

Overview, Scrutiny & Policy Development Committee

14 January 2019

Budget Sub - group report

Author: Budget Sub-group

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Wards: All

1 Purpose of Report

To inform Overview, Scrutiny & Policy Development Committee of the work undertaken by the Budget Sub-group in scrutinising the 2019/23 Financial Planning and Budget Process: Cabinets Initial Budget proposals.

2 Recommendations

1. The Overview, Scrutiny & Policy Development Committee is recommended to refer the report with its recommendations and views of the Budget Sub-group, as set out in the report to Cabinet for consideration as part of the 2019/20 budget setting process.
2. That the Budget Sub-group be delegated responsibility to make any further recommendations and/or views on Cabinet's Final Budget Proposals for 2019/20.

3 Background

The Council's constitution places a duty on the Overview, Scrutiny and Policy Development Committee to examine and contribute to the formulation of the Cabinet's budget and strategic planning proposals.

Invitations were extended to all non executive members of the Council to seek volunteers to serve on the Budget sub group.

The following Members served on the group:

Councillor Sandra Graham

Councillor Anthony McMullen

Councillor Jim Allan

Councillor Janice Mole

Councillor Sean Brockbank

Councillor John O'Shea

Councillor Debbie Cox

Councillor Willie Samuel

Councillor Muriel Green

Councillor John Stirling

Councillor Ed Hodson

Councillor Judith Wallace

Councillor Paul Mason

The group met on the 13 December where the Head of Resources and Senior Officers presented the 2019/23 Business Cases under the headings of:

- a. Ready For School
- b. Ready For Working Life
- c. Cared For
- d. Great Place
- e. Maximising Resources
- f. Fit for Purpose
- g. HRA
- h. Budget Engagement
- i. Investment Plan

The following Cabinet Members were in also in attendance to provide further insight if/when required.

Councillor B Pickard
Councillor Ray Glindon

The group stated that following recent years where it had raised its concerns to the late provision of budget information to conduct proper scrutiny. It was pleased and acknowledged that its concerns had been acted upon this year and Budget information and Business Cases had been supplied within more reasonable time frame. It also acknowledges the efforts of staff to provide the most up to date information available to very tight deadlines.

It was however disappointed that the Local Government Settlement that had been expected to be provided to the Authority on the 6 December 2018 had not been received due to delays with Central Government.

A further meeting has been arranged for the Budget Sub-group to reconvene and consider Cabinet Final Budget Proposals for 2019/20 that will take place on Tuesday 22 January 2019.

The Committee is requested to delegate the Budget Sub-group to make any further recommendations/views on behalf of the Committee to Cabinet at its meeting on the 28 January 2019.

4 Budget Proposals

North Tyneside Council continues to operate in a very difficult financial climate. Resources continue to reduce in both the General Fund and the Housing Revenue Account and costs continue to rise; particularly the need to continue to deliver statutory social care services for adults and children.

It had been accepted that the Government had made some steps toward recognising those rising costs, where the nationally recommended increase in Council Tax and Better Care Fund places the risks with local authorities and will not cover the full cost of rising demand and the impact of the National Living Wage in the care sector.

The initial budget proposals included implications of the nationally recommended 1.99% general Council Tax increase. The sub-group noted that the decision on any Council Tax

increase will be finalised by Cabinet on 21 January 2019 following the conclusion of the consultation process on Cabinet's initial proposals.

The initial budget proposals reflected the Our North Tyneside 2018-2020 priorities, with the aim to reflect those matters most important to residents and to protect vulnerable adults and children.

Cabinet had approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2019/20 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), the 2019-2023 Investment Plan and the 2019/20 Treasury Management Statement and Annual Investment Strategy, as part of the overall Financial Planning and Budget process for 2019-2023. Cabinet also approved the budget engagement strategy as part of that report.

The proposals covered a four-year planning period from 2019-2023 for the revenue budget and a four year planning for the Investment Plan.

The 2019/20 financial year is the final year of Central Government's financial settlement offer which had provided the Authority with a degree of certainty regarding the level of funding the Authority was due to receive and therefore this leaves a degree of uncertainty to the accuracy to Budget plan beyond 2019/20.

