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North Tyneside Council

Finance Sub Committee

Date Not Specified

Tuesday, 30 July 2019 4.02 - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm**.

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To examine the Councils Provisional Outturn report for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2018/19.

(This report was considered by the Cabinet at its meeting on 28 May 2019)

To receive budget monitoring report for the current financial year which reflects the forecast financial position as at 31 May 2019.

(This report will be considered by the Cabinet at its meeting on 29 July 2019)

The Sub-Committee is requested to pass the following resolution:

Resolved that under Section 100A(4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 2 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

To consider the attached report which details the risks rated as red contained within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with ENGIE and Capita.

Circulation overleaf …

Members of the Finance Sub Committee

Councillor Debbie Cox (Deputy Chair)
Councillor Anthony McMullen (Chair)
Councillor John Stirling
Councillor Paul Richardson
Councillor Naomi Craven
Councillor John O'Shea
Councillor Judith Wallace

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Finance Sub-Committee

12 March 2019

Present: Councillor A McMullen (Chair)
Councillors D Cox, N Craven, P Mason,
J Stirling and M Thirlaway.

F29/03/19 Apologies

Apologies for absence were received from Councillor J Wallace.

F30/03/19 Substitute Members

Pursuant to the Council's constitution the appointment of the following substitute Member was reported: - Councillor P Mason for Councillor J Wallace.

F31/03/19 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

F32/03/19 Minutes

Resolved that the minutes of the meeting held on 22 January 2019 be confirmed and signed by the Chair.

F33/03/19 Welfare Reform – Financial update

The Sub-committee considered the quarterly report that provided an update on the three schemes that were implemented or revised as a consequence of on-gong welfare reform. It also provided was an update on the Full Services Universal Credit that was implemented in North Tyneside on 2 May 2018.

Discretionary Housing Payment Fund – (DHP)

The Discretionary Housing Payment Fund provided by the Department of Work and Pensions supports people in financial need who have a shortfall in their rent and housing benefit (or Universal Credit including the housing element).

There was continued work with the Citizens Advice who have created a specific team that supports clients who have debt and/or arrears. This has enabled the streamlining of the work needed so applications are dealt with quicker.

The Sub-committee was reminded that the DHP policy was reviewed on an annual basis that ensure s payments were directed to those in most need. The report provided the current financial position and a breakdown of the fund, which detailed an unallocated funding at an amount £21,627 at the time of publishing the report. The Sub-committee was updated £2,000 was unallocated at the date of the meeting. The Sub-committee was reminded that any unallocated funds were returned to the Department of Work and Pensions (DWP).

The Sub-committee was informed and reassured that analysis of the DHP paid had showed that the tenure type for 97 claimants could not be identified and work was on-going with the Benefits Services to ensure tenure status was recorded.

The Sub-committee was informed that notification that £449,390 grant would be provided for 2019/20, this was a reduction of approximately £80,000.

Local Council Tax Support Scheme

The number of claimants to the scheme had continued to reduce and at the end of January 2019 the number of claimants were 17,816, which were split between 9,785 working age and 8,031 pensionable age claimants.

Due to some changes to support such as the removal of empty property discounts had made collection more difficult, however it was still expected that the long term collection rate would be 98.5%.

Local Welfare Provision

For the period 1 April 2018 – 28 February 2019 there had been 1,436 applications for Local Welfare Support. There had been 756 crisis applications eligible for further practical support (53%) and included applicant receiving food, utility support, baby items/food, household items or clothing.

The spend for the period 1 April 2019 to 28 February 2019 in respect to immediate practical support amounted to £9,293.86, this was in addition to the annual grant to the Food Bank £26,500 grant.

It was questioned the level of grant to the Food Bank for 2019/20 and requested that Members be informed of the new level once known.

A Member questioned the remaining amount of Local Welfare Provision funding available. Officers stated that this information would be circulated to the Members.

Universal Credit

Universal Credit (UC) replaced 5 state benefits and the rollout of the Full Service UC in North Tyneside took place on 2 May 2018.

There were 6,432 claimants on UC and of these 2,994 were required to look for work.

DWP funding was available to support claimants and supported in two ways through Assisted Digital Support (ADS) and Personal Budgeting Support (PBS). The report detailed that the actual number of claimants requiring support exceeded the DWP estimate and it was stated that North Tyneside was the second highest in the country having to provide support.

It was stated that ADS funding would be paid directly to the Citizens Advise Bureau from 2019/20 and it was questioned if the funding of £28,270 for ADS was fixed. It was stated that it was the expectation that number of claimants would reduce and that the ADS funding would therefore reduce.

The impact of the Full Service UC had seen 1,906 housing tenants on UC with 80.1% in arrears. It was also stated that the average arrears for those on UC was £751.39 compared to £317.98 not in receipt of UC.

AGREED that (1) the Welfare Reform – Financial update be noted; (2) information be circulated to Members to the level of grant to the Food Bank for 2019/20.

F34/03/19 Exclusion Resolution

Resolved that under Section 100A (4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 3 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

F35/03/19 Business and Technical Partnership Risks

The Sub-committee considered the report that set out the latest monitoring update on risks which were rated high within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with Engie and Capita.

It was informed that the Business Partnership had two new risks detailed that were in relation to possible impact if the Brexit and would be monitored.

A Member raised concerns with Risk 026 ICT Non Changes to Applications and asked to the nature of incidents that had occurred since the last review.

AGREED that Business and Technical Partnership Risks report noted

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Meeting: Finance Sub-Committee

Date: 30 July 2019

Title: Welfare Reform - Financial update on
- **Discretionary Housing Payments Fund**
- **Local Council Tax Support Scheme**
- **Local Welfare Provision Scheme**
- **Universal Credit**

Authors: Andy Scott, Tracy Hunter Tel: 0191 643 7150
643 7228

Service: Finance Service

Wards affected: All

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1. Purpose of the Report

1.1 This report provides a further update on the three schemes that were implemented or revised in April 2013 as a consequence of on-going welfare reform. The three schemes are:

- Discretionary Housing Payment Fund,
- Local Council Tax Support Scheme, and
- Local Welfare Provision Scheme.

1.2 In addition the current position on Full Service Universal Credit is also provided.

2. Recommendations

2.1 Finance Sub Committee are asked to note the content of this report.

3. Detail

Discretionary Housing Payment Fund

3.1 The Discretionary Housing Payment (DHP) fund is administered by Local Authorities on behalf of the Department for Work and Pensions (DWP) and provides much needed support to people in financial difficulties who have a shortfall between their rent and Housing Benefit (or Universal Credit including the housing element). It can also help towards moving costs to more affordable accommodation, including rent in advance and deposits.

3.2 We work closely with the Citizens Advice and refer claimants to them where we feel they may benefit from budgeting and debt advice. This is working well and customers are engaging with support offered at the onset of a claim, it is hoped that if issues are dealt with at any earlier stage the need for DHP support may diminish as their financial circumstances improve.

3.3 We work closely with other parts of the council including our tenancy sustainment officers, housing advice team as well as other housing providers and the Community and Voluntary Sector. This ensures that those in most need are identified quickly and helped to claim as soon as possible.

3.4 DHP is temporary support but it can provide essential support just at the right time, providing residents the breathing space and the support that is needed to improve a very difficult situation. To share some examples and give some context to how the fund has helped individuals a brief overview of two recent cases is provided below.

- A young woman was referred for a DHP by the homeless advice team; she had been suffering from domestic violence and needed help to fund the deposit and advance rent so she could move to a safe home away from her partner. DHP was granted and both the deposit and advance was funded from DHP. This gave the claimant peace of mind knowing she could move quickly.

- An ex serviceman had accumulated significant arrears due to the ‘Bedroom Tax’. He was suffering with very poor mental health after leaving the army with Post Traumatic Stress Disorder and was on the verge of losing his home. The tenancy sustainment officer completed a DHP form and we were able to back date the claim and clear most of his arrears. This allowed the claimant to look for a more affordable home.

3.5 The DHP policy is reviewed on an annual basis by the Mayor’s Task Group for Welfare Reform. It is made up of officers, Member representation, officers from the MP office, Union, and a number of our Community and Voluntary Sector partners. By consulting with this group it ensures that DHP continues to be directed to those in most need and stakeholder involvement ensures the policy provides a wider view of the criteria for entitlement.

<u>DHP financial for the financial year 2018/19</u>

3.6 In 2018/19 we were allocated £529, 964 and the Authority did not return any funding as the whole grant was spent. Paragraphs 3.7 onwards give a breakdown in claims:

3.7 Claims

- 816 claimants received support (74%)
- 290 claimants made an unsuccessful claim (26%)

3.8 The reason for awards

- 8 claimants have custody of children
- 41 claimants are living in adapted property

- The remaining claimants receive a DHP because they advised that they are seeking employment, need short term help whilst they look for alternative accommodation or for other reasons

3.9 Of those paid a Discretionary Housing Payment:

- 386 are council tenants (47%)
- 249 are privately rented tenants (31%)
- 181 are UC claimants where no tenure type is captured so could be either private or council (22%)

3.10 Requested reviews

- Since April 2018 until the end of the financial year there were 32 reviews carried out with 16 changed in favour of the customer.

DHP financial for the financial year 2019/20

3.11 For 2019/20 we have been allocated £449,390; this is around £80,000 less than we received for the financial year 2018/19 and does present some challenges. The reduction of £80,000 means funding will have to be limited to shorter periods of time or less amounts paid to individuals. Table 1 shows the fund to date.

Table 1 – DHP Spend to date

	Amount of grant
Original Fund - DWP funding only	£449,390
Total Spend and committed	£280,127
Funding unallocated	£169,263

3.12 Assessed Claims

- 464 claimants made a successful claim (86%)
- 73 claimants made an unsuccessful claim (14%)

3.13 The reason for awards

- 2 claimants have custody of children
- 28 claimants are living in adapted property
- The remaining claimants receive a DHP because they advised that they are seeking employment, need short term help whilst they look for alternative accommodation or for other reasons

3.14 Of those paid a Discretionary Housing Payment:

- 256 are council tenants (55%)
- 208 are privately rented tenants (45%)

3.15 Requested reviews

- Since April 2019 there have been 14 reviews carried out with 9 changed in favour of the customer.

Local Council Tax Support Scheme

3.16 The Council Tax Support Scheme is a means tested support which helps those on low income pay their Council Tax. The maximum amount of support provided for working age claimants for the financial year 2019/2020 is 85% of the claimants Council Tax liability. Pensionable age claimants continue to receive up to 100% support.

3.17 The number of claimants to the scheme has reduced again and as at the end of June 2019 the number of claimants to the scheme was 17,523 split between 9,481 working age and 8,042 pensionable age claimants.

3.18 As at end of June 2019 the amount of Council Tax Support awarded since 1 April 2019 is £14,582,442.

3.19 The small changes to support over the years along with the removal of empty property discounts and the increases in Council Tax is making the in year collection more challenging but we do however expect the long term collection rate to be unaffected at 98.5%. Residents who have difficulty in paying, are supported through flexible payment arrangements and access to debt advice and budget management where required.

3.20 We continue to fund Citizens Advice to provide outreach sessions in community venues and this ensures residents have easy access to advice on debt and benefit entitlements. Appointments for these are easily made through Customer Services and libraries and there is good take-up of these sessions. Citizens Advice also provide a telephone advice line for those who do not want or need face to face advice, and additional email contact is also provided.

Local Welfare Provision

Statistics for the period 1st April 2019 to 30th June 2019

3.21 There have been 439 applications for Local Welfare Support.

3.22 All 439 applications received a full screening. Further advice and information including signposting to our partner organisations was offered where this was appropriate.

3.23 There were 214 crisis applications eligible for further practical support (49%). This included applicants receiving food, utility support, baby items or baby food, essential household items, or clothing.

3.24 Spend for the period in respect of immediate practical support amounted to £2,311. This is in addition to the annual grant to the Food Bank of £26,500 which was paid again this year.

3.25 There is still funding with North East First Credit Union which allows the Authority to refer people with poor credit history who would be seen as higher risk customers, the opportunity to access reasonably priced loans. This was a one off funding; customers are charged interest which goes back into the fund to be used by other customers. Customers are referred initially to Citizens Advice who assess affordability and give assistance to maximise income and address any outstanding debts into affordable payments. Although this option is discussed with applicants who it would be suitable for the take up is very low, however it is an additional option available.

3.26 Of the applicants who were not provided immediate practical support, a summary of some of the assistance is as follows:

- Referrals to Whitley Bay Food Bank
- Liaison to resolve benefit issues with Department for Work and Pensions
- Referrals to a supported housing provider
- Referrals to Citizens Advice
- Liaison with HMRC for Child Tax Credits
- Working with other community support groups
- Liaison with their bank utility provider or employer
- Referral to other Children's Service support
- Support from the Salvation Army with vouchers (to be used in their shops mainly for clothing)

Universal Credit

3.27 Universal Credit Full Service is a new benefit that replaces 5 State benefits. It is available to all working age claimants unless the customer meets certain criteria. The five benefits it replaces are:

- Housing Benefit (HB)
- Income Support (IS)
- Job Seekers Allowance Income Based (IB)
- Employment and Support Allowance Income Related (ESA)(IR)
- Tax Credits (Child Tax Credits and Working Tax Credits)

3.28 On 2nd May 2018 Full Service Universal Credit was implemented in North Tyneside and we are seeing a steady movement of claimants to Universal Credit. Most recent figures show there are now 8,153 claimants on UC; of these 3,992 are in the 'required to look for work' group.

3.29 The UC working group continues to meet on a monthly basis, and as more organisations join the group we are able to develop solutions to local problems and work better together by sharing our skills and knowledge across the wider group.

3.30 Since April 2019 Citizens Advice have been contracted direct by the Department for Work and Pensions to deliver the Help to Claim Service. This provides a holistic approach to supporting claimants from the very beginning, first in assessing whether UC is the right benefit for the claimant, then helping with the claim, then finally providing help with budgeting.

3.31 The Help to Claim Service replaces the previous support for UC claimants under the Assisted Digital Support which was managed by the Education to Employment team and Personal Budgeting Support managed by Citizens Advice. Both of these offers had been successful and it was disappointing that DWP took the approach to contract this support to Citizens Advice. We still have a very close working relationship with Citizens Advice and we ensure that residents are signposted quickly to the help they need.

3.32 Since Full Service UC was rolled out in North Tyneside in May 2018 we have seen a reduction of 3,734 in the number of working age residents claiming Housing Benefit. This represents a 34% reduction in working age caseload.

3.33 The impact of Full Service UC continues to be felt by our Housing department and they now have 2,527 tenants on Universal Credit as at 15th July 2019. 1,912 (75.66%) of these are in arrears although it is worth noting that 71.27% of those on Universal Credit were already in arrears when they moved onto UC. The average arrears for those on UC is £778.90 compared to an average arrears of £427.84 for all tenants.

4. Background Information

The following background documents have been used in the compilation of this report and are available from:-

- Housing Benefit Circular S1/2019 – Details of the government contribution towards DHP for local authorities for the financial year 2019/20
- Discretionary Housing Payment Policy 2019/20

Item 6

Finance Sub-committee 30 July 2019

Cabinet Report 28 May 2019

2018/19 Provisional Finance Outturn Report

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North Tyneside Council
Report to Cabinet
Date: 28 May 2019

ITEM 5(a)

2018/19 Provisional Finance Outturn Report

Portfolios:	**Elected Mayor**	**Cabinet Member:**	**Norma Redfearn**
	Finance and Resources		**Councillor Ray Glindon**

Report from Service Area:	**Finance**	
Responsible Officer:	**Janice Gillespie, Head of Resources**	**Tel: 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

1.1.1 This report, and the supporting Annex 1 and its Appendices, set out details in respect of the provisional outturn for the General Fund, Schools Finance, Housing Revenue Account, the financial and delivery aspects of the Investment Plan and the delivery of the Treasury Management Strategy for the financial year 2018/19.

1.1.2 The purpose of this report is therefore to:

(a) Advise Cabinet of the provisional 2018/19 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 4, 5 and 6) together with a financial overview of the year (Annex 1, Section 1);

(b) Advise Cabinet of decisions made under the Reserves and Balances Policy (Annex 1, Paragraph 1.7, and Appendix A);

(c) Inform Cabinet of the Authority's Investment Plan spend during 2018/19, and the financing put in place (Annex 1, Section 7);

(d) Seek Cabinet approval for approval of reprogramming of £8.484m within the Investment Plan (Annex 1, Section 7, Paragraph 7.8 and Appendix C);

(e) Advise Cabinet of the Council's Treasury Management performance (Annex 1, Section 8); and

(f) Advise Cabinet of the performance of both Capital and Treasury Management Prudential Indicators (Annex 1 Section 8 and Appendix D).

