financing Variations	**(4.744)**	**9.275**	**0**	**0**	**4.531**
Revised Investment Plan	**73.326**	**51.738**	**37.008**	**37.055**	**199.127**

Capital Receipts – General Fund

7.11 General Fund Capital Receipts brought forward at 1 April 2019 were £1.100m. The capital receipts requirement for 2019/20 approved by Council on 21 February 2019 was £Nil. To date no capital receipts have been received in 2019/20. The receipts position is shown in Table 27 below.

7.11.1 **Table 27: Capital Receipt Requirement – General Fund**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Requirement reported to 21 February 2019 Council	0	0	0	0	0
Receipts Brought Forward	(1.100)	0	0	0	(1.100)
Useable Receipts received 2019/20	0	0	0	0	0
Balance to be generated	**(1.100)**	**0**	**0**	**0**	**(1.100)**

Capital receipts – Housing Revenue Account

7.12 Housing Capital Receipts brought forward at 1 April 2019 were £7.251m. The Housing receipts are committed against projects included in the 2019-2023 Investment Plan. The approved Capital Receipt requirement for 2019/20 was £4.286m. This, together with the reprogramming reported to 29 May 2019 Cabinet, gives a requirement of £3.938m. As part of the May monitoring £1.796m receipts are to be reprogrammed to 2020/21. To date, £0.732m receipts have been received in 2019/20 of which a proportion may be pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £5.841m to be carried forward to fund future years.

7.12.1 Table 28: Capital Receipt Requirement - Housing Revenue Account

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23	2019-23 £m
Requirement reported to 21 February 2019 Council	4.286	3.685	3.748	2.019	13.738
Reprogramming 2018/19	(0.348)	0	0	0	(0.348)
Reprogramming 2019/20	(1.796)	1.796	0	0	0.000
Revised Requirement	**2.142**	**5.481**	**3.748**	**2.019**	**13.390**
Receipts Brought Forward	(7.251)	(5.841)	(0.360)	3.388	
Receipts Received 2019/20	(0.732)	0	0	0	
Receipts Pooled Central Government	0	0	0	0	
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(5.841)**	**(0.360)**	**3.388**	**5.407**	

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2019/20.

Investment Plan Monitoring Position to 31 May 2019

7.13 Actual expenditure, for 2019/20, in the General Ledger was £2.283m, 3.11% of the total revised Investment Plan at 31 May 2019. This is after adjusting for £2.195m of accruals and retentions relating to 2018/19 expenditure.

7.13.1 Table 29: Total Investment Plan Budget & Expenditure to 31 May 2019

	2019/20 Revised Investment Plan £m	Actual Spend to 31 May 2019 £m	Spend as % of revised Investment Plan %
General Fund	47.362	1.270	2.68%
Housing	25.964	1.013	3.90%
TOTAL	**73.326**	**2.283**	**3.11%**