The uncertainty will be in the level of funding beyond 2020 due to the changes in the Local Government finance system, resulting in greater risks in relation to the localisation of business rates and the local Council Tax scheme, this means current budget forecasts will need to be closely monitored and potentially refreshed more frequently than usual as consequences become clear.

The Efficiency Statement submitted to Central Government on 14 October 2016 to secure the multi-year financial settlement offer, had been revised and reflected how the Authority was planning to address the reduction in resources to ensure it can meet the anticipated savings that will be needed over the medium term of the financial plan.

The current savings requirement was estimated to be £41.423m over the period 2019-2023 should no increases in Council Tax be applied.

General Fund

Currently the cost of Looked after Children (LAC) care packages range from £0.016m for Internal Fostering support through to £0.207m for External Residential placements. In Adult Social Care the average cost of care packages range from £0.008m for Homecare/Extra care (over 1200 clients), £0.022m for Older People and those with Physical Disabilities (over 960 clients), £0.048m for over 100 clients with Learning Disabilities and Mental Health needs, and an average cost of over £0.055m for over 230 clients being supported through Independent Supported Living.

As part of the 2017 Local Government Finance Settlement, in order to address the pressures faced by Adult Social Care Services, Central Government introduced a social care precept of up to 6% across the period 2017/18 through to 2019/20. The full Adult Social Care precept of 6% was applied in 2017/18 and 2018/19. Therefore no further precept had been included within the initial proposals.

In addition to this, an improved Better Care Fund was made available as part of the 2017 Spring Budget. The initial proposals were based on the assumption that funding would be applied to the local authority's spend on Adult Social Care services.

When the impact of the Central Government's assumed increase in Council Tax and the improved Better Care Fund are taken into consideration the resulting net efficiency requirement was in the region of £41.423m.

The aim of the initial budget proposals was to protect essential services for the people of North Tyneside, invest in the future of the borough, grow the local economy, create more jobs and opportunities in an Authority which works better for residents.

The aim of the proposals was to protect essential services and make sure that the Authority operates as efficiently as possible to provide excellent value for money for local taxpayers.

Housing Revenue Account

The HRA had faced significant challenges from legislation, particularly linked to the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016.

The Authority continues the implementation of the Government's policy to reduce rent by 1% as enacted in the Welfare Reform and Work Act 2016 for all housing stock including PFI sheltered accommodation homes. However, 2019/20 represents the last year of the rent reduction, and from 2020/21 Government has announced that social rents will return to the previous policy of being based on the Consumer Prices Index (CPI) plus 1% for at least 5 years to give greater certainty for longer term planning.

In terms of the Housing and Planning Act the government has also announced that it will not be implementing the High Value Asset levy that would have required the Authority to sell off a proportion of its stock each year, removing another risk to HRA resources.

The Authority is also facing the impact of the continued roll-out of Universal Credit and other welfare reforms.

It had been decided that the Authority would not extend its Joint Venture partnership with Kier North Tyneside beyond March 2019. This gives rise to a challenge to create a fit for purpose construction and maintenance operation, to best meet the needs of the Authority's tenants and residents, whilst delivering greater efficiency and value for money.

In the October spending review, the Government decided to remove the HRA borrowing cap. It will now be for the Authority to determine the level of unsupported borrowing it wishes to undertake to fund new build in line with the Prudential Code which already applies to the rest of the Authority's borrowing strategy. This needs to be assessed against the levels of rental income that can be raised to support such borrowing and against a background of no guaranteed additional grants to support the build, the availability of suitable sites, and no proposed cessation of the RTB scheme or changes to the levels of discounts available to tenants.

These challenges continue to be considered as part of the updating of the 30-year plan which aims to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. For the purposes of the current Financial Planning and Budget process, a four-year revenue plan had been developed in line with the

approach adopted for the General Fund. Cabinet had been advised that all projections after 2019/20 were only indicative at this stage.

There are a number of assumptions and judgements built into the figures that are outside the control of the Authority and need to be finalised. The initial budget proposals will therefore be further reviewed before they are confirmed.