1.2 Recommendations:

1.2.1 It is recommended that Cabinet:

(a) Notes the provisional 2018/19 outturn for the General Fund, Schools Finance and Housing Revenue Account (Annex 1, Sections 4, 5 and 6) together with a financial overview of the year (Annex 1, Section 1);

(b) Notes the decisions made under the Reserves and Balances Policy (Annex 1, Paragraphs 1.7, and Appendix A);

(c) Notes the Authority's Investment Plan spend during 2018/19, and the financing put in place (Annex 1, Section 7);

(d) Approves reprogramming of £8.484m within the Investment Plan (Annex 1, Section 7, Paragraph 7.8 and Appendix C);

(e) Notes the Council's Treasury Management performance (Annex 1, Section 8); and,

(f) Notes the performance against the Capital and Treasury prudential indicators (Annex 1 Section 8 and Appendix D).

1.3 Forward Plan

Twenty-eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 1 February 2019.

1.4 Council plan and policy framework.

The budget is part of the Authority's Budget and Policy Framework.

1.5 Information - Executive Summary

1.5.1 Annex 1 to this report sets out the provisional outturn for 2018/19 for the General Fund, the Housing Revenue Account, Schools Finances and the Investment Plan. It also provides a summary position on the achievement of the Treasury Management Strategy during the year together with the associated Prudential Indicators for capital and treasury.

1.5.2 **General Fund Revenue Budget**: The budget for 2018/19 was approved by full Council at its meeting of 15 February 2018. The net General Fund revenue budget was set at £154.726m including efficiency savings of £10.143m. The monitoring report up to 31 January 2019 projected a pressure of £0.642m and the final position is an underspend of £1.031m. It is proposed that the balance is transferred to the Change Reserve. After the final transfer, the General Fund Revenue Account shows spend on budget for 2018/19.

1.5.3 **Reserves, Balances and Provisions**: As part of the 2018/19 final accounts, amounts have been set aside as provision and reserves for known liabilities, risks and uncertainties that remain in future years.

1.5.4 **Housing Revenue Account:** The Housing Revenue Account has year-end balances of £7.304m, which is £4.634m better than budget.

1.5.6 **School Finances:** School Balances have decreased from £3.356m to £1.599m, these balances include a significant amount of committed funds and the permitted carry forward of grants for the remainder of the academic year.

1.5.7 **Investment Plan**: The final capital expenditure for the year was £69.359m, with a recommendation noted above for Cabinet to approve reprogramming of £8.484m into 2019/20.

1.5.8 **Treasury Management**: The Authority has acted in line with the agreed strategy that the security of the Authority's resources is of greater importance than returns on investments. The level of investments at 31 March 2019 was £12.300m. The level of borrowing (excluding PFI) was £450.146m (down from 2017/18 level of £461.155m) which is well within the capital financing requirement agreed as part of budget setting. This is primarily due to continued level of internal borrowing.

1.6 Decision options:

Option 1
Cabinet can agree the recommendations as set out in Section 1.2 of this report.

Option 2
Cabinet can disagree with all or some of the individual recommendations set out in section 1.2 of the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

It is recommended that Cabinet agree the proposals set out in section 1.2 of this report as it forms part of the 2018/19 Final Accounts process. Reprogramming of the Investment Plan will ensure successful delivery of projects included within the Investment Plan.

1.8 Appendices:

Annex 1	2018/19 Provisional Finance Outturn Report
Appendix A	Reserves & Balances
Appendix B	Investment Plan Financing Summary
Appendix C	Investment Plan Summary of Variations
Appendix D	Prudential & Treasury Indicators

1.9 Contact officers:

Janice Gillespie - Corporate Finance Matters - Tel 643 5701

Claire Emmerson – Corporate Finance Matters - Tel 643 8109

Cathy Davison – Investment Plan and Corporate Finance matters - Tel 643 5727

David Dunford – (Acting) Senior Business Partner – Tel 643 7027

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

(a) Revenue Budget 2018/19 (P).
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201819.pdf

(b) Approved Investment Plan 2018-21 (P).
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/1a.%20Copy%20of%20Appendix%20A%28i%29%20Strategic%20Investment%20Plan.pdf

(c) Council Reserves and Balances Policy (P) – Appendix G
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/cab%20report%20for%2024%2001%202018%20%20item%204.pdf

(d) Investment Programme Board – End of year report 2018/19 (available at offices of author)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report and Annex 1.

2.2 Legal

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

2.3 Consultation/community engagement

Internal consultation
Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, the Senior Leadership Team and Senior Finance Officers. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 25 July 2019.

Community engagement
The 2018/19 budget was agreed after widespread consultation in line with the Authority's approved Budget Engagement Strategy. Appendix F of the 2018/19 Financial Planning and Budget Process report to Council on 24 January 2018 provides details of the consultation.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

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

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2018/19 Provisional Finance Outturn Report

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Section 1 – EXECUTIVE SUMMARY

1.1. Summary

1.1.1. The Authority's audited Statement of Accounts (the Accounts) for 2018/19 will be presented to full Council for discussion and approval on the 25 July 2019. The Accounts are a statutory document which set out the Authority's financial position and performance for the year in a series of formal accounts prepared according to a specific statutory and regulatory framework.

1.1.2. Successive changes to local government accounting practice have made the Accounts a very technical document. As in previous years therefore, this report sets out the Authority's financial performance in an outturn report. This reflects the Authority's structure and is set out on a similar basis to the financial management reports presented to Cabinet throughout the year.

1.1.3. The figures contained in this report are provisional until the completion of the Accounts. In accordance with legislation the draft Accounts will be "certified" by the Chief Finance Officer by 31 May 2019 and the audited Accounts will be approved by full Council on 25 July 2019.

1.1.4. The financial year has seen the Authority continue to manage its finances despite on-going funding reductions and continuing cost pressures in respect of social care services. Despite these challenges the proactive management of the General Fund budget throughout the year has led to a year-end surplus of £1.031m. It is proposed to deal with this surplus by a £1.031m transfer to the Change Reserve. After the final transfer, the General Fund Revenue Account shows spend on budget for 2018/19, with a closing balance on the Strategic Reserve of £14.597m and General Fund balances of £6.804m. Retaining these levels of balances is important for managing the financial resilience of the Authority through 2019/20 and beyond.

1.1.5. School balances have reduced from £3.357m at the start of the financial year to £1.599m at 31 March 2019. Whilst some schools have seen their individual balances increase, the value of individual school deficits overall has increased which contributes to the £1.758m reduction in balances. Overall the position improved from projected overall deficit balances of £4.716m. Further details are contained in Section 5 of this Annex.

1.1.6. The Housing Revenue Account balances have increased from £6.083m to £7.304m, an in-year increase of £1.221m. This change is as a result of an in-year improvement against budget of £3.191m (this represents 1.8% of the gross budget). Further details are given in Section 6 of this Annex.

1.1.7. The initial approved Investment Plan for 2018/19 was £84.059m. Variations and reprogramming of £6.097m (credit) were approved by Cabinet during

2018/19 to give a revised Investment Plan of £77.962m. Capital expenditure for the year was £69.359m (89% of the revised plan), a variation of £8.603m (credit). This outturn includes further reprogramming of £8.484m (credit) as shown in Section 7.

1.2. Strategic Management of the Council's Budget

1.2.1. Whilst statutorily the Authority's budget and Accounts must be prepared by individual financial years, the pressures and opportunities that the Authority faces often extend across several accounting years. Decisions taken in one year will be felt in subsequent periods. One of the benefits of the Authority's regular budget monitoring process is that issues can be identified early in the year and action taken to address them. The outcomes of these actions can then inform both budget setting and final accounts preparation. Budget setting, budget management and final accounts can therefore be seen as related parts of a continuous process of financial management by the Authority. This part of the report sets out some of the key strategic issues managed by the Authority during 2018/19.

1.3. General Fund

1.3.1. The budget for 2018/19 was approved by full Council at its meeting of 15 February 2018. The net General Fund revenue budget was set at £154.726m including efficiency savings of £10.143m.

1.3.2. The Monitoring report up to 31 January 2019 projected a pressure of £0.642m and the final position is an underspend of £1.031m.

1.4. Creating a Brighter Future (CBF) Programme

1.4.1. The efficiency programme for 2018/19 included savings of £10.143m and £1.111m of savings targets carried forward from 2017/18, for the delivery of projects/actions included as part of the CBF Programme. The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration were required to be implemented during 2018/19 leading to £7.596m or 67.5% of the savings targets being achieved. The remaining balance was handled through a range of alternative management activity. The success of which is demonstrated in the outturn. These CBF savings have been monitored as part of the overall financial position of the Authority, and regular updates of progress shared with the Mayor and Cabinet members and also reported to Cabinet as part of the bi-monthly Financial Management reports. Further details of the CBF programme outcomes are detailed in section 3.

1.5. Redundancies

1.5.1. In response to resource reduction and cost pressures the implementation of the CBF programme has resulted in redundancy costs of £0.613m (including schools staff) during 2018/19.

1.6. Treasury Management

1.6.1. There has been a decrease in the level of actual external borrowing (excluding PFI) from £461.155m at 31 March 2018 to £450.146m at 31 March 2019. The level of internal funding remains high at £84.137m at 31 March 2019 (£70.148m at 31 March 2018), subsequently this avoids interest charges. During 2018/19 the sustained approach to maximising the use of internal borrowing, using short term borrowing at lower rates and the impact of reprogramming within the Investment Plan resulted in interest savings of £3.412m in-year.

1.7. Reserves and Outlook

1.7.1. The Council continues to face significant government funding cuts in future years. Combined with cost pressures arising from increased demand for services and unfunded new burdens means that savings of £10.533m are required in 2019/20. This includes £3.550m relating to the full year effect of 2018/19 saving targets, £3.325m of 19/20 saving targets, £2.879m of 2018/19 Procurement and Management efficiencies and £0.779m of 2018/19 residual service efficiency targets. The Medium-Term Financial Plan presented in the January budget report to Cabinet estimated that the level of savings required by 2022/23 would be in the region of £27.181m. The Spending Review is still expected to take place over the summer, leading to an indicative three-year Settlement for 2020/21 to 2022/23. The picture remains unclear as to whether further savings and efficiencies will continue to be required annually for the foreseeable future.

1.7.2. In addition, Government has begun a The Fair Funding Review and, whilst it is correct that the funding formula of Local Government is refreshed and updated, the more significant question has to remain regarding the quantum of funding available to Local Government. In addition to the Fair Funding Review, the Government have advised of their intention to move to 75% Business Rate Retention but uncertainty remains as to how this will form part of the Fair Funding Review.

1.7.3. For 2019/20 North Tyneside will be part of the pooling arrangements for the North of Tyne Combined Authority following the successful bid to be a 75% Business Rate pilot. A key feature of becoming a 75% business rates pilot is that Business Rate income above the current 49%/50% retention arrangements will be pooled across the pilot, and the three local authorities would be regarded as one entity in Business Rates terms.

1.7.4. The Medium Term Financial Plan (MTFP) sets the approach to the redirection of resources in order to deliver the priority-led spending plans and deliver the outcomes shaped by the Our North Tyneside Plan. The Cabinet is aware it must keep under review its medium-term Financial Strategy and four-year Financial Plan, in the context of the 2018-2020 'Our North Tyneside Plan' and known key financial risks.

1.7.5. It has been highlighted previously by the Chief Finance Officer that the Authority has a relatively low level of reserves and the level of uncertainty with regard to the levels of funding for Local Government Finance beyond 2019/20 remains a significant concern. Appendix A sets out in detail the movement on Reserves and Balances and despite some increases the general level of Reserves available to support the Authority's budget remains relatively low.

1.7.6. The Support for Change Reserve has increased to £4.894m following an allocation of £1.031m as part of the outturn. The Strategic Reserve represents 4.03% of the 2019/20 gross budget and just over 9.37% of the 2019/20 net budget, with the General Fund balances added together these represent 5.90% of the 2019/20 gross budget and 13.74% of the 2019/20 net General Fund budget.

1.7.7. The net movement in HRA reserves and balances is a reduction of £1.749m. The HRA reserves have decreased by £2.970m to £19.851m in 2018/19. The use of up to £3.000m of HRA PFI Reserve was approved by Cabinet on 10 September 2018 under the Use of Reserves policy to finance the purchase of new repairs and construction fleet vehicles, as part of the end of the Kier North Tyneside Joint Venture. Within the HRA reserve total over £16m relates to PFI reserves. Included in the overall movement is an increase in Housing Revenue Account balances of £1.221m as set out in Section 6 of this Annex.

1.7.8. School Balances show a reduction of £1.758m as set out in section 5 of this Annex, but as stated previously this is an improvement against the planned deficit balance position of £4.716m.

1.7.9. Overall, 2018/19 was typical of recent years in that several strategic concerns overlay the management of the approved budget. The Council was able to manage these issues through its forward planning process and by pro-active management of in-year issues. Financially that management action was underpinned by close management of spend, and by taking advantage of short term borrowing rates to achieve interest savings.

However, because such strategic pressures are a feature of the current local authority environment there will always be an element of risk as we move forward into each new financial year. The experience of 2018/19, once again reinforces the importance of forward planning, a strong balance sheet, close management of the core budget, a regular monitoring and reporting process and a flexible approach to managing the efficiency programme.

SECTION 2 - GENERAL FUND SUMMARY

2 General Fund Revenue Provisional Outturn

2.1 This section of the report details the provisional outturn figures at 31 March 2019. The Authority's approved net revenue budget of £154.726m is provisionally expected to underspend by £1.031m. This is an improvement of £1.673m on the previous position reported to Cabinet, based on forecasts at January 2019 which showed a pressure of £0.642m. The budget includes £10.143m of budget savings as agreed at full Council on 15 February 2018. Table 1 in paragraph 1.6 below sets out the variation summary across the General Fund.

Accounting Adjustments

2.2 As part of the statutory reporting regulations there is a requirement to ensure that there is a clear audit trail between the figures reported to Cabinet and those published in the Statement of Accounts. The outturn therefore includes a series of year-end accounting adjustments which, whilst having no impact on the final overall position against the budget, provide a link from outturns reported to Cabinet to the published accounts. These adjustments include:

- Adjusting both budget and actual positions for support services. This has no impact on variances;
- Adjusting the service positions for actual (rather than budgeted) capital expenditure items; and
- Adjusting the service positions for the impact of Public Finance Initiatives (PFI) which has reduced the reported costs of the services by £5.754m and has had the opposite impact on the corporate budget lines.

2.4 As these accounting adjustments were not included in the previously reported forecasts presented to Cabinet, the impact of these adjustments within the outturn variance needs to be removed to allow comparison to the last reported forecast at a service level as at January 2019. This is shown in Table 1, in paragraph 1.6 below.

2.5 Table 1 below shows the variance between the outturn to be published in the statement of accounts and the budget and also shows the adjustments required to allow comparison of the provisional outturn for Cabinet to the last reported position.

2.6 Table 1: 2018/19 General Fund Revenue Provisional Outturn as at 31 March 2019

	Budget	Final Accounts Outturn	Variance	Accounting Adjustments	Adjusted Variance for Cabinet	January Forecast Variance for Cabinet	Movement from Last Cabinet Report
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Health, Education, Care and Safeguarding	63.440	67.847	4.407	1.027	**5.434**	5.754	(0.320)
Commissioning and Asset Management	18.772	2.307	(16.465)	16.800	**0.335**	0.390	(0.055)
Environment, Housing and Leisure	40.403	27.028	(13.375)	13.401	**0.026**	0.023	0.003
Chief Executive Office	(0.019)	(0.035)	(0.016)	0.000	**(0.016)**	(0.032)	0.016
Business and Economic Development	1.205	1.463	0.258	0.127	**0.385**	0.368	0.017
Commercial and Business Redesign	1.433	1.777	0.344	0.845	**1.189**	0.779	0.410
Corporate Strategy	0.202	0.444	0.242	0.000	**0.242**	0.164	0.078
Finance	(0.645)	(0.969)	(0.324)	0.031	**(0.293)**	0.451	(0.744)
Human Resources and Organisational Development	(0.130)	(0.109)	0.021	0.000	**0.021**	0.065	(0.044)
Law and Governance	(0.110)	0.221	0.331	0.000	**0.331**	0.296	0.035
Central Items	10.335	33.881	23.546	(32.231)	**(8.685)**	(7.616)	(1.069)
Support Services	19.840	19.840	0.000	0.000	**0.000**	0.000	0.000
Total Authority	**154.726**	**153.585**	**(1.031)**	**0.000**	**(1.031)**	0.642	**(1.673)**

Main Movements From Previous Reported Forecast Variance (January Report)

2.7 Comparing the adjusted outturn variance to the previously reported January forecast outturn shows an overall improvement of £1.673m. The main reasons for these movements are itemised below with more detailed explanations of both the outturns and the changes compared to the January report being contained in section 2 of this report.