The information to be assessed and finalised was:

- (a) The Provisional and Final Local Government Finance Settlement announcements for 2019/20, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG) (due December 2018/ January 2019);
- (b) Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts (due 5 February 2019 and 18 February 2019 respectively);
- (c) Levies, including the Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy (The North East Combined Authority due January 2019);
- (d) Tyne and Wear Joint Service Budgets (due January/February 2019); and
- (e) Consideration of the impact of the economic climate on the residents of the borough and council tax payers.

Cost pressures

The need to find savings in 2019/20 and future years was driven by significant unfunded cost pressures arising from a number of sources as well as the stagnation in resources from Central Government. The Authority was experiencing the same service pressures as many other Metropolitan Authorities. The cost pressures arise for a number of reasons including:

- Legislative / regulatory changes mainly relating to external funding changes – cuts in specific grants (for example Housing Benefit Subsidy Administration Grant, Public Health Grant and New Homes Bonus);
- Pay and price inflationary increases – increases in pay based on an assumed 2% pay increase, the impact of the National Living Wage increases on social care providers,) and the impact of increased waste demand and the RPI impact on the contract the council has for waste disposal;
- Increasing demand for services – increased demand for social care services coupled with the complexity of individuals' needs (for example increased numbers of adults with complex learning disabilities) and for home to school transport;
- The impact of the improved Better Care Fund grant announced after the 2018/19 budget had been agreed including the additional impact for 2019/20;and
- Corporate pressures include the impact of the current joint venture arrangements with our partners and the planned reversal of the use of MRP reserve in 2018/19

In the context of setting the budget for 2019/20 it was also important to consider the in year budget monitoring position. The first report to Cabinet which detailed the forecast outturn as at May 2018 identified an in year pressure of £5.593m. At the mid-year point this position

had improved significantly and the forecast outturn pressure was estimated to be £3.599m as at the 30 September 2018.

Service areas had continued to develop plans to mitigate identified financial pressures. It was anticipated that the forecast outturn would continue to improve over the course of the financial year as planned remedial actions impact on both expenditure and income.

There was potential that the use of reserves would be required to bring the Budget in balance for the year ending 31 March 2019. Where this approach is adopted the Authority would be explicit to how such expenditure would be funded in the medium to long term to achieve financial sustainability. The Authority recognises that usage of reserves would be one-off occurrence and must be linked with expenditure and income plans to support financial sustainability in the medium term.

Efficiency Savings

As with previous budgets the approach for 2019-23 was to achieve savings early where possible, to mitigate against future financial risks whilst working in different ways.

Expensive services continue to be more effectively targeted only at the people who need them, ensuring that the most vulnerable residents had successful, healthy and safe future.

Universal services had been protected where possible e.g. Libraries, Customer Service Centres, Sport and Leisure and work to improve understanding and management of demand, concentrating wherever possible on enabling people to help themselves would continue.

The Efficiency Plan had been revised for 2019/20 and set out a number of proposals for delivery that were designed to support the Authority in managing the change required to meet the significant financial challenge it faces.

The sub-group received business cases that detailed the proposals for 2019/20, with the associated savings per theme:

Business Case	Value £000's	FTE Impact 19/20
Cared For Safeguarded and Healthy	-625	-1
A Focus on Social Care Customer Experience	-225	-1
Leading Sector-led Improvement;	-100	0
Responding to rising complex needs	-300	0
Fit for Purpose Organisation	-339	-0.77
How we are organised	-339	0.77
Maximising Resources	-62	0
Delivering our Fees and Charges Policy	-62	0
A Great Place to Live, Work and Visit	-1,328	-3.8
Develop a 10 year plan for waste	-100	-3

Post-2019 Construction Delivery	-500	0
Protect and Develop North Tyneside's Cultural Offer	-625	0
Regenerating the Borough and Building Up Business	-103	-0.8
Ready For School	-265	0
Continue to redesign 0-19 Services	-265	0
Ready For Work and Life	-100	0
Delivering Whole-System Support to Children with Additional Needs	-100	0
Grand Total	-2,719	-5.57

5 Business Cases

The sub-group considered the Business Cases in detail, that were proposed would deliver the required efficiencies.

5.1 Continue to Redesign 0-19 Services (saving £265k)

The aim was to continue work to target services at need and to manage demand for more specialist services, with a review of the range of partnership services commissioned to deliver 0-19 services and seek opportunities to maximise efficiencies. The approach was linked to the Government Policy and best practice through the concentrating on prevention and developing more schools to deliver Early Years, which, in turn would save money and avoids cost.

The proposal represented a continuation of the redesign and delivery of 0-19 services that included the introduction of locality teams in 2015, their expansion in 2017, the establishment of a Ready for School Centre in 2018, and a partnership approach to helping turn around troubled families.

The proposal would build on the successful delivery of the Troubled Families programme in North Tyneside, where more than £1m had been secured in attachment fees and transformation grant for children and families over the period of the programme.

The programme was due to conclude at the end of 2019/20 and it was necessary that plans to reorganise staffing from 2020/21 to deal with the removal of the grant was required, however there had been some indication from government that the programme may continue beyond 2019/20.

In addition to the attachment fees and transformation grant, there was an opportunity to secure significant 'payment by results' income for the work undertaken with children and families.

The one-off income and was separate to the core transformation grant received. There was confidence that by ensuring the appropriate systems and processes to record and report on work undertaken in order to submit claims to the Department for Education would secure the income target in the proposal.

5.2 Delivering Whole-System Support to Children with Additional Needs (£100k)

Changes in legislation and national policy regarding children with Special Educational Needs and Disabilities (SEND) had placed significant additional demands on local authorities. These changes also placed additional emphasis on the role of 'local areas' to meet the needs of children with additional needs, including the full range of partners involved.

Rising demand had created significant pressures for all local authorities and their partners, and reinforced the need for a whole-system response. By developing an integrated approach across education, health and care services would build resilience in the universal offer that would prepare young people with additional needs for adult life.

The proposal was particularly concerned with ensuring needs were appropriately funded by the relevant agency, in line with statutory responsibilities and policy. A clear policy for funding decisions with consistently applied processes for ensuring funding was appropriate and the source of funding was in line with the agreed policy was needed. This would ensure the Authority maximises the levels of Continuing Care funding received from the CCG or the wider NHS where health needs had been clearly identified and were being met by packages of care commissioned by the local authority

There would be no direct impact for customers relating to the proposal that was concerned with ensuring decisions about funding sources were clear and consistently applied.

5.3 A Focus on Social Care Customer Experience (£225k)

The 2017 review of the adult social care customer journey that resulted in customers having a named worker, based in a local team, who would remain with that person throughout their social care journey had proved successful. It provided better quality customer relationships to develop, as well reducing costly, duplicate processes from occurring.

The strategy over recent years had been successful in reducing admissions to residential and nursing care and supporting more people to live at home, however, the costs associated with home care had increased significantly.

During 2017/18, there was a reduction in the number of home care packages that involved two carers visiting a home, through an increased use of equipment, adaptation and technology.

The next step was to be to invest in cutting-edge, modern technology that would help people do more for themselves, whilst maintaining their independence and wellbeing, with the associated financial benefit being a reduction in the number of home care hours commissioned.

Following the 2018 implementation of a new case management system for children's and adult social care and a new payment system called ContrOcc. The development of this system would ensure that all payments, invoices and charges were made via this system and would therefore streamline and reduce the amount of staff time currently involved in these processes.

5.4 Leading Sector-led Improvement; (£100k)

Following recent Ofsted and SIF inspections the Authority had secured Partners in Practice (PiPs) status and funding from the Department for Education (DfE), in partnership with South Tyneside Council. This was a 2 year programme whereby the Authority would deliver Sector-Led Improvement (SLI) work to other local authorities in the country that require improvement.

The proposal was based on the opportunity to deliver additional SLI work that was outside and beyond the existing agreement and funded work with the DfE, which runs until the end of 2019/20.