Health Education Care and Safeguarding

2.8 There has been an overall improvement of £0.320m since the January report resulting from a reduced cost associated with adoptions and an improved position against staffing budgets within Children's Services. Within Adult Services, increased third party payments were offset by increased client contributions.

Commercial and Business Redesign

2.9 There has been an increase in the outturn pressure within Commercial and Business Redesign of £0.410m since the January report. Of this, £0.292m is due to a realignment of ENGIE contract costs and an increased cost in relation to development work around the Customer Journey Project.

Finance

2.10 The Finance Service saw an overall improvement of £0.744m compared to the January report. This is mainly due to the realignment of ENGIE contract costs referred to in the paragraph above. In addition the Revenues and Benefits Service position improved by £0.366m as a result of a better than anticipated benefits subsidy position and a lower requirement for provision against bad debts.

Central Items

2.11 Central Items has improved by £1.069m since the January report. There has been £0.722m of additional Central Government Funding (s31 Grant) received to compensate for further Business Rate support, such as small business rate relief, which was enhanced in the Chancellor's budget. There have also been additional savings on Pensions out of Revenue (a reduced call on the Superannuation Fund) of £0.103m and a further £0.262m in interest savings partially offset by minor expenditure items.

Other Services

2.12 Other services have been grouped together as individually the movements in outturn variances are not significant. The largest items within the overall worsening of £0.050m was a reduced contribution from reserves compared to the January forecast to support costs in Corporate Strategy associated with the final purchase costs of an analytics tool and additional locum and barrister fees within Law and Governance following a period of staff turnover.

SECTION 3 - DELIVERY OF BUDGET SAVINGS PROPOSALS

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

3.2 **Table 2: Year on Year savings since 2010 CSR**

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

3.3 Although the vast majority of the ambitious 2017/18 savings target of £18.338m were delivered during 2017/18, at the beginning of the year there was £1.111m of savings from 2017/18 that remained to be delivered, taking the overall savings target for 2018/19 to £11.254m. Progress has been tracked during the year against each saving proposal and £7.596m, including mitigating savings, equating to 67.5% of the overall target has been identified as saved during 2018/19 (January, £7.438m representing 66% of the target). Table 3 below shows the delivery by Service;

3.4 **Table 3: Creating a Brighter Future (CBF) savings in 2018/19**

Service	Savings Target £m	Actual Savings Delivered vs Original Plans £m	Other Mitigating Savings £m	Remaining Shortfall March 2019 £m	% of target delivered in 2018/19	Assumed in Forecast at Jan £m
Business & Economic Development	0.121	0.121	0.000	0.000	100%	0.121
Central Items	3.870	0.991	0.000	2.879	26%	0.991
Commercial & Business Redesign	0.060	0.060	0.000	0.000	100%	0.060
Commissioning & Asset Management	0.555	0.511	0.000	0.044	92%	0.511
Corporate Strategy	0.124	0.124	0.000	0.000	100%	0.124
Environment, Housing & Leisure	1.158	1.158	0.000	0.000	100%	1.158
Finance	0.305	0.155	0.150	0.000	100%	0.155
Health, Education, Care and Safeguarding (HECS)	4.920	3.830	0.355	0.735	85%	4.185
HR & Organisational Development	0.025	0.025	0.000	0.000	100%	0.025
Law & Governance	0.116	0.101	0.015	0.000	87%	0.108
Total savings	**11.254**	**7.076**	**0.520**	**3.658**	**67%**	**7.438**

3.5 Throughout the year, a prudent approach was taken in relation to efficiency savings which were only reported as achieved in the forecast position when the impact could be seen flowing into the financial ledger. The governance structure of the CBF programme included separate monthly reviews of progress by the Senior Leadership Team and the Deputy Mayor. In addition, in-year finance and performance progress meetings were held between officers and Cabinet Members to consider progress and actions being taken to deliver savings. The main areas of pressure in relation to delivery of savings targets in 2018/19 were the cross-cutting procurement and management savings shown within Central Items and savings related to care costs within HECS. The remaining balance was handled through a range of alternative management activity. The success of which is demonstrated in the outturn.

Central Items

3.6 As anticipated in the reported position at January, within Central Items the year has ended with £2.879m of savings targets yet to be delivered which will be carried forward into 2019/20. These are the cross-cutting targets for Procurement Savings under the Maximising Resources Business Case (£1.592m) and Management Savings under Fit for Purpose – How we are Organised (£1.287m).

3.7 In relation to the Procurement target of £2.000m, a total of £0.408m was achieved in 2018/19. Investigations continue into a range of other proposals in relation to their potential to deliver savings in 2019/20. In October 2018, Cabinet made the decision to return the Procurement Service back to direct Council control and commercial negotiations continue with our partner ENGIE.

3.8 The position for management savings also remains unchanged from the report at January, however Heads of Service continue to develop a range of plans to address the remaining balance to be achieved. These plans include consideration of the opportunities arising from devolution and regional joint working in regard to the provision of children's social care services, consideration of the arrangements in place to manage our major contracts and delivery of our transformation and ICT requirements. The delivery of these plans will continue into 2019/20.

In both procurement and management terms significant work has been done; in particular as part of the arrangements at the end of the Kier North Tyneside Joint Venture. While major savings were made, much of the benefit was felt in the Housing Revenue Account.

Commissioning and Asset Management

3.9 The Service has made good progress and delivered 92% of its target in 2018/19, however £0.044m remains to be delivered. Work continues into 2019/20 to look at options to at least secure the remaining balance.

Environment, Housing and Leisure

3.10 The Service can confirm, as previously reported, that it has delivered all of its £1.158m target.

Finance

3.11 The target relating to changes to the Customer Services operating model of £0.150m has been achieved via the one-off application of a Pension Cap and Collar payment. Discussions are on-going with our partner ENGIE to implement required changes and deliver the savings on a sustainable basis whilst maintaining the level of service our customers expect and deserve. Alternate options to meet this target were actively explored during the year and mitigating savings have been achieved in 2018/19 through vacancy management and the management of the contract with ENGIE.

Health Education, Care and Safeguarding

3.12 In line with all of Local Government, social care continues to be the area of greatest financial challenge and highest risk. The Service is forecasting to deliver £4.185m amounting to 85% of its targets. This is unchanged from the January report. Projects around Public Health contracts, reductions in block contracts and staffing restructures in Integrated Services are all complete.

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

3.14 However, an amount of £0.300m relating to banding of care home fees, is not yet achieved and will be carried forward into 2019/20. This resulted from significant challenge from the care providers in negotiating the 2018/19 fee increase. An agreement was ultimately reached with care home providers which has allowed detailed work to review bandings of care homes to commence, taking into account Care Quality Commission (CQC) ratings with the intention of delivering savings in 2019/20.

3.15 The 2017/18 savings targets relating to HECS have been subsumed within the normal budget monitoring processes. In relation to the Children with Disabilities target, work has been on-going to develop a revised plan to achieve these savings. Savings of £0.013m were achieved by generating additional income from providing a residential assessment place at Riverdale to a neighbouring authority and an additional in-year mitigating contribution of £0.200m was secured. The service continues to review alternative ways of permanently achieving the full target of £0.350m in 2019/20. In addition there are £0.244m of savings against placement costs in relation to Looked After Children which have not been yet achieved and will be carried forward to 2019/20.

3.16 Throughout 2018/19, the service has taken a prudent view around savings delivered against care provision and its related income as these are delivered over the course of the year by on-going robust review and management actions rather than as a one-off activity with a discrete start and end date as in, for example, a staffing restructure. The project around Customer Demand Pathway is estimated to have achieved £0.100m of the £0.200m target. There have been challenges during the year in separately identifying the impact of actions to manage demand from the natural changes in needs presented by individual clients. The projects on Direct Payments and Client Charging gained momentum following policy decisions taken by Cabinet in October 2018 and these targets are now confirmed as achieved in 2018/19. The project on Health Funding has achieved the target of £0.400m from increased s117 income relating to mental health aftercare and increased levels of Continuing Healthcare, following reviews of eligible clients with an over achievement of £0.155m partially mitigating in-year delays in achievement of targets.

SECTION 4 – SERVICE COMMENTARIES

4.1 Members provided robust challenge to Services throughout 2018/19 to support effective financial management. Meetings took place in July, October/November and January with officers, the Cabinet Member for Finance and Resources, the Deputy Mayor and relevant Cabinet Members to discuss the in-year finance and performance position. Heads of Service and their senior teams attended 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 £63.440m net controllable expenditure budget of £5.434m representing an overall improvement of £0.320m since the January report. This forecast position excludes the application of contingency budgets set aside in Central Items for demand-led pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

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

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Corporate Parenting & Placements	13.953	17.533	3.580	3.641
Early Help and Vulnerable Families	2.130	2.049	(0.081)	(0.077)
Employment and Skills	0.601	0.524	(0.077)	(0.075)
Integrated Disability & Additional Needs Service	1.994	2.341	0.347	0.474
School Improvement	0.050	(0.080)	(0.130)	(0.083)
Wellbeing, Governance & Transformation	2.128	1.768	(0.360)	(0.328)
Disability & Mental Health	28.275	29.658	1.383	1.486
Wellbeing & Assessment	11.425	12.837	1.412	1.180
Integrated Services	2.430	1.973	(0.457)	(0.330)
Business Assurance	0.435	0.252	(0.183)	(0.134)
Public Health	0.019	0.019	0.000	0.000
Total HECS	**63.440**	**68.874**	**5.434**	**5.754**

Main budget pressures across HECS

4.2.3 In addition to its normal complex budget management, during 2018/19, the service has continued to deal with a combination of demand-led pressures and national policy changes. There have been upward pressures on care providers' fees largely resulting from the National Living Wage increase in April 2018 and reduced income from the NHS particularly in relation to their contribution for Mental Health Resettlement costs.

4.2.4 The main factor behind the significant pressure during the year was third party payments in relation to fees for care homes and community-based packages for adults. This was foreseen and, as part of the 2018/19 budget setting process, contingencies were created and these continue to be held centrally and remain in place for 2019/20. In addition, there continued to be significant pressure within Corporate Parenting and Placements in relation to care provision for Looked After Children (LAC) and Care Leavers. This is combined with the on-going pressures in the workforce arising from staff retention and recruitment costs. As indicated in section 2, the service made significant progress in delivering another demanding set of savings projects but the remaining total of £0.735m, which are targets not yet achieved, have contributed to the overall pressure within the provisional outturn.

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

4.2.5 **Table 5: Summary of Factors Driving the Pressure within HECS**

Sub-service	Savings yet to be delivered £m	Demand Pressures £m	CCG Income £m	Grants and client income £m	Staff £m	Other £m	Total £m
Adults	0.354	4.270	0.466	(2.416)	(0.355)	(0.524)	1.795
Children	0.381	3.231	0.070	0.000	0.180	(0.223)	3.639
Total	**0.735**	**7.501**	**0.536**	**(2.416)**	**(0.175)**	**(0.747)**	**5.434**

Adult Services

4.2.6 In Adult Services there was a pressure of £1.795m which has reduced by £0.079m since the last report at January. Within this position there has been an increase in third party payment costs which has been offset by an increase in income. The position includes the Winter Pressures Grant of £1.031m but excludes a contingency budget of £1.800m which was set aside during budget setting to mitigate the risk of third party payment pressures. This contingency budget is shown in Central Items.

4.2.7 The pressure of £1.795m predominantly relates to this rising complexity of demand foreseen by Cabinet. In addition, there are £0.354m of CBF efficiency targets which have not been delivered in 2018/19 and will need further action to fully deliver these savings in 2019/20. There is a remaining pressure of £0.466m from CCG income around the s256 mental health resettlement agreement. This latter issue was recognised during the budget setting process for 2019/20 and corrected through a budget growth item.

4.2.8 In common with most local authorities, and in line with the national picture, North Tyneside has seen costs within adult social care continue to rise. Although the number of adults supported remains relatively stable, their individual needs have increased due to living longer with multiple complex conditions. Supporting those needs requires more intensive packages of care which are more expensive to provide. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

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

4.2.10 Demand-led pressures (excluding those which form part of savings targets as yet to be achieved as outlined in 2.12 to 2.16) total £4.270m above budget which is an increase of £0.591m since the January report. These are analysed into the following service types;

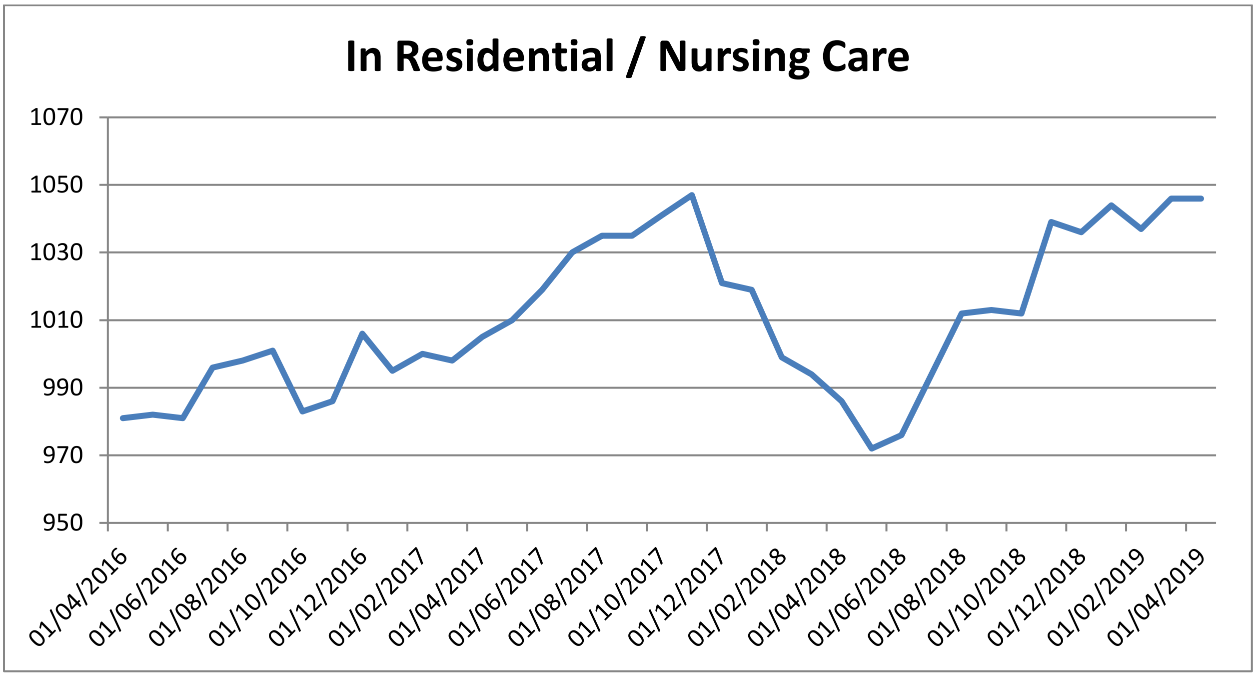
Table 6: Analysis of Adult Services Care Provision Pressure by Service Type

Type of Service	Demand-led Pressure March £m	Demand-led Pressure January £m
Residential and Nursing care	2.234	1.931
Homecare and Extra Care	1.376	1.078
Other Community Based Care	0.660	0.670
Total	**4.270**	**3.679**

Residential and Nursing Care

4.2.11 The first quarter of 2018/19 showed a falling trend in the number of placements mainly in relation to reducing the numbers of short-term placements by effective alternative intervention. However, the service saw an increase in demand in July and August which continued through the autumn and winter and has not yet shown any sustained reduction. The number of clients placed at November 2017 was 1,050 which had dropped to 971 at the end of June 2018. The numbers rose to 1036 in December 2018 and ended the year at 1046. The Service is continuing to carefully monitor levels of placements and is reviewing all proposed placements to appropriately challenge each decision.