The primary focus of the Partners in Practice programme was for funded PiPs to work with other local authorities that are judged as 'Requires Improvement', therefore, there was an opportunity to work with other authorities that were not in this category, yet were seeking some additional support.

There are also a number of authorities judged to Require Improvement that are not currently receiving support through DfE-funded work, as there is insufficient capacity across the PiP network to support all authorities meeting the criteria.

Success of this proposal was dependent on:

- Maintaining, and further improving, quality and outcomes through delivery of North Tyneside services, in order to further grow our reputation across the sector
- Delivering the funded PiP obligations to a high standard and demonstrating our ability to support other authorities to improve
- Effective and proactive marketing of the North Tyneside offer across the sector
- Sufficient senior and operational management capacity to deliver this commercial work
- A 'whole Council' approach to SLI, as a number of our strengths which we could sell relate to areas outside of social care, such as data analysis and workforce development

It was also unclear what SLI work the DfE may fund following the end of this round of Partners in Practice. Sustaining a high profile within the sector also opens a number of opportunities to access other government funding streams.

It was understood that this proposal related to delivery of external work and that there would be no direct impact for customers. However, there was some concern that there should be a degree of assurance that the delivery of external work would not detract from the focus on quality services in North Tyneside.

However it was also acknowledged in supporting and developing this work the skills of North Tyneside staff would be raised and therefore the Authority would benefit by having better qualified staff and being seen as a trailblazing organisation.

5.5 Responding to rising complex needs (£300k)

Whilst there was a continued clear focus on preventing health and social needs from occurring and escalating, the need for formal care and support would continue.

The complexity of need was increasing and the cost of providing services was rising exponentially. From a public health perspective, the focus on the principal preventable causes of ill health – tobacco, obesity, alcohol misuse and poor mental health (including social isolation) would continue.

The Authority would seek to reduce costs by ensuring that it secures the appropriate contributions from its partners in accordance with the legislative framework. All current funding to voluntary organisations not currently on a commissioned framework would also be reviewed.

The proposal had two elements which aims were to mitigate against the rising costs of care and ensure people are 'cared for and safeguarded' to:

- continue to work with North Tyneside CCG to ensure those with complex health needs receive the right funding and care to meet these needs. This was the continuation of a budget proposal agreed and implemented during 2018/19.
- carry out a review of all current funding to voluntary organisations, not currently on a commissioned framework. It would provide an opportunity to review the spend holistically ensuring the work complements and not duplicated by the new community hubs.

The proposals focus was to ensure the most effective services were in place to prevent, reduce or delay the need for care.

5.6 Develop a 10 year plan for waste (£100k)

The proposal was in line with the plan to develop a 10 year plan for waste strategy. For ecological and financial reasons it was imperative that local authorities had long term plans for waste. The proposal aim was to establish a 10 year plan to increase recycling and contain the growth of waste costs and developing a post 2022 solution for disposal of residual waste.

Following the implementation of alternate weekly collections and with continued analysis of the impact of the revised workload on collection arrangements. It was proposed that to release further financial efficiencies from collection activities resulting from change to working arrangements could be made.

The change would involve the reduction of one collection round, by redistributing the workload across other collection teams, resulting in a reduction of a vehicle and staffing saving of circa £100K.

5.7 Post-2019 Construction Delivery (£500k)

Throughout 2018/19 the Construction Project had been working to prepare for the return of services for the delivery of construction services to both the Housing Revenue Account and the General Fund. The project would continue into 2019/20 as over 400 staff would be TUPE'd into the Authority and a re-modelled approach to delivery has been implemented in order to reduce cost and grow the business in the future.

The proposal related to the opportunity that the return of the repairs and maintenance service would bring with regards to charging the appropriate level of support services recharges to the HRA to reflect the greater number of staff and increased activity.

5.8 Protect and Develop North Tyneside's Cultural Offer (£625k)

North Tyneside Council had managed to sustain and develop a rich cultural offer. The proposal aims were to continue to work with cultural partners to protect and develop North Tyneside's cultural offer, making the most of the Authority's assets, with an optimum sport, leisure and library offer that would make the maximum difference to residents, business and visitors delivering a developed and sharpened events programme while exploiting opportunities to maximise income and reduce costs. The proposal was linked to Central Government's Culture White Paper and National Library Strategy.

Cultural Services; It was proposed to work with partners to generate more income from sponsorship and make more efficient use of existing resources. This would reduce the demand upon the existing budgets for the delivery of library, events and arts provision.

Sport & Leisure; The service was currently benefiting from a change in the VAT rules that had previously restricted local authorities from treating sporting facilities as being exempt from VAT. The rule change means the Authority no longer needs to levy VAT on leisure activities offered in our sporting facilities. This would allow the increase of income targets within the Sport and Leisure service and would have no impact on service delivery.

5.9 Regenerating the Borough and Building Up Business (£103k)

Following the expected approval of the Regeneration Strategy "An Ambition for North Tyneside", there is a aim to match ambition for North Tyneside to the Local Plan for the next 15 years.

The changes to the service would include:

- Business Factory – additional salary costs covered by a successful ERDF bid.
- Re-structure in Regeneration - Loss of Grade 11 Regeneration Project Manager. Increase Regeneration Officer from 0.6 to 0.8 FTE.
- Swans Site Management - Security charges to be paid by service charges from site users on the development plots.

5.10 Delivering our Fees and Charges Policy (£62k)

The Authority had an agreed Fees and Charges Policy that reflected its policy priorities, need and the wider market in which it operates. The proposal would continue to regularly review Fees and Charges to ensure the Authority maximises resources.

- **Council Magazines** - to reduce the number of council magazines published from four to three
- **Advertising/Marketing** – to maximise the level of income received through advertising combined with keeping marketing costs to a minimum.
- **Security** - The Authority's Security Team provides public space CCTV monitoring for the Borough as well as static guarding, alarm response and key holding. Commercial

arrangements were in place with organisations such as Nexus, the NHS and schools for these services. During 2018, the CCTV Control Room was relocated to the White Swan Centre and as part of that relocation the Authority, with assistance from the Safer North Tyneside Partnership, invested in new equipment which brought the service up-to-date with the latest technology. This new technology is compatible with being able to connect it to a number of commonly used CCTV systems. This provides a much greater opportunity to trade the service offer in a commercial way than before. The service was aware of the opportunities that exist with the in-sourcing of the Authority's joint-venture with Kier North Tyneside and with the technical services partnership with Capita, particularly in relation to managing security at construction sites.

5.11 How we are organised (£339k)

The proposal aim was to ensure the organisation was reshaped to reflect changes in services and reductions in resources. In addition to changes in service delivery it also aimed to ensure the organisation's infrastructure changes and contracts in line with the rest of the organisation with resultant changes in overheads and recharges. This would include taking opportunities to streamline the Council's decision-making infrastructure and processes where appropriate.

Budget Efficiencies and External Funding within HECS

With a strong track record of securing external funding to support development and delivery of services a range of bids had already been submitted for funding for 2019/20 and would continue to consider opportunities as they arise, ensuring to target resources effectively and maximise value for money.

A line-by-line review of budgets and expenditure had been conducted and had identified a range of areas where it was believed reduced budgets through tighter gatekeeping of discretionary spend:

- Legal Fees - £100k
- Professional Fees - £60k
- Section 17 Assistance - £8k
- Supported Accommodation Provisions

As services continue to develop, continued reviewing and re-shaping of the management team across Health, Education, Care and Safeguarding services to ensure it is fit for purpose. A vacancy had arisen within Children's Social Care, which had initiated a wider review of management across HECS services.

Staffing Reduction with Leisure Services

The proposal involves a reduction in 2 part time posts from the Sport and Leisure service (delete part-time Leisure Assistant at The Parks (Vacant) and delete part-time Gym Instructor post at Hadrian Leisure Centre) and move individual to vacant post at Waves.