4.2.12 **Chart 1: Trend of numbers of Clients in Residential and Nursing Care**

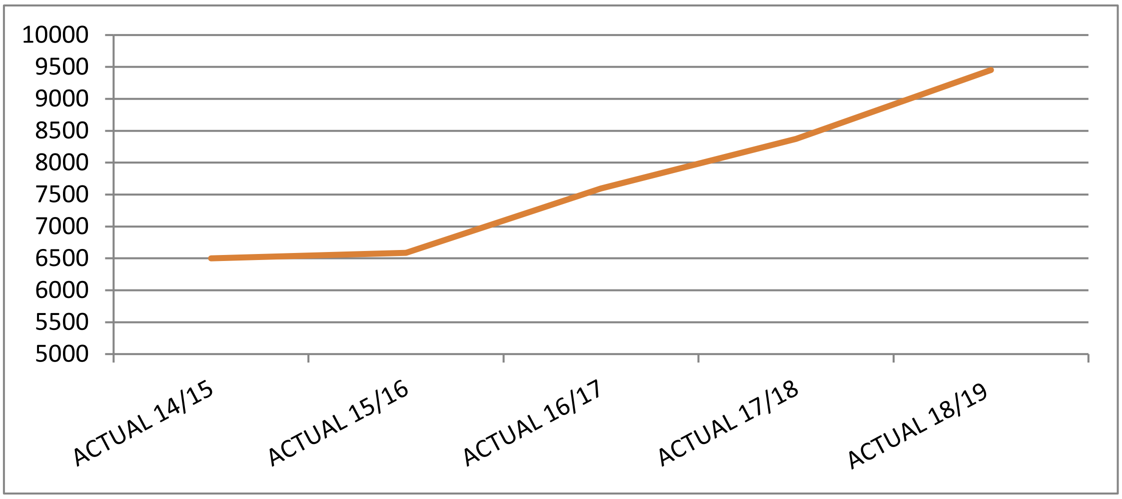


4.2.13 Residential and nursing placement forecasts are showing a pressure of £2.234m which has increased by £0.303m from the January position. This increase is mainly due to the continued increase in admissions outlined in paragraph 4.2.11 above in addition to backdated payments relating to the fee increase for 2018/19. The Service is proactively working to achieve further reductions in the level of residential and nursing care into 2019/20 as alternative forms of provision of services are identified for short-term placements. Services such as reablement, community based intermediate care and extra care are being deployed effectively to reduce admissions to long term residential care. The service is undertaking a focused review of all short-term placements with support from colleagues from sheltered accommodation and with a view to maximising the appropriate use of assistive technology to identify exit plans for those people needing to move on from short-term residential placements. This is a demand led service however, facing demographic pressures of an increasingly aging population.

Homecare and Extra Care

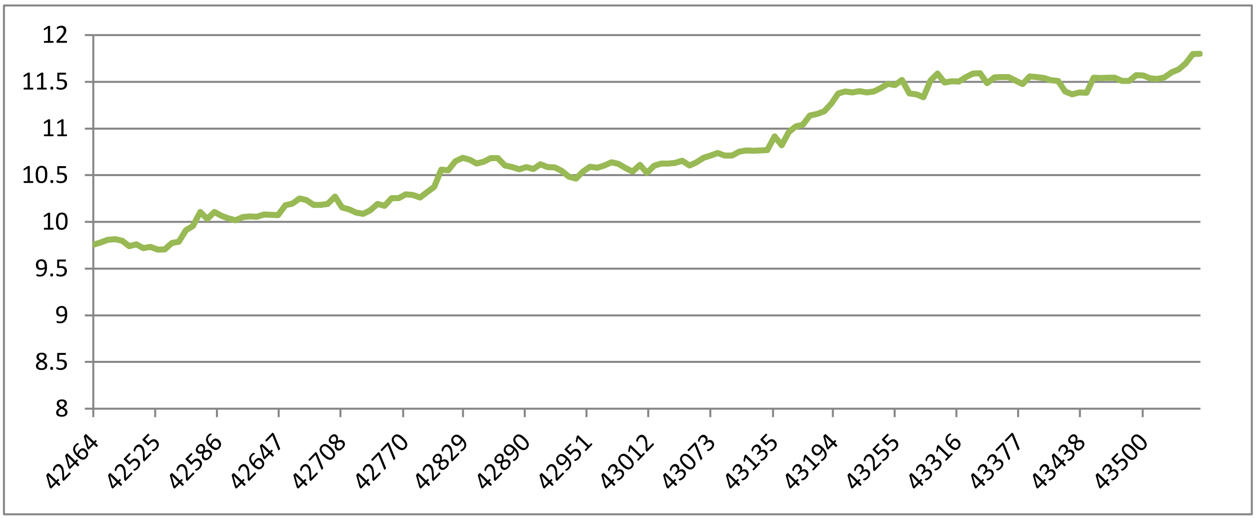
4.2.14 The cost of homecare and extra care has also risen since the last report with the budget pressure increasing by £0.298m to £1.376m. As reported during 2017/18 and 2018/19, the Authority, in line with the national picture, has seen an increase in the average cost of homecare as more intense support for an aging population results in higher average package costs. This is shown in chart 2 below.

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



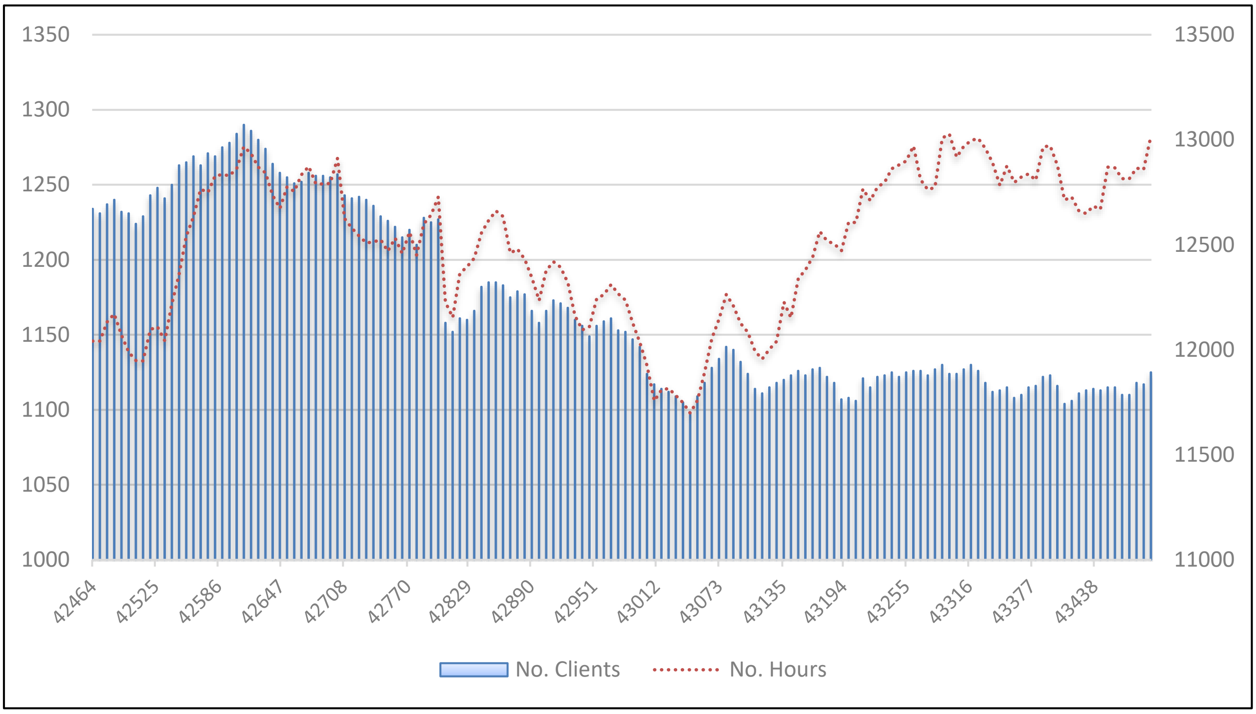
4.2.16 The number of hours provided per client has increased by 24% since April 2015 from 9.48 hours on average to 11.80 hours in March 2019, indicating a significant increase in the levels of need which are now being supported in the community rather than in a residential setting. This level has increased during 2018/19 from 11.3 hours to 11.8 hours (4.4%). The overall number of hours delivered has increased during 2018/19 from 12,472 per week at the beginning of the year to 13,200 at the end of the year, a rise of 5.8%.

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



4.2.18 As described in 4.2.9, the Service is working hard to continue embedding the asset-based approach by remodelling how customers access the service. Chart 4 below clearly shows how the service has transformed to support a smaller number of clients with higher needs resulting in an overall increase in the number of hours provided.

4.2.19 **Chart 4: Number of Clients Supported and Number of Hours Provided - Homecare**



<u>CCG Income</u>

4.2.20 The pressure of £0.466m (increased by £0.075m since the January report) relates to reduced Mental Health Resettlement income after agreement was reached with the CCG on future funding for infrastructure and placement costs (£0.667m) partially offset by recharges for clients with Mental Health Aftercare (s.117) services and clients with a jointly funded package. The service continues to carefully review all clients with s.117 eligibility where the CCG has undertaken to fund 50% of all mental health aftercare support packages and this has resulted in increasing trend of recharges to the CCG from £4.263m in 2017/18 to an outturn of £4.724m in 2018/19. Recharges for jointly funded packages of care however have fallen from £2.440m in 2017/18 to £1.680m in 2018/19. In relation to jointly funded care, the Authority is working collaboratively with the CCG on a case by case basis where it is identified that a client has significant health needs. However, if a client has not been assessed as fully meeting the threshold for continuing healthcare, there has been an absence of clear statutory guidelines outlining the CCG's responsibility. New national guidance around jointly funded cases was published in October 2018 with revised national tools to support the assessment of continuing healthcare and the Authority is continuing to work through these issues with the CCG.

Other Community Based Care

4.2.21 This category is comprised of supported living, individual service funds, direct payments and day care. The pressure has reduced by £0.010m since the January report.

Other

4.2.22 The pressure in placement costs and CCG income is being partially mitigated by the Winter Pressures Grant (£1.031m) and client contributions over budgeted levels of income (£1.385m). The budget surplus on client contributions has increased by £0.566m since the last report partially resulting from the changes to policy introduced in January 2019 following the Cabinet decision in October 2018 and a strong recovery of deferred payments income at the end of the year.

There are also underspends in staffing of £0.355m and other areas totalling £0.524m. The latter is comprised mainly of previously unallocated transformation budgets within Wellbeing, Governance and Transformation and resources that have become available following successful changes adopted in Integrated Services to manage costs down particularly in relation to client transport.

Children's Services

4.2.23 In Children's Services the overall pressure of £3.639m has reduced by £0.241m from the January position of £3.880m. The improvement covers a range of different areas; reduced staffing pressure of £0.092m mainly within Integrated Disability and Additional Needs as vacancies have been held across the service wherever possible, an improved income position within School Improvement (£0.047m) with reduced expenditure and improved income in relation to adoptions making up the majority of the remaining improvement. Costs within Corporate Parenting and Placements formed the main pressures in 2018/19 across Children's Services on-going demand related placement pressures ending the year at £3.231m overspent. This issue was foreseen by Cabinet and backed by £2.616m of contingencies held centrally. In addition, there are £0.381m of, as yet, not fully delivered CBF efficiency targets with the balance made up mainly of staffing pressures.

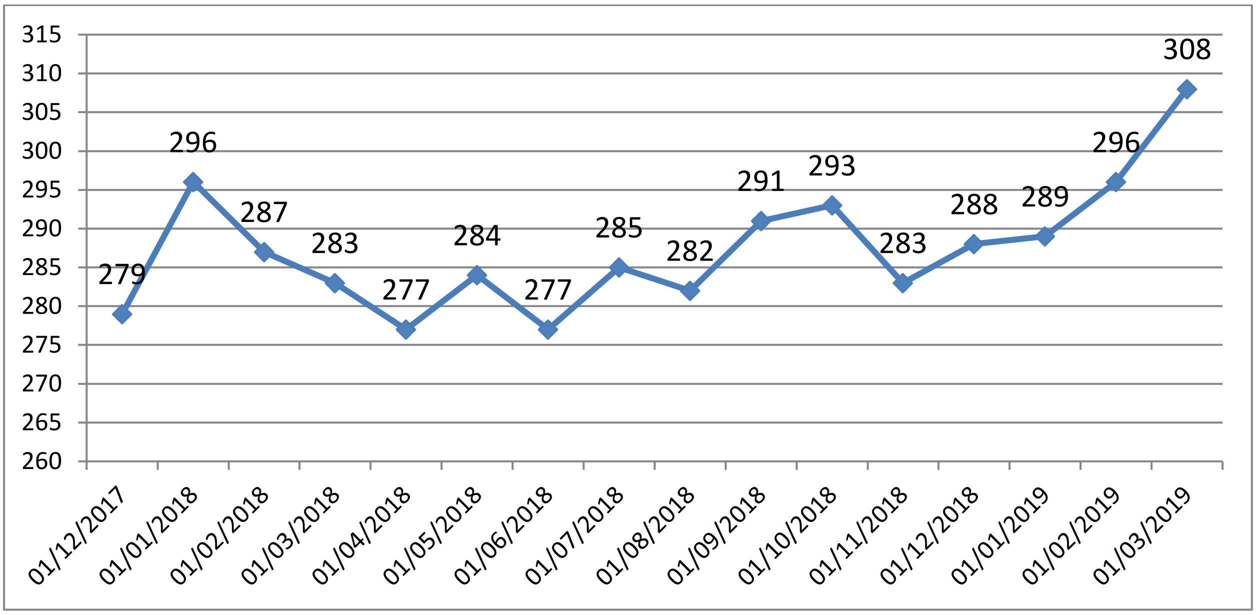
4.2.24 A breakdown of the total of demand led pressures of £3.231m is shown below;

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

Type of Service	**Demand-led Pressure Mar £m**	**Demand-led Pressure Jan £m**
Placement costs for LAC	2.322	2.169
Costs relating to non LAC	0.807	0.926
Leaving Care costs	0.014	0.063
Management and legal fees	0.088	0.045
Total	**3.231**	**3.203**

4.2.25 The main pressure continues to be in relation to placement costs for looked after children totalling £2.322m which is showing an increase of £0.153m since the January report. Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside, the trend in numbers of Looked After Children has reflected the increases felt nationally and despite all management action to manage demand in this volatile area, the final month of the year has shown a further increase to 308 children.

4.2.26 **Chart 5: Looked After Children numbers at each month end**



4.2.27 In addition to this rise in overall numbers of LAC, 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 41% of the overall placement cost. The average cost of a residential care placement has increased to £0.390m. 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.

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

Placement Type	18/19 Forecast Variance	Average Annual Placement cost £m	18/19 Bed nights	Placement Mix	No. LAC at Jan 19
External Residential Care	1.559	0.390	7,366	7%	22
External Fostering	0.289	0.040	9,701	9%	23
In-House Fostering Service	0.380	0.018	76,076	69%	218
External Supported Accommodation	0.161	0.135	1,349	1%	11
Other*	(0.067)	various	15,146	14%	34
Total	**2.322**		**109,638**	**100%**	**308**

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

4.2.29 The service has been successful in reducing the use of externally provided supported accommodation, which is the next most costly form of provision after residential care. This has been achieved by making full use of the Authority's in house provision 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.

4.2.30 Pressures relating to other placements total £0.807m which has reduced from the January report of £0.926m mainly as a result of increased income and reduced expenditure in relation to adoptions. The remaining pressure consists mainly of Special Guardianship Order payments and Cabinet will be aware of the increases in costs for these placements after the revised Council Policy was introduced in 2018. Part of the contingency budget of £2.616m held in Central Items was created to mitigate this risk.

Staffing pressures

4.2.31 Cabinet are aware of the particular challenges faced across the children's social care sector nationally and this has led to a net pressure on staffing costs of £0.180m mainly due to the need to use agency workers earlier in the financial year and market supplement payments. This pressure has reduced by £0.092m since the January report due to the holding of vacancies wherever feasible to mitigate the staffing pressures overall. At the time of reporting no agency staff are currently required and case loads are in line with good practice.

Other

4.2.32 There is a net underspend of £0.223m in other areas which has improved by £0.177m since the January report. This relates predominantly to increased School

Improvement income (£0.044m), a contribution towards a post in the Multi Agency Safeguarding Hub (£0.055m) and reduced commissioned services costs in Integrated Disability and Additional Needs (£0.035m) with the remainder being a number of small improvements across the service.

4.3 Commissioning and Asset Management

4.3.1 Commissioning and Asset Management is forecasting a pressure of £0.335m as set out in table 9 below. This compares to the January position of £0.390m.

4.3.2 **Table 9: Commissioning and Asset Management outturn variation**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
School Funding & Statutory Staff Costs	2.252	2.146	(0.106)	(0.045)
Commissioning Service	0.405	0.379	(0.026)	0.000
Child Protection Independent Assurance and Review	0.663	0.674	0.011	0.016
Facilities and Fair Access	0.087	0.309	0.222	0.125
Community & Voluntary Sector Liaison	0.438	0.445	0.007	0.000
Strategic Property and Investment	13.448	13.520	0.072	0.045
High Needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	1.363	1.534	0.171	0.249
Commissioning & Investment Management & Support	0.152	0.148	(0.004)	0.000
Procurement	(0.036)	(0.048)	(0.012)	0.000
Total Commissioning & Asset Management	**18.772**	**19.107**	**0.335**	**0.390**

4.3.3 The largest area of pressure with Commissioning and Asset Management is Facilities and Fair Access which ended the year with an overspend of £0.222m, an increase of £0.097m since the January report. The pressure in Catering Services has been finalised as £0.084m and results mainly from inflationary pressures within food costs. There are also inflationary pressures in Cleaning of £0.096m and demand led issues within Home to School Transport of £0.074m partially offset by £0.032m of underspends, mainly from staffing.

4.3.4 Within Property, there has been an improvement of £0.078m due to lower than forecasted costs within the managed repairs and maintenance budget across public buildings however a residual pressure of £0.106m remains net of energy management. Costs of preventing and managing vandalism relating to the Sir G.B. Hunter Memorial Hospital vacated by the NHS in 2018/19 have left the Authority with a pressure of £0.106m during the year. Plans are in place to manage the building on site during 2019/20.

4.3.5 There are staffing pressures affecting Strategic Property and Investment where a savings target of £0.044m relating to management savings remains to be achieved. The service is continuing to review required staffing resources against the Authority's commitments and priorities and is also looking at alternative sources of funding to at least secure this remaining balance. The largest item within the remaining pressure is a contribution to costs of the community wing at Burradon Community Primary School.

4.3.6 The position has been supported by an increased underspend in School Funding and Statutory Staff costs resulting from lower than anticipated costs associated with teachers' early retirement.

4.4 Environment, Housing & Leisure

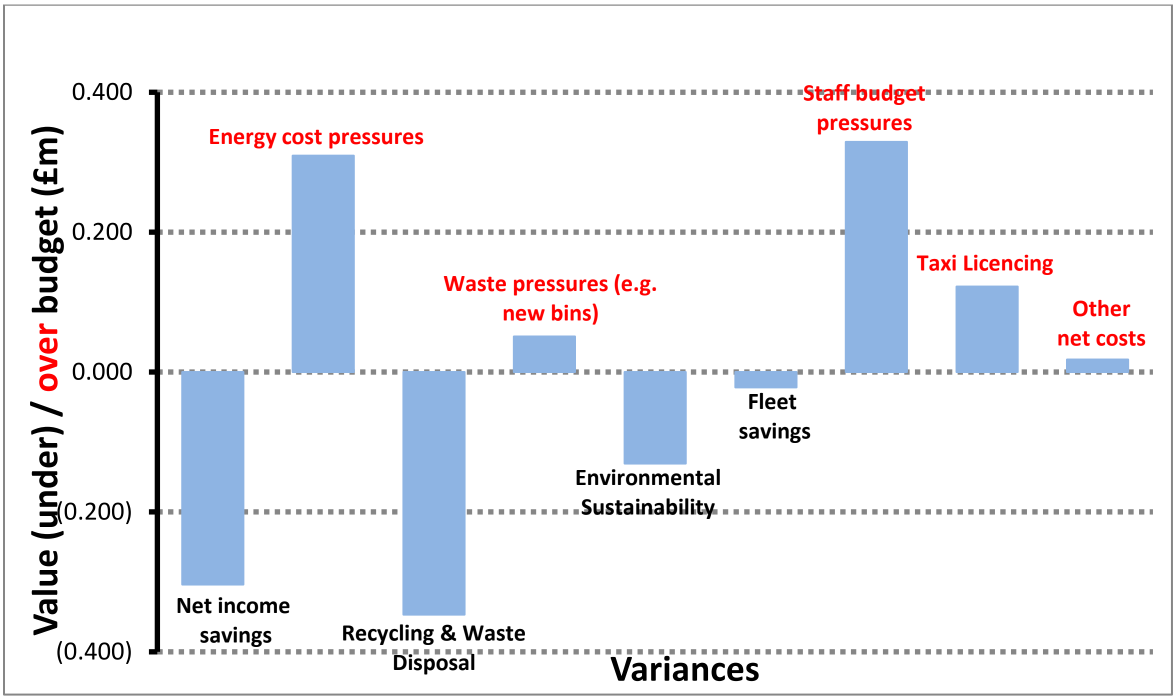
4.4.1 The Environment, Housing and Leisure Service is reporting a pressure of £0.026m against the £40.400m budget, as set out in Table 10 below. The underlying forecast position has changed slightly by £0.003m from the last reported position of £0.023m pressure at January.

4.4.2 **Table 10: Outturn Variation in Environment Housing & Leisure to budget**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Sport & Leisure	3.113	3.404	0.291	0.093
Cultural Services	6.702	6.702	0.000	0.088
Security & Community Safety	0.176	0.230	0.054	0.062
Fleet Management	0.586	0.564	(0.022)	(0.130)
Waste Strategy	11.162	10.854	(0.308)	(0.306)
Local Environmental Services	7.049	7.006	(0.043)	0.099
Head of Service and Resilience	0.110	0.104	(0.006)	0.023
Street Lighting PFI	4.294	4.294	0.000	0.000
Consumer Protection & Building Control	0.838	0.928	0.090	0.096
Transport and Highways	5.365	5.338	(0.027)	0.013
Planning	0.115	0.121	0.006	0.000
General Fund Housing	0.893	0.884	(0.009)	(0.015)
Total Environment, Housing and Leisure	**40.403**	**40.429**	**0.026**	**0.023**

4.4.3 Although the underlying position has not changed significantly since the last reported forecast, some areas of pressure persist and are offset by increased income or expenditure reductions elsewhere. The largest overall remaining pressures are staffing issues of £0.329m across the service and premises-related energy and water pressures of £0.310m. These pressures are offset by increased net income of £0.304m, plus cost savings in waste (£0.427m) and fleet (£0.022m). In addition, there is a pressure in taxi licencing of £0.122m and there are a range of other miscellaneous operational savings and costs across the service areas described in the paragraphs below amounting to £0.018m.

4.4.4 **Chart 6: EHL Underlying Pressures and Savings 2018/19**



4.4.5 The main area of the underlying improvement in the position since January is in relation to Street Environment. Cost reductions within Grounds Maintenance of £0.241m, have combined with cost reductions of £0.102m within Waste to offset a reduction of income of £0.275m across Taxi Licencing, Sport & Leisure, Security and Bereavement. There are additional net movements of £0.071m, covering additional costs for fleet and commercial updates amongst other, smaller movements.

Sport & Leisure

4.4.6 Sport & Leisure has shown an improved position on income of £0.634m in 2018/19. Whilst this is a reduction from the previous expected improvement by £0.199m, it reflects the impacts of both the changes to VAT rules as well as marketing to improve the take-up of gym memberships. Of the £0.634m, £0.400m has been moved to Central Items as it represents the VAT element of the increase. Sport & Leisure have reported the remaining £0.234m income surplus against budget, which is mainly due to increased take-up in gym membership. There is a pressure of £0.244m around staffing costs which is mainly caused by the need to cover shifts and back-fill for sickness.

4.4.7 The balance of the position is made up of operational expenditure pressures the largest of which are premises costs of £0.167m within the service area relating to energy and water costs, in addition to supplies and services costs of £0.115m. This leaves Sport & Leisure overall showing a net pressure of £0.292m.

Cultural Services

4.4.8 Whilst Cultural Services are showing an overall break-even, there are historical pressures due to energy pressures and income shortfalls, plus a Business Rates pressure of £0.125m which is being offset in 2018/19 by an in-year one-off rates rebate in relation to Segedunum Museum. The net saving is mainly caused by an increased profit share (compared to previous years) from Whitley Bay Playhouse of £0.055m, plus some smaller operational savings.

Security & Community Safety

4.4.9 The service ended the year with a net pressure of £0.054m, which is a small improvement since January. The pressure was due to historical and challenging income targets, though the service mitigated their impact by removing staff posts and other operational costs where possible.

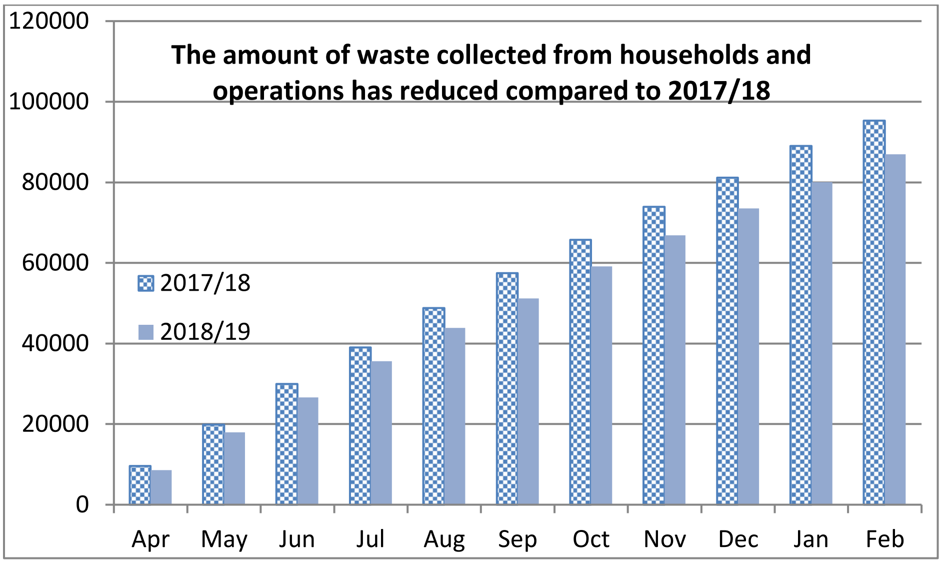
Fleet Services/Facilities Management

4.4.10 The Fleet Services and Facilities Management Service ended the year with marginal saving against budget of £0.022m. The additional cost of financing new vehicles, whilst increasing during the year, continued to be more than offset by the associated reduction in servicing and maintenance costs. In addition, the service area has benefitted from reduced fuel costs associated with more efficient vehicles.

Waste Strategy

4.4.11 Waste Strategy has shown a final underspend for 2018/19 of £0.308m, a small improvement from January's reported position. The Service has absorbed the additional costs for the first year of introducing the alternate weekly collections including the provision of new bins and the expansion of the garden waste collection service within the overall budget set for waste without the need to use the contingency reserve established to cover these costs.

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

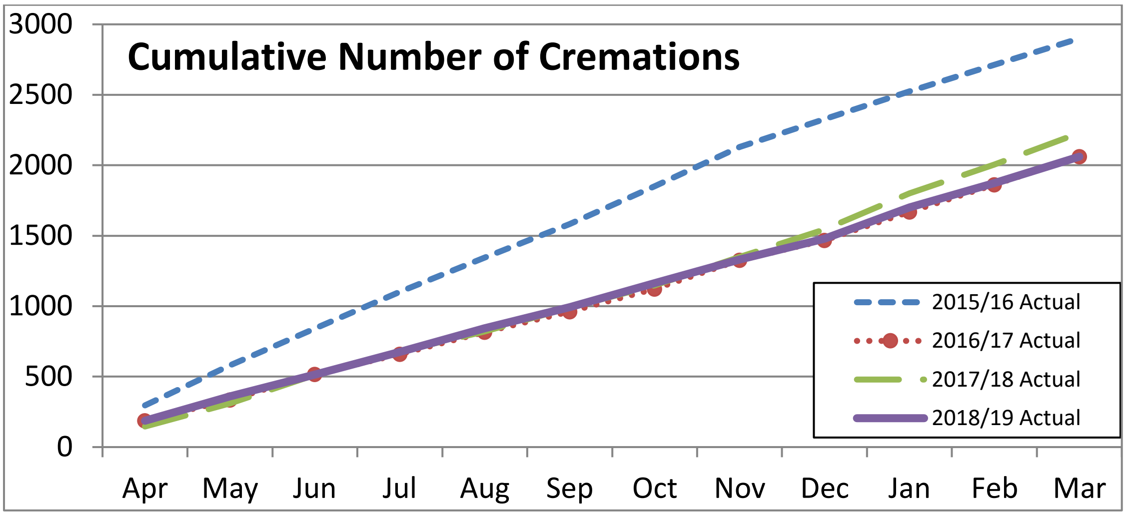


4.4.13 The overall amount of waste collected from household and operations across the borough has shown a 9% decrease compared to 2017/18. This decrease reflects the beneficial impact of the measures implemented at the Household Waste Recycling Centre from July 2017 to tackle illegal usage of the site and the introduction of alternate weekly waste collections at the end of August 2018. Encouragingly, following the implementation of alternate weekly waste collections, home kerbside recycling has increased as residents are changing their behaviour and considering how to best dispose of their household waste. It is anticipated that home recycling performance will show further improvement as the free garden waste scheme is extended to newly built homes throughout 2019.

Local Environmental Services

4.4.14 Local Environmental Services has shown an underspend of £0.043m against budget. The main variances relate to an underspend of £0.138m in Grounds Maintenance, increased income from Sea-Front Properties of £0.035m offset by a shortfall in Bereavement income mainly due to a drop in income from cremations and burials compared to previous years and some additional staff costs, due to sickness.

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



4.4.16 For 2018/19 the income generated by cremations and burials reflected the lowest numbers for the past four years. This is illustrated in table 8 above, showing the lowest number of cremations with no upturn in winter as experienced previously (note the high levels of cremations in 2015/16 were due to the closure of the crematorium in Blyth following a fire).

4.4.17 Within the Grounds Maintenance area there were savings against budgeted weed-spraying costs, where a fourth spray was not required (£0.048m), the impact of in-sourcing Royal Quays and the burial service (£0.047m), increased income across the service and reduced transport, repair and maintenance costs.

Street Lighting PFI

4.4.18 The street-lighting PFI break-even position resulted from a pressure due to increased energy costs being mitigated by a draw-down from the PFI reserve of £0.396m.

Consumer Protection & Building Control

4.4.19 This Service area includes taxi licencing where there is a £0.122m income shortfall, which has worsened since the previously reported position of £0.096m, due to changing business patterns and requirements in neighbouring authorities.

4.5 Business & Economic Development

4.5.1 This Service has ended the year with a pressure of £0.385m as shown in table 11 below. The pressure relates to business unit rental and berthing fees at the Swan site. The service is proactively marketing all available business unit space with a view to securing additional tenants in 2019/20.

4.5.2 **Table 11: Outturn Variation Business and Economic Development**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Regeneration	0.390	0.808	0.418	0.372
Business & Enterprise	0.787	0.768	(0.019)	0.009
Resources & Performance	0.028	0.014	(0.014)	(0.013)
Total Business & Economic Development	**1.205**	**1.590**	**0.385**	**0.368**

4.6 Commercial & Business Redesign

4.6.1 This Service ended the year with a pressure of £1.189m (January, £0.779m) as shown in table 12 below. The movement in this position is largely due to a realignment of ENGIE contract costs (£0.292m) with related reductions in costs being seen predominantly within Finance. The year has seen an underlying pressure within staffing associated with transformation projects of £0.369m. The Service continues to actively review the staffing structure in line with the priorities of the Council's change programme with a view to identifying savings in 2019/20. There is also a pressure relating to non-pay costs associated with the Customer Journey work streams relating to the Outsystems IT application and services provided by ENGIE. Within ICT, there are historical pressures relating to costs of systems not included within the original ICT contract with Engie. Following the implementation of the senior structure agreed by Cabinet last October, Commercial & Business Redesign will cease to exist in 2019/20.

4.6.2 **Table 12: Outturn Variation Commercial and Business Redesign**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Head of Commercial & Business Redesign	(0.184)	0.636	0.820	0.722
ICT	1.617	1.986	0.369	0.057
Total Commercial and Business Redesign	**1.433**	**2.622**	**1.189**	**0.779**

4.7 Corporate Strategy

4.7.1 Corporate Strategy has ended the year with a pressure of £0.241m as set out in table 13 below (January, £0.164m). There was a pressure in staffing throughout the year where resources were in place to support the organisation through the changes arising from the implementation of the Efficiency programme.

4.7.2 **Table 13: Outturn Variation Corporate Strategy**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Corporate Strategy Management	0.078	0.110	0.032	0.019
Policy, Performance & Research	(0.172)	(0.025)	0.147	0.097
Marketing	0.122	0.173	0.051	0.055
Elected Mayor and Executive Support	(0.005)	0.008	0.013	0.002
Children's Participation & Advocacy	0.179	0.178	(0.001)	(0.009)
Total Corporate Strategy	**0.202**	**0.444**	**0.242**	**0.164**

4.8 Finance including Revenues & Benefits and Customer Services

4.8.1 The overall position is an underspend of £0.293m in the Finance Service (January, overspend of £0.451m) as set out in table 14 below. The improvement has resulted mainly from a realignment of ENGIE contract costs to other service areas in line with delivery of the contract and an improvement in Revenues and Benefits due to a better than anticipated subsidy position and a reduced bad debt provision. A prudent assessment of the impact of the move to Universal Credit on the Benefits position has been taken through the year and we will continue to monitor closely the impact that residents moving to Universal Credit in North Tyneside is having on the Benefit Subsidy Claim and Housing Benefit Overpayment income reduction as we move into 2019/20.