Commissioning Service - Efficiencies

The Commissioning Service would continue to rationalise the end-to-end systems and processes that underpin commissioning activity across Children's Services, Adult Social Care and Public Health. Significant progress had been made in terms of embedding and

consolidating the systems and, which would result in increasingly benefit from the efficiencies derived from new ways of working. The proposal was based upon a reduction in 3rd Party Fees in the following areas:

- Early Years and Childcare IT systems - £32k. The existing CAPITA Childcare Web Portal and EVINCE childcare information system ensure there is an effective interface between parents, providers (Schools and PVI) and the Authority. This facilitates access to childcare information, eligibility checking and financial payments that cover all government funded childcare provision across North Tyneside. As the system continues to embed, efficiencies would be derived from reducing the need for additional technical support and reducing the reliance on additional staff time as the IT system and processes become more automated.
- Procurement – £18k. The transfer of the Procurement Function from Engie back to the Authority would provide opportunities to rationalise existing procurement processes. The current annual payment to Engie would cease and procurement duties would be integrated across the Commissioning Service.

5.12 HRA Efficiencies (£1,866m)

Rent Increases (from April 2020)

The Welfare Reform and Work Act 2016 enacted a reduction of social housing rents by 1% for 4 years ending 2019/20. It was estimated that the cumulative effect of the 4 year policy change would reduce HRA rental income by circa £26m and nearly £500m of lost income over 30 years period. The government had confirmed that for the 5 years starting April 2020 the basis for increasing social rent would return to Consumer Price Index (CPI) plus 1%.

Garage and Other rents (£0.015m)

There had been a full review of the garage rental income system and pricing structures and it was recommended that garage rents for 2019/20 did not have any indexation applied, with a return to increases in line with the governments long term aim for the CPI of 2% from 2020/21.

Shops and commercial premises rents were subject to a rolling programme of assets management reviews of the commercial leases in place.

Any community buildings would be subject to application of the Council's Community Lettings policy, which determines when and if such rents would increase/decrease or removed.

North Tyneside Living – Transition Protection (£0.010m)

Providing transitional protection for rents for tenants who were existing tenants before NTL scheme commenced had reached maximum levels of protection required, as the schemes are now fully operational and there was a turnover of tenants, this would lead to a gradual reduction in protection provided.

Service Charge Income – increases and rebasing (£0.312m)

There are two main elements from service charge income:

1. Furniture Pack income, the charges reflect the increase take up under new contracts and tenants point systems (£0.040m)
2. North Tyneside Living schemes are fully operational the budget needs to reflect the actual occupancy levels (£0.272m)

Interest on Balances (£0.020m)

The increase levels of interest accrued on cash balances held within the HRA.

Repairs post 2019 – Construction Project (£0.810m)

The revenue resources required to deliver the mobilisation plan to insource the Kier JV Projects and create a fit for purpose construction and maintenance operation from April 2019. The changes reflect the project team coming to a conclusion on 2019/20 with the balance of cost dropping out of the budget fully from 2020/21.

HRA Treasury Management – Debt – existing pre self – financing Debt – Interest Charges and Debt Management Expenses (£0.388m)

This represents the financing charges paid on the HRA share of the overall debt portfolio allocated prior to the self-financing deal. As loans mature some debt would be repaid and reduce liability and for elements that need to be re-financed opportunities would be taken to look at a mix of temporary and long term borrowing options, which would realise interest savings (£0.363m). In addition the opportunity to reset the Debt Management Expenses (£0.025m) budget had been taken to reflect the lower levels of re-financing.

Repairs and Construction – 1% reduction in budgets to mirror rent reduction (£0.111m)

2019/20 represents the first year of operation for the insourced Repairs and Construction service from Kier. The impact of the legislative change had been passed on and the HRA Revenue Repairs budget was reduced by 1% per annum. It had been assumed that this would continue for 2019/20, with any shortfall to be covered by the contingency budget.

Water Rate Commission (£0.200m)

This reflected Water Rates Commission agreement with Northumbrian Water Limited and the adjustment to bring the budget in line with the increased rate of commission under the new agreement.

5.13 Budget Engagement

North Tyneside Council had made the commitment to include residents and other key stakeholders an opportunity to be involved in helping to shape decision making in relation to the Financial Planning and Budget process.