4.8.2 **Table 14: Outturn Variation Finance**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Finance Service	(0.441)	(0.772)	(0.331)	0.000
Internal Audit	(0.038)	(0.087)	(0.049)	(0.002)
Revenue & Benefits and Customer Services	(0.166)	(0.079)	0.087	0.453
Total Finance	**(0.645)**	**(0.938)**	**(0.293)**	**0.451**

4.9 Human Resources & Organisational Development

4.9.1 The outturn pressure of £0.021m compares to the January forecast of £0.065m. The movement in the position is due mainly to additional income of £0.025m from the North East Combined Authority (NECA) for HR support and employer incentive payments re the Apprentice Levy of £0.011m received in March with the balance relating to supplies and services savings. The remaining pressure results from a savings target which was applied to budgets for staff which, having originally transferred out to the Authority's business partner, were subsequently transferred back in.

4.9.2 **Table 15: Outturn Variance Human Resources and Organisational Development**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Human Resources & Organisational Development	(0.130)	(0.109)	0.021	0.065

4.10 Law & Governance

4.10.1 Law & Governance has ended the year with a pressure of £0.331m compared to the January forecast of £0.296m. The movement since the last report relates to increased barristers fees and higher than forecasted running costs within the Coroner's Service. The pressure predominantly relates to staffing within the service which, earlier in the year, was forced to incur high costs for locum staff. This has been resolved by successful recruitment. However, Members will recall in January an increased staffing cost within the Coroner's Service was reported.

4.10.2 **Table 16: Outturn Variation Law and Governance**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Customer, Governance & Registration	(0.074)	(0.021)	0.053	0.057
Democratic & Electoral Services	(0.075)	(0.065)	0.010	0.002
Information Governance	(0.047)	(0.007)	0.040	0.057
Legal Services	(0.207)	(0.098)	0.109	0.077
North Tyneside Coroner	0.293	0.412	0.119	0.103
Total Law and Governance	**(0.110)**	**0.221**	**0.331**	**0.296**

4.11 Central Budgets & Contingencies

4.11.1 The 2018/19 forecast outturn set out in Table 17 below reflects an underspend of £8.685m on central budgets (January, underspend of £7.616m).

4.11.2 **Table 17: Outturn Variation Central Budgets and Contingencies**

	Budget £m	Outturn £m	Outturn Variance £m	Variance Jan £m
Corporate & Democratic Core	9.546	9.287	(0.259)	(0.175)
Other Central Items	0.789	(7.637)	(8.426)	(7.441)
Total Central Items	**10.335**	**1.650**	**(8.685)**	**(7.616)**

4.11.3 The forecast underspend in Corporate and Democratic Core relates to savings against Pensions out of Revenue of £0.203m (improved from an underspend of £0.100m in the January report) and Corporate and Democratic Core recharges to the Housing Revenue Account (HRA) from the General Fund of £0.075m offset by £0.019m of miscellaneous expenditure.

4.11.4 The improvement of £0.985m in Other Central Items relates mainly to an improvement in Section 31 Grant of £0.722m due to additional Central Government compensation for increased reliefs and further interest savings of £0.262m in the final period leading up to year-end.

4.11.5 The items making up the overall surplus position of £8.426m within Other Central Items includes the total value of interest savings for 2018/19 of £3.412m, which has been saved, as a result of a detailed review of the level of internal borrowing and temporary borrowing to be maintained over the course of the year and reprogramming within the Investment Plan and an amount of £0.369m for minimum revenue provision as reported in January.

4.11.6 There is £0.204m of additional income relating to recharges to services for costs of borrowing to finance investment in new vehicles and other assets being higher than originally planned. There is £0.726m of additional income relating to North Tyneside's share of the Levy Account Surplus allocation announced as part of the Provisional Finance Settlement by Central Government on 13 December 2018. As part of the budget setting process for 2018/19 contingency budgets were created and held corporately for demand pressures within Adult Services (£1.800m) and Children's Services (£2.616m). The demand pressures are shown within the HECS service and the Central budget within Other Central Items is shown as underspent to offset this pressure. This will continue to be monitored in 2019/20 and any proposed permanent allocation of contingency would be reported to Cabinet for their express decision. In addition, there is an amount of £0.551m relating to business rates refunds mainly for Segedunum, £0.977m additional Section 31 Grant and £0.250m dividend from the Kier JV.

4.11.7 From November monitoring, the £0.400m of additional income from VAT changes within Sport and Leisure has been shown centrally rather than within the service.

4.11.8 These underspends are partially offset by pressures relating to 2018/19 savings targets totalling £2.379m (See Section 2.6 to 2.8) and the £0.500m forecast pressure relating to the 2017/18 procurement saving. Further areas of savings within Procurement continue to be investigated in 2019/20 and further management savings are also expected to be identified in the new year as the review of leadership within each service area continues.

4.12 New Revenue Grants

4.12.1 The following revenue grants have been received or notified during February and March 2019.

Service	Grant Provider	Grant	Purpose	2018/19 value £m
Environment Housing and Leisure	Department of Health	New Tobacco Burdens	Supports implementation of the new Tobacco Products Directive and Age of Sale – Nicotine Inhaling Products Legislation	0.003
Commissioning and Asset Management	Education and Skills Funding Agency	Year 7 Catch Up Premium Allocations	For the educational benefit of children who do not meet level 4 in Key Stage 2 in reading or mathematics	0.132
Commissioning and Asset Management	Education and Skills Finding Agency	Free School Meals Supplementary Grant	To provide schools with additional funding resulting from changed thresholds for free school meals as a result of universal credit	0.201
Environment Housing and Leisure	Ministry of Housing, Communities and Local Government	National Community Clean Up Campaign	To support efforts in cleaning up local communities	0.036
Environment Housing and Leisure	Ministry of Housing, Communities and Local Government	Local Authority Parks Improvement Funding	To give local leaders and their communities resources to better maintain, protect and increase their recreational spaces	0.037
Health, Education, Care and Safeguarding	Police and Crime Commissioner for Northumberland	Early Intervention Youth Fund	To provide purposeful intervention to young people who are identified on the periphery of becoming involved in serious or violent crime	0.002
Total				**0.411**

SECTION 5 - SCHOOLS FINANCE

Schools Balances in 2018/19

5.1 Schools have concluded their 2018/19 accounts closure exercise in line with the local Scheme For Financing Schools and the Authority's year-end timetable. 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. This position is significantly better than the forecast at the start of the year when the outturn was expected to be an overall deficit of £4.716m. The most recent set of monitoring performed with schools during the year and completed in early February 2019 showed an overall forecast deficit balance of £3.224m. The final balance position for schools is reported in the Authority's statutory accounts and is before any commitments are taken into account. Table 18 below shows balances analysed by phase.

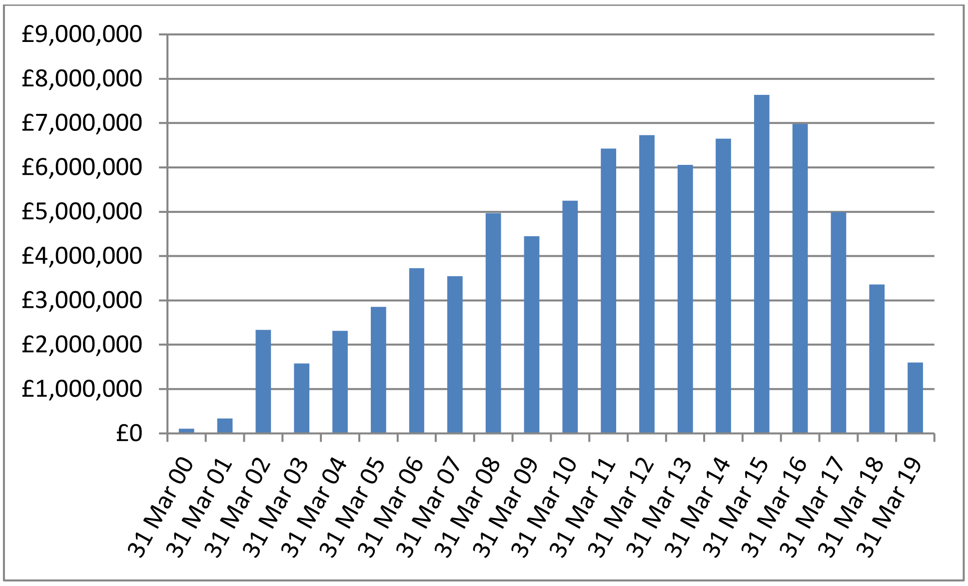
5.2 **Table 18: Total School balance position against plan Surplus/ (Deficit) - committed and uncommitted**

Phase	Outturn 2017/18 £m	Budget Plan 2018/19 £m	Monitoring 2 2018/19 £m	Provisional Outturn 2018/19 £m	Movement in balances between 2018/19 and 2017/18 £m
Nursery	0.018	(0.003)	0.002	0.009	(0.009)
Primary	4.299	1.511	1.934	3.789	(0.510)
Secondary	(2.062)	(6.472)	(5.796)	(3.279)	(1.217)
Special/PRU	1.102	0.248	0.636	1.080	(0.022)
Total	**3.357**	**(4.716)**	**(3.224)**	**1.599**	**(1.758)**

5.3 Schools have been reminded of the need to forecast as accurately as possible so that decisions are taken in the light of accurate budget projections. Cabinet will be aware that, under legislation, schools retain a high degree of autonomy when setting budgets unless they are in a deficit position. Therefore, whilst Elected Members and officers are able to advise schools on the adequacy of balances, they cannot intervene.

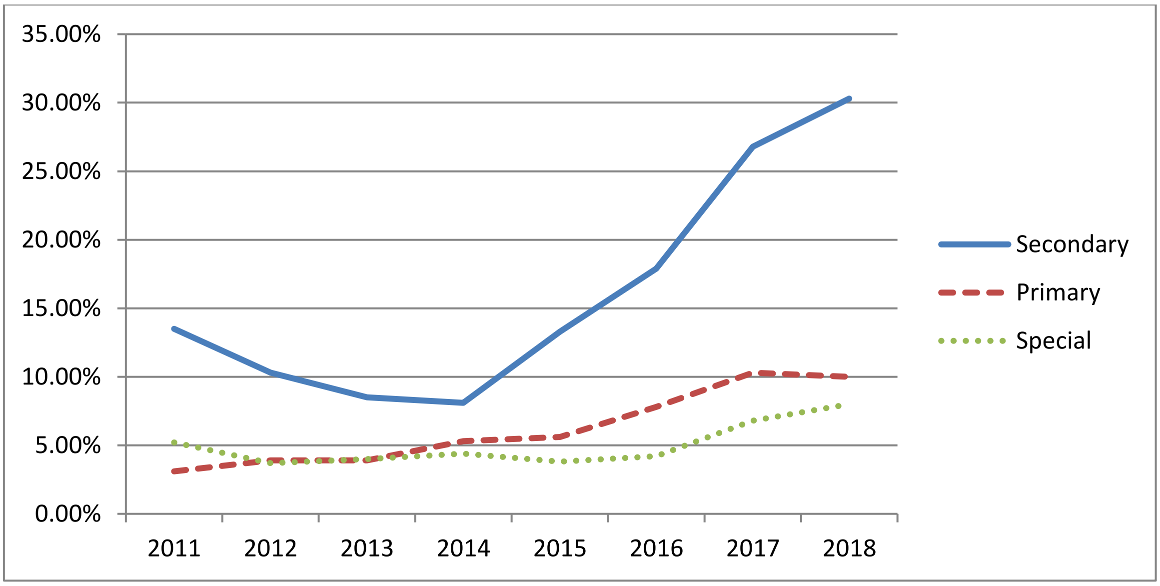
5.4 Cabinet will be aware that the Authority has been working with schools for a number of years with regard to the long-term strategic issue of surplus secondary places and the associated financial pressures which continue to be compounded by rising employment costs. As anticipated, 2018/19 is the fourth year of balances decreasing following a long term trend of rising balances in North Tyneside and chart 9 below sets out the long term trend.

5.5 **Chart 9: Long Term Trend in School Balances within North Tyneside**



5.6 Adequacy of school funding continues to be a high profile issue nationally and the position of school balances provides a useful barometer of the health of school finances. The latest picture nationally available, based on 2017/18 information, shows the proportion of schools in deficit has increased and that secondary schools are more likely to be in deficit compared to primary schools or special schools. In 2017/18, almost a third of secondary schools were in deficit (30.2%) compared with 8.1% of primary schools and 10.1% of special schools.

5.7 **Chart 10: The Percentage of Maintained Schools in Deficit in 2011 to 2018 Analysed by Phase**



School Deficits

5.8 As well as school balances reducing overall, some individual schools continue to face significant financial challenges. During the year, the Authority and Schools Forum paid particular attention to those schools with approved deficits.

5.9 There were nine schools with approved deficits in 2018/19. Schools Forum and senior officers worked closely with these schools during the year which contributed to an improved outturn of £7.256m compared to the approved deficit budgets planned totalling £8.485m. Two schools, Monkseaton Middle School and Whitley Bay High School, ended the year in a surplus position. The progress of individual schools is outlined in table 19 below;

5.10 **Table 19: Provisional Outturn – Schools in deficit**

School	Deficit Approval 2018/19 £m	Provisional Outturn £m	Improvement £m
Backworth Park Primary	(0.091)	(0.013)	0.078
Ivy Road Primary	(0.278)	(0.223)	0.055
Percy Main Primary	(0.086)	(0.055)	0.031
Monkseaton Middle	(0.088)	0.029	0.117
Marden High	(0.646)	(0.533)	0.113
Norham High	(1.549)	(1.462)	0.087
Longbenton High	(1.702)	(1.544)	0.158
Monkseaton High	(3.652)	(3.485)	0.167
Whitley Bay High	(0.393)	0.030	0.423
Total	**(8.485)**	**(7.256)**	**1.229**

5.11 Cabinet should note that of the nine schools in deficit, six schools are expected to remain in deficit for 2019/20. Deficit challenge sessions have been planned with these schools in May/June 2019. There are up to eight schools expected to request deficit approval in 2019/20 as schools finalise and submit their three year budget plans for 2019/20 by the deadline of 31 May 2019. Initial deficit challenge session for these schools are planned to take place in June 2019. Full details of deficit approval applications will be reported to Members as part of the first Financial Management report of 2019/20.

5.12 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 a recommendation for Schools Forum for the allocation of these funds. As this agreement was outstanding at 31 March 2019, these amounts have been carried forward into 2019/20 for allocation in that year. In addition to the 2018/19 centrally retained and de-delegated sums, an amount of £0.432m carried forward from 2017/18 (net of repayments of funding back to academies during the year) is also carried forward into 2019/20 as summarised in table 20 below;

5.13 **Table 20: 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**

5.14 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 Local 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.

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

- Financial review and analysis;
- Planning and modelling;
- Tools for schools;
- Keeping Children and Young People in school; and
- Closing the Gap.

5.16 As previously reported to Cabinet, improved solutions for school financial management have been explored with a new four year funding forecasting tool made available during 2018/19. The provision of a new five year budget planning and monitoring tool is being explored.

5.17 Consultation with all schools on revisions to the Scheme For Financing Schools was completed and the changes were formally approved by Schools Forum on 24 April 2019. The changes reduce the required time period to pack back a deficit balance from five years to three years and apply to new deficits from 2019/20. A new support and challenge framework for schools in financial difficulty has been developed which further clarifies the deficit approval process and the respective responsibilities of schools and the Local Authority. The framework also introduces earlier intervention and support for schools forecasting a deficit in future years. Further work has been on-going to review curriculum planning in specific schools with a view to identifying further achievable savings. A refresh of the 'rich picture' in relation to schools pupil projections is underway and will be completed in Summer 2019. This will further enhance understanding of the impact of the pattern of required school places around the Borough on current and future school balances.

2018/19 Dedicated Schools Grant (DSG) Outturn

5.18 Overall and after allowing school allocations, the DSG in 2018/19 of £133.593m (after removing academy funding) is showing a net surplus balance of £0.742m. This compares to a surplus of £0.120m in 2017/18. The DfE have introduced a requirement for 2018/19 for any authority with a deficit of greater than 1% of the overall DSG value to prepare and submit a recovery plan by 30 June 2019. North Tyneside Council will not be required to provide such a plan.

5.19 Within the individual blocks, the balance on the High Needs Block is an overspend of £0.920m. This is offset by an underspend of £0.881m on the Early Years Block and an underspend of £0.781m on centrally retained and de-delegated items notably the headroom and falling roles funding referred to in section 4.13 above. As the DSG is a ringfenced account, any balance is carried forward into the next financial year.

High Needs Block

5.20 Cabinet will recall that the High Needs block outturn in 2017/18 was a pressure of £0.430m. This pressure has continued in 2018/19 in line with national trends. In recognition of the nationwide issue of increasing demand within special educational needs, in December 2018, the Government announced additional funding for High Needs in 2018/19 and 2019/20. The additional funding amounts to £0.426m for North Tyneside Council in each of the two years. This funding was built into forecasts in 2018/19 and reported pressure in January was £0.604m. The provisional outturn however has worsened to £0.920m (including the carried forward balance from 2017/18) mainly due to additional costs within out of borough education placements of £0.252m and additionally resourced provisions and special school places of £0.064m. 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.

5.21 This overall pressure in the High Needs Block is in line with the national and regional picture and results from additional places required in special schools, out of Borough placements and in relation to top up payments as outlined in table 21 below;

5.22 **Table 21: Breakdown of High Needs Pressures at March 2019**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	10.746	0.218	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	0.296	Pressures in pre 16 top ups e.g. Norham ARP
Out of Borough	0.997	0.402	Additional costs of our most complex children currently not able to be supported in the Borough
Commissioned services	3.977	0.000	
Additional Funding announced in December 2018	0.000	(0.426)	
Subtotal	**18.865**	**0.490**	
2017/18 b/fwd balance		0.430	
Cumulative Outturn		**0.920**	

5.23 Transfers have been made to the High Needs Block from the Schools Block in previous years. Department for Education guidelines state that Schools Forum can approve a transfer of up to 0.5% of the School Block. The Authority requested and was granted approval for a transfer of 0.25% of the block value amounting to £0.302m at the Schools Forum meeting on 14 January 2019.

Managing the High Needs Block

5.24 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 findings 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.

5.25 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.

5.26 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

5.27 The Early Years Block has ended the year with a cumulative 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 financial year in relation to the numbers of pupils actually taking places. The Authority is anticipating a clawback of funding as a result of this review.

SECTION 6 - HOUSING REVENUE ACCOUNT

Outturn Position

6.1 The HRA is showing an underspend of £3.191m against budget in-year, with a further £1.443m improvement against budgeted brought forward balances. The overall position is shown in table 22 below and shows a position that has improved steadily throughout the year. Rental income showed continued improvement against budget as the number of empty homes continues to out-perform business plan assumptions (£0.668m). In addition income from temporary dispersed accommodation came in above budget as anticipated all year (£0.080m); whilst service charge income, including furniture packs also maintained the positive trend to year-end coming in well above budget (£0.431m) with garage rents coming in slightly better than budget (£0.005m).

6.2 There is a significant forecast underspend of £1.817m in the position for HRA Management Costs, which is down to a number of factors a significant one being the progress of the Construction Options Project (COP), which saw the TUPE transfer of the majority of staff involved in the Kier North Tyneside (Kier NT) Joint Venture back to the Council from 1 April 2019 (£0.946m). The savings in the COP budget related to the following principal areas:

- £0.399m for materials, the majority of this budget was created to fund the purchase of the stock held by Kier NT at point of transfer or to purchase new materials;
- £0.300m due to savings against assumed interest costs for vehicle purchases no longer required as a result of the Steering Group's decision to purchase the new fleet using a contribution from the North Tyneside Living PFI reserve surplus; and
- £0.244m savings in training, staffing, equipment and consultancy costs due to timings around appointments and development of the project requirements.

The remaining HRA Management Cost underspend reflects a number of other variations; vacancy savings (£0.168m), increased Water Rate Commission and a surplus on the water rates reconciliation (£0.359m), reduced costs relating to utilities in the sheltered PFI schemes (£0.117m), reduced pension strain on the fund costs (£0.075m), reduced Empty Homes Council Tax payments linked to reducing numbers of Empty Homes (£0.129m) and prior year credits, plus a range of other smaller variations resulting in total savings of £0.023m.

6.3 The increasing rate of take-up of Universal Credit has seen an increasing impact on the in-year bad debt provision requirement and despite previously predicting an underspend the outturn position was an overspend (£0.124m). In addition, the HRA general contingency provision will not be required resulting in a saving of £0.150m and the Transitional Protection fund used to maintain PFI tenants rents at pre PFI levels continued to trend under budget resulting in a saving of £0.017m.

6.4 All of the £0.858m of savings identified in the 2018/19 budget approved by Cabinet were delivered in full.

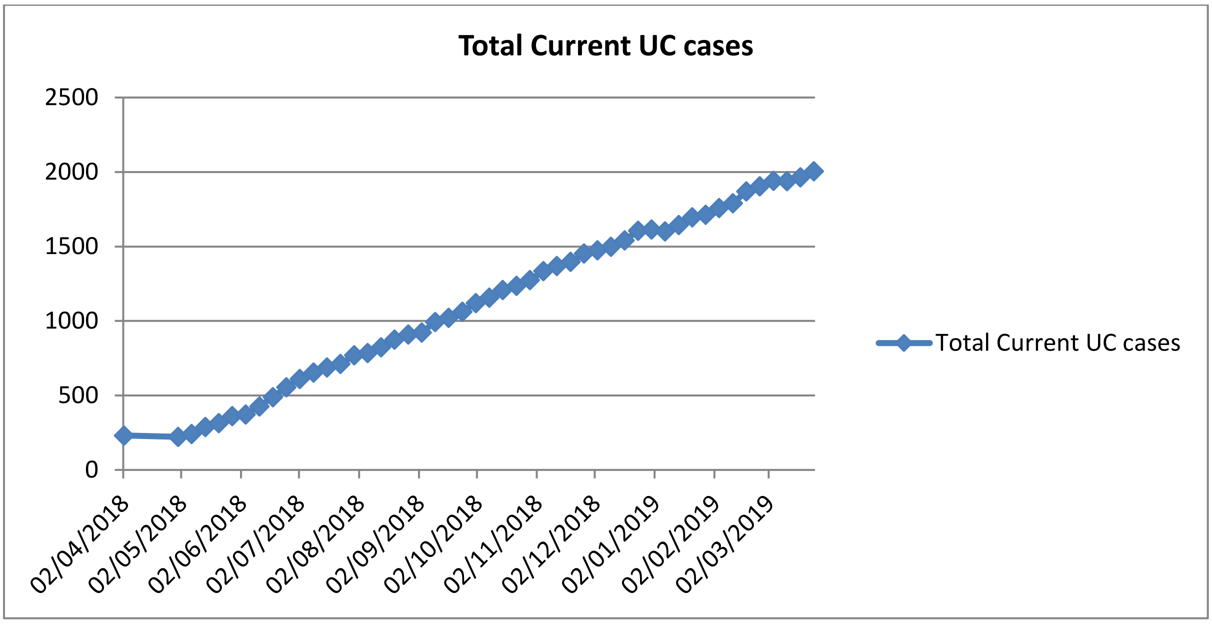
6.5 **Table 22: Forecast Variance Housing Revenue Account**

	FULL YEAR - 2018/19			
		Outturn		
	Full Year Budget £m	Actual £m	Outturn Variance £m	Jan 2019 Variance £m
INCOME				
Rental Income	(58.960)	(60.145)	(1.185)	(1.238)
Other Rental Income - Shops & Offices etc.	(0.260)	(0.353)	(0.093)	(0.025)
Interest on Balances	(0.030)	(0.054)	(0.024)	(0.020)
PFI Credits	(7.693)	(7.693)	0.000	0.000
	(66.943)	**(68.245)**	**(1.302)**	**(1.283)**
EXPENDITURE				
Capital Charges - Net Effect	12.093	12.066	(0.027)	(0.018)
HRA Management Costs	12.338	10.521	(1.817)	(1.098)
PFI Contract Costs	9.597	9.597	0.000	0.000
Repairs	11.478	11.476	(0.002)	(0.010)
Revenue Support to Capital Programme	9.570	9.053	(0.517)	0.000
Contribution to Major Repairs Reserve – Depreciation	11.972	12.489	0.517	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.010	0.967	(0.043)	(0.104)
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	68.913	**67.024**	**(1.889)**	**(1.230)**
	1.970	**(1.221)**	**(3.191)**	**(2.513)**
BALANCES BROUGHT FORWARD	**(4.640)**	**(6.083)**	**(1.443)**	**(1.443)**
BALANCES TO CARRY FORWARD	**(2.670)**	**(7.304)**	**(4.634)**	**(3.956)**

Universal Credit

6.6 Universal Credit (UC) was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personalised budget support to help residents manage their household finances. A team is working proactively with tenants to minimise arrears, and this was closely monitored as the year progressed to identify any adverse impacts on the budget position. For the first time in the last 15 years the 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. There are currently around 40 tenants per week moving onto UC. At the 1 April 2018 there were 232 North Tyneside Homes tenants on UC with arrears totalling £121,599, by the 31 March 2019 this number had increased to 2,005 with related arrears of £1,163,093. Chart 11 below illustrates the change in numbers of UC cases during the last year.

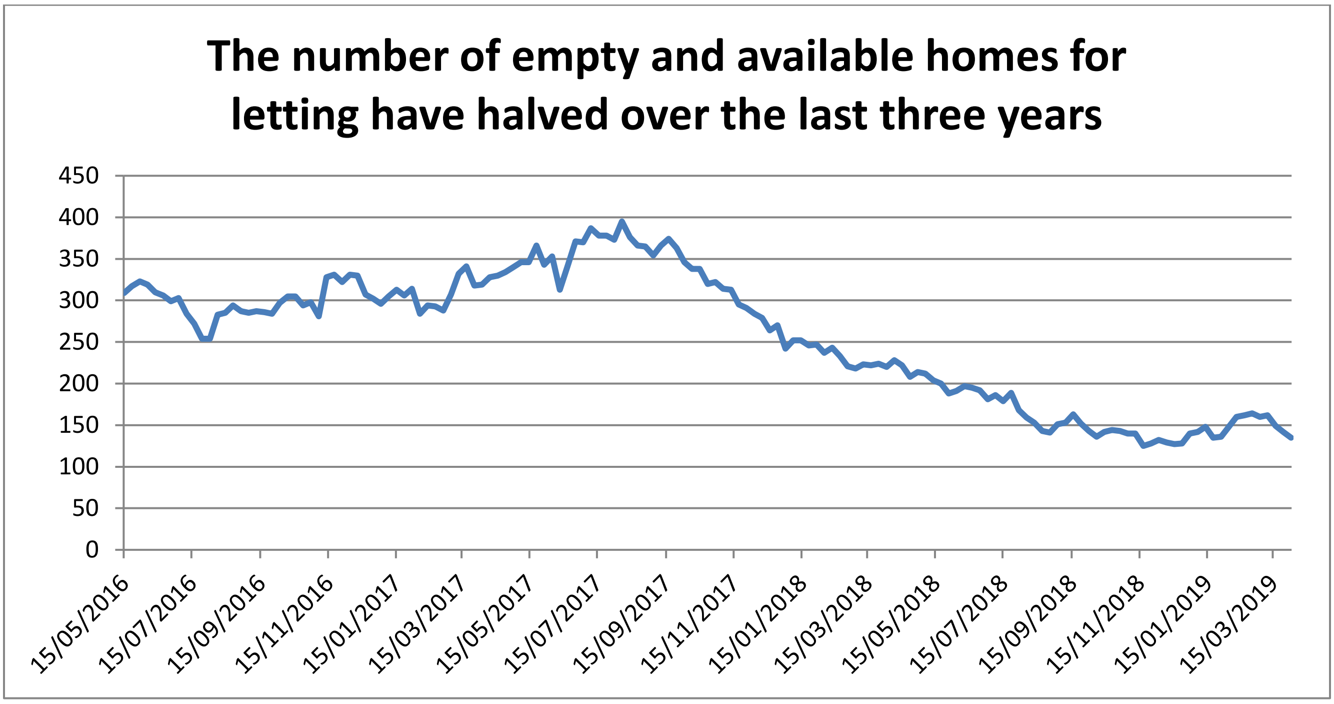
Chart 11: Universal Credit Cases



Empty Homes

6.7 In terms of the impact of empty homes on the financial picture to date, rates during 2018/19 continued to trend below 2017/18 levels and this positive performance continues the trend over the last couple of years following the completion of the North Tyneside Living Schemes. As a result, income forecasts again exceeded budget projections, as there was a positive impact on both rental income and service charges attached to the increased level of occupancy. Chart 12 below illustrates the movement in levels of empty homes over the last three years from 2017/18 through to the end of 2018/19.

6.8 **Chart 12: Number of Empty Homes vacant and available for letting**



Right to Buy (RTB) Trends

6.9 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£22,000) which had remained static as property values had increased, making RTB less financially attractive to tenants. Shortly after self-financing began, Central Government announced a change to RTB significantly increasing the maximum discount, initially to £75,000 and then subsequently annual inflation was added to the maximum. Table 23 below shows the trend in RTB sales since that time, and the financial impact this has had on income for the HRA.

6.10 **Table 23: RTB Trends and Financial Impact**

	Sales assumed by self-financing	Actual RTB Sales	Additional RTB Sales above Budget assumptions	Estimated lost rent per annum (£m)	Capital Receipts (£m)
2012-13	40	85	45	0.315	3.477
2013-14	47	122	75	0.457	4.957
2014-15	53	100	47	0.397	3.938
2015-16	55	135	80	0.577	5.548
2016-17	55	136	81	0.557	5.632
2017-18	56	158	102	0.630	7.758
2018-19	56	135	79	0.538	6.533
	362	871	509	3.471	37.843

6.11 In the period (2012-2019), the Authority has built over 130 new homes through the HRA, which has helped mitigate a portion of the revenue loss from the 871 sales in the same period. However, the cumulative impact on HRA annual rental income from RTB over this period is in excess of £3m.

SECTION 7 - INVESTMENT PLAN

7.1 The Investment Plan represents the Authority's capital investment programme in projects across all service areas, including General Fund and HRA activities.

7.2 All capital investment follows a structured gateway process, and is challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. Delivery of the Investment Plan year by year, through both physical on site development and capital spend, is key to the successful attainment of the Authority's objectives.

2018/19 Capital Expenditure

7.3 The initial 2018/19 Investment Plan budget was £84.059m (£56.145m General Fund and £27.914m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved plan at the year-end of £77.962m***** (£47.760m General Fund and £30.202m Housing). Table 24 below summarises these changes.

* Please note the budget figure shown in the 2018/19 Financial Management report to 31 January 2019 and annex showed an incorrect figure for the 2018/19 (£78.102m) plan the correct figure (£77.962m) was shown in the appendix to the report.

Table 24: 2017/18 Investment Plan – Summary of changes to budget

	£m
Investment Plan approved by full Council – 15 February 18	84.059
Reprogramming from 2017/18	8.500
Reprogramming to 2019/20 and future years	(27.339)
Other variations (net)	12.742
Revised Investment Plan approved by Cabinet – 1 April 2019 *	**77.962**

7.4 Actual capital expenditure in 2018/19 totalled £69.359m (£76.687m in 2017/18), comprising General Fund expenditure of £41.708m and £27.651m on Housing Schemes.

7.5 Not all of the expenditure relates to the creation or improvement of fixed assets for the Authority. £6.139m relates to spend on other items, with £2.179m for share capital, £1.784m on loans, £1.285m spent on Disabled Facilities Grants and £0.844m grants for Clean Bus technology.

7.6 Table 25 below compares the actual capital expenditure with the revised budget for the year, as well as the actual spend for 2017/18.

Table 25: Comparison of Capital Expenditure to Revised budget for 2018/19

Actual Capital Expenditure 2017/18 £m		Revised Capital budget 2018/19 £m	Actual Capital Expenditure 2018/19 £m	Variation from budget over / (under) £m
53.156	General Fund	47.760	41.708	(6.052)
23.531	Housing	30.202	27.651	(2.551)
76.687	**Total**	**77.962**	**69.359**	**(8.603)**

7.7 Included within the appendices is further information on the Investment Plan and activities in the year. **Appendix B** shows the final expenditure, and how that expenditure was financed, with **Appendix C** showing a comparison of expenditure against budget for each individual project. The reasons for these variations have been analysed as reprogramming and other variations.