The overall approach gave the public the opportunities to have their say throughout the year, through a series of different methods, including engaging with the Elected Mayor, Cabinet and ward members through the Mayor's Listening Events and Community Conversations as well as a broad range of both on-line and face to face engagement or consultation exercises on different key issues such as the Resident's Survey.

During the summer there had been an extensive programme of engagement out and about across the borough through the Big Community Conversation. The feedback from this programme and other activity throughout the year including the State of the Area event that had informed the initial Cabinet budget proposals.

Further engagement on Cabinet's initial budget proposals was programmed to take place from 27 November 2018 to 6 January 2019 as set out below.

The approach was aimed for maximum reach by offering a range of different opportunities for people to have their say

Information about the Budget proposals was provided via the Authority's website and included information to explain the context and set out the proposals. This was accompanied by a questionnaire to provide opportunities for people to give their feedback either via the website, e-mail or through social media.

Members of the Residents Panel were invited to attend 3 sessions throughout December 2018 which provided a number of them with further context to the budget setting process, enable them to listen to the proposals and to provide feedback face to face.

The sessions aim was to give residents a clearer understanding of local authority finance and budget setting processes to help them to critically appraise the draft proposals and then feedback accordingly.

Targeted events were held for key stakeholder groups including: Staff Panel, businesses, schools, young people, community and voluntary sector, Trade Unions, North Tyneside Strategic Partnership, older people and carers.

5.14 Investment Plan

The initial draft 2019/23 Investment Plan for the General Fund included expenditure of £33.272m in 2019/20, of which £13.441m (40%) was to be funded through grants and other external funding contributions.

There was no current proposal to use the General Fund receipts to finance the investment plan.

There were a number of projects that were going through the investment gateway process and where bids had been made for external funding. These included Killingworth Moor infrastructure, Murton Gap infrastructure, Coastal regeneration and Killingworth 3G pitch. The projects would be added to the plan once external funding was secured.

6 Conclusions

The Sub-group was encouraged that it had been confirmed that the North of Tyne Combined Authority's (NTCA) expression of interest to become a 75% Business Rate Retention pilot had been successful for 2019/20.

This means that North Tyneside will be part of the pooling arrangements for the North of Tyne, where the key feature of becoming a 75% Business Rate pilot was that business rates income above 49% retention arrangements would be pooled across the pilot NTCA area. Although retaining the additional 25% business rate would not have a direct impact

on the setting of the budget for 2019/20 it could potentially benefit North Tyneside through NTCA agreed projects.

The sub-group recognised that the delivery of the proposals and financial savings have some impact on the size and shape of the workforce. The group acknowledged that there had been hard decisions taken in the past that had made this year's budget setting although with some job losses, less than previous years due to prudent management.

It was reassured that the Council's Restructure and Redundancy Procedure would be used to try to prevent any compulsory job losses and the Authority had continued to seek expressions of interest for voluntary redundancy.

It was encouraged that the Authority was seen as a deliverer of exemplar services and was using its expertise to both generate more income from other Local Authorities and possibly more importantly aid other authorities to provide quality of services for local people. It would encourage the Authority to investigate further where mutual beneficial cross Authority work can be undertaken.

The sub-group also recognised and acknowledged that making recommendations to use reserves to maintain the budget could question the financial sustainability of the Authority. It acknowledged that Full Council was given information at its November 2018 meeting where the Cabinet Member of Finance provided information to explain the Authority's Strategic Reserve and Change Reserve, explaining that the Strategic Reserve is there to manage risks identified by the Authority in delivering its budget and not available to supplement the budget..

7 Presenting Officers

The following officers presented to the sub-group:

Janice Gillespie - Head of Resources
Jacqui Old - Head of Health, Education, Care and Safeguarding
Claire Emmerson – Senior Manager Financial Planning and Strategy
Vicki Nixon - Participation and Advocacy Manager

8 Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author:

2019-2023 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

The group met on the 13 December where the Head of Resources and Senior Officers presented the 2019/23 Business Cases under the headings of:

1. Ready For School
2. Ready For Working Life
3. Cared For
4. Great Place
5. Maximising Resources
6. Fit for Purpose
7. HRA
8. Budget Engagement
9. Investment Plan