7.8 Across all capital projects, further reprogramming of £8.484m has been identified and it is requested that Cabinet approve the carry forward of this amount into the 2019/20 Investment Plan. A detailed breakdown of this amount is included in **Appendix C**.

7.9 The major achievements delivered as part of the capital investment programme in 2018/19 include:

(a) Completion of projects including the Spanish City Dome, Lower Central Promenade reconstruction, the new Backworth Park Primary School, highway improvement works including A1058 Coast Road phase 3 (Norham Road bridge), Forest Hall regeneration, junction improvements to the North Bank of the Tyne employment corridor, energy efficient LED Streetlighting installed in over 7 thousand columns, various works to housing stock (kitchen and bathroom replacements, heating upgrades, roof replacements, replacement windows and doors), various projects as part of the Asset Planned Maintenance programme (refurbishment of war memorials across the borough, lighting works at Waves, The Parks and the Riverside Centre etc), improvement works to the schools estate (DDA improvements, roof replacements, window renewals, heating improvements, electrical rewires etc.), environmental improvements at Lockey Park, replacement of refuse collection, gritters and grounds maintenance vehicles, surface water management schemes, ICT refresh, purchase of 13 affordable homes, completion of 12 homes for sale at Wallington Court by North Tyneside Trading Company; and

(b) In addition there are a number of projects underway including the Centre for Innovation (CFI) phase 2 at the former Swan Hunter site, operational depot accommodation review, highways works including the A189 Haddricks Mill to West Moor scheme, Cycling routes including the Coast Road cycle route.

Further details can be found in the Investment Programme Board end of year report which will be presented to this Cabinet and is included as a background paper to this report.

Capital Financing

7.10 Local authorities can finance capital expenditure from a variety of sources: grants; external contributions; capital receipts; borrowing; and contributions from revenue. This section of the report considers how the Investment Plan has been financed.

7.11 Under the Prudential System for capital financing, the Authority can decide to borrow to fund capital expenditure, known as prudential (or unsupported) borrowing. There are associated revenue costs (interest and Minimum Revenue Provision (MRP)) which must be met from the Authority's own resources, i.e. funded by Council Tax payers. MRP is a charge included in the Authority's accounts that effectively spreads the cost of capital expenditure over a period that generally equates to the period in which the asset is used. When deciding whether to take out additional borrowing, the Authority must consider whether the investment Plan is affordable, sustainable and prudent.

7.12 When determining how to finance the Authority-funded element of the Investment Plan, the Authority's MRP Policy is used to maximise the effectiveness of borrowing in relation to individual schemes in the Investment Plan. Those schemes with longer asset lives (e.g. major building works) are financed using prudential borrowing, thereby spreading the MRP charges over a longer period, whilst those with shorter asset lives (e.g. equipment) are financed using capital receipts where receipts are available.

7.13 The total capital expenditure of £69.359m has been financed as shown in table 26 below.

Table 26: 2018/19 Capital Financing

	2018/19 Capital Financing £m
Council Contribution	
Prudential (Unsupported) Borrowing – General Fund	20.365
Capital Receipts -General Fund	0
Capital Receipts – HRA	1.737
Direct Revenue Funding - General Fund	0.151
Direct Revenue Funding – HRA	13.425
Major Repairs Allowance	12.489
	48.167
External funding	
Specific Government Grants	12.556
Capital Grants and Contributions	8.636
	21.192
	69.359

7.14 Total Prudential borrowing for the General Fund was £20.365m.

7.15 During the year £1.434m of General Fund capital receipts were generated. £0.334m have been used to repay loans and £1.001m will be carried forward for future years.

7.16 For Housing, capital receipts of £6.782m were received during 2018/19, of which £1.874m were pooled and paid across to central government leaving a balance of £4.908m available for financing. This balance plus the brought forward receipts of £7.013m gave an available balance of £11.921m. Of this £1.737m was used to finance 2018/19 capital spend and £2.934m was set aside to repay debt leaving a balance of £7.251m to be carried forward into 2019/20.

7.17 Table 27 below shows the movement in capital receipts during 2018/19 including receipts received during 2018/19 (identified in paragraphs 6.15 and 6.16 above), receipts brought forward at 1 April 2018, receipts used to finance the 2018/19 Investment Plan, receipts set aside to repay debt and loans, and receipts carried forward at 31 March 2019.

Table 27: Movement in Capital Receipts during 2018/19

	Receipts brought forward 1 April 2018 £m	Net Useable Receipts received £m	Receipts used for financing £m	Receipts set aside for repayment of debt £m	Receipts set aside for repayment of loans £m	Receipts carried forward 31 March 2019 £m
General Fund	0	1.434	0	0	(0.334)	1.100
Housing	7.013	4.909	(1.737)	(2.934)	0	7.251
Total	**7.013**	**6.343**	**(1.737)**	**(2.934)**	**(0.334)**	**8.351**

7.18 The Authority also received £12.556m of funding through specific Government grants. These grants included:
- £3.512m Schools Standards Fund grants;
- £3.829m Local Transport Plan (including Incentive Fund and Potholes grant);
- £0.645m Devolved Formula Capital
- £1.433m Better Care Fund (including Disabled Facilities Grant);
- £1.330m Department for Transport National Productivity Fund (A189 Improvements Haddricks Mill to West Moor); and
- £0.845m Clean Bus Technology Fund.

7.19 Capital Grants and Contributions of £8.636m used in the year included:
- £3.193m North East Local Enterprise Partnership (NELEP) Growth Deal;
- £4.698m Section 106 contributions; and
- £0.605m Heritage Lottery Fund.

7.20 As required, under self-financing for Housing, there is a Major Repairs Allowance calculated and used to finance ongoing works to Council Dwellings. This contribution is financed from within the HRA (i.e. it is self-financed) and so appears as part of the Authority's contribution shown in Table 26 above.

7.21 An analysis of the overall capital financing is also shown in **Appendix B**.

International Financial Reporting Standards (IFRS) adjustments to Capital Expenditure in 2018/19

7.22 Under IFRS any expenditure incurred relating to PFI schemes and finance leases is classed as capital expenditure and the resulting assets are added to the Authority's balance sheet.

7.23 During 2018/19 spend of £0.360m was incurred under the street lighting PFI contract.

SECTION 8 – ANNUAL TREASURY MANAGEMENT REVIEW AND PRUDENTIAL INDICATORS

8.1.1 The Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This section of the report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

8.1.2 During 2018/19 the minimum reporting requirements were that the full Council or Cabinet should receive the following reports:

- an annual treasury strategy in advance of the year (Council 15 February 2018);
- a mid-year (minimum) treasury update report (Cabinet 26 November 2018); and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

8.1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by members.

8.1.4 The Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports. Reports are reviewed by Lead Member Briefing before they are reported to Cabinet. Member training on treasury management issues was undertaken during the year on 11 March 2019 in order to support members' scrutiny role.

8.2 Capital Expenditure and Financing

8.2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

8.2.2 The actual capital expenditure forms one of the required prudential indicators. Table 28 below shows the actual capital expenditure and how this was financed. Further details of this are shown in table 26 in section 6 of this report.

Table 28: Actual Capital Expenditure and its Financing

	2017/18 Actual £m	2018/19 Estimate £m	2018/19 Actual £m
General Fund	53.156	52.428	41.708
HRA	23.531	30.202	27.651
Total Capital Expenditure	**76.687**	**82.630**	**69.359**
Financed in-year (grants, contributions and capital receipts)	51.042	59.399	48.994
Unfinanced Capital Expenditure (Prudential borrowing)	25.645	23.231	20.365

8.3 The Council's Overall Borrowing Need

8.3.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

8.3.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. Table 29 below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 29: Gross Borrowing against CFR

	2017/18 Actual £m	2018/19 Estimate £m	2018/19 Actual £m
CFR General Fund	317.942	326.176	323.907
CFR HRA	335.173	331.604	328.669
Total CFR	**653.115**	**657.780**	**652.576**
Gross borrowing position	582.936	610.971	568.221
Under/over funding	70.179	46.809	84.355

8.3.3 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the Council has maintained gross borrowing within its authorised limit.

8.3.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

8.3.5 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2018/19 £m
Authorised limit	1,280.000
Maximum gross borrowing position during the year	582.936
Operational boundary	700.000
Average gross borrowing position	570.883
Financing costs as a proportion of net revenue stream	14.98%

8.4 Treasury Position as at 31 March 2019

8.4.1 The Authority's treasury position (excluding borrowing by PFI and finance leases) at 31 March 2018 and 31 March 2019 is shown in table 30 below:

Table 30: Treasury Position as at 31 March

Borrowing Position	31 March 2019 Principal £m	Rate/Return %	31 March 2018 Principal £m	Rate/Return %
Fixed Rate Funding:				
-*PWLB long - term	231.250	4.12	195.250	4.58
(HRA-Self Financing)	128.193	3.49	128.193	3.49
-Market **(LOBO's)	20.000	4.35	20.000	4.35
-Temporary	70.703	0.80	117.712	0.72
Total External Debt	**450.146**	3.43	**461.155**	3.28
CFR	**534.283**		**531.303**	
Over (Under) borrowing	**(84.137)**		**(70.148)**	

*Public Works Loan Board **Lender Option Borrower Option

The maturity structure of the external debt portfolio was as follows:

	31 March 2019 Actual £m	31 March 2018 Actual £m
Under 12 months	76.703	142.712
12 months and within 24 months	11.000	6.000
24 months and within 5 years	19.000	16.000
5 years and within 10 years	21.575	20.575
10 years and within 20 years	74.100	59.100
20 years and within 30 years	73.575	78.575
30 years and within 40 years	115.000	115.000
40 years and within 50 years	48.193	23.193
50 years and within 51 years	11.000	10.000

8.5 Investment Portfolio

Treasury investments	Actual 31.3.19 £m	Actual 31.3.18 £m
DMADF (H M Treasury)	12.300	16.400

Non Treasury investments	Actual 31.3.19 £m	Actual 31.3.18 £m
Joint venture	2.650	1.873
Companies	1.869	1.029
TOTAL NON TREASURY INVESTMENTS	**4.519**	**2.902**

8.5.1 Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018/19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018.

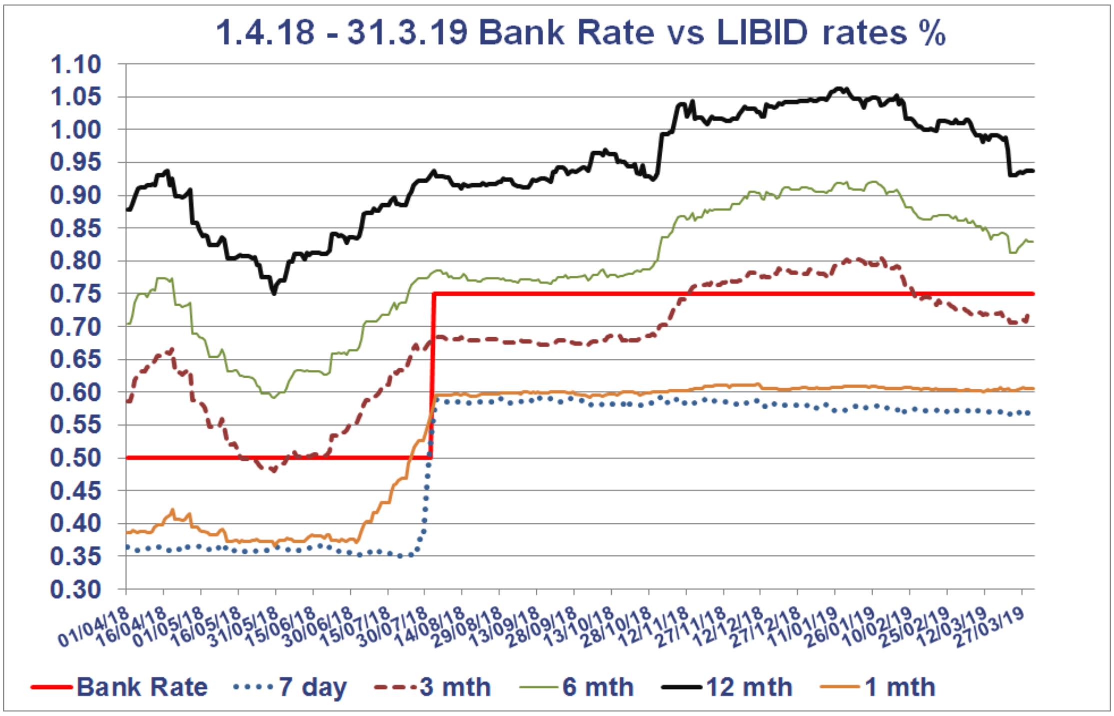
8.5.2 It was not expected that the MPC would raise the Bank Rate again during 2018/19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019.

8.5.3 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

8.5.4 The Authority is not carrying sufficient cash balances to be able to place longer term deposits to earn higher rates. However, when Bank Rate went up in August, its investment returns also improved.

8.5.5 Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

Chart 13 Investment strategy and control of interest rate risk



8.6 Borrowing strategy and control of interest rate risk

8.6.1 During 2018/19, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

8.6.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost, the difference between (higher) borrowing costs and (lower) investment returns.

8.6.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

8.6.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Resources therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered; and,

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

8.6.5 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Chart 14: Interest Rate View

Link Asset Services Interest Rate View 2.1.18	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

8.6.6 Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and, (apart from the 1 year rate), reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields -which determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018, making nine increases in all in this cycle, to reach 2.25% – 2.50% in December. However, it had been giving forward guidance that rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen.

8.7 Borrowing Outturn for 2017/18

8.7.1 Long-term borrowing was undertaken during the year for the General Fund to fund capital expenditure and maturing debt was £51.000m and is detailed in table 31 below:

Table 31 - Replacement PWLB Loans 2018/19

Principal £m	Interest Rate %	Start Date	Maturity Date
5.000	1.77	15 March 2019	15 September 2025
5.000	2.19	15 March 2019	15 September 2031
5.000	2.25	15 March 2019	15 September 2032
5.000	2.40	15 March 2019	15 September 2035
10.000	2.41	15 March 2019	15 September 2068
11.000	2.41	15 March 2019	15 September 2069
5.000	2.38	21 March 2019	21 March 2066
5.000	2.38	21 March 2019	21 March 2067

This compares with a budget assumption of borrowing at an interest rate of 3% which was set in line with projections from our treasury management advisors.

8.7.2 Internal borrowing and low rate short term borrowing was also undertaken during the year. General Fund short term borrowing outstanding at 31 March 2019 was

£50.000m. The HRA also took advantage of low rate short term borrowing with a balance of £20.486 million outstanding at 31 March 2019.

8.7.3 Maturing long – term loans of £15.000m were repaid in 2018/19 as detailed in Table 31 below:

Table 32 - Maturing Long Term Loans repaid during 2018/19

Principal £m	Interest Rate %	Date Repaid
5.000	10.375	4 August 2018
10.000	2.72	14 December 2018

8.7.4 Short term savings were achieved during the year by internally financing new capital expenditure by running down existing cash balances and replacing maturing debt by taking advantage of borrowing low rate loans from PWLB as detailed in Table 31 above. Lower cash balances also meant lower counterparty risk on the investment portfolio.

8.7.5 No rescheduling of debt was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8.7.6 **Borrowing in advance of need**
The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

8.7.7 **Rescheduling**
No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8.7.8 **Summary of debt transactions**
Management of the debt portfolio resulted in £3.412m in interest savings.

8.8 Investment Outturn

8.8.1 **Investment Policy** – the Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by full Council on 15 February 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

8.8.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

8.8.3 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2018 £m	31 March 2019 £m
Balances	10.160	8.403
Earmarked reserves	76.778	68.656
Provisions	3.833	4.374
Usable capital receipts	7.013	8.351
Total	**97.784**	**89.784**

8.8.4 **Investments held by the Council**

- The Council maintained an average balance of £17.842m of internally managed funds invested with the Debt Management Office (DMO);
- The internally managed funds earned an average rate of return of 0.49%; and,
- Total investment income was £0.091m compared to a budget of £0.023m.

8.9 A full list of the Prudential and Treasury Indicators is shown in Appendix D.

Reserve	Purpose of Reserve	Opening Balance	Cont To	Cont From	Closing Balance
General					
Insurance Reserve	Risks covered by the reserve include fire, employer and third party liability, contract guarantee bonds, motor cars, personal accident and other general risks	(7,018,781.57)	(326,716.24)	47,919.00	(7,297,578.81)
Planning Functions 20% Fee	Reserve set aside to account for the 20% uplift in planning application fees. The reserve to be invested into the planning service	(7,488.00)	(127,450.00)		(134,938.00)
Private Landlord Lease to Let Scheme	Reserve set aside to modernise private landlord properties for future lettings	(134,080.93)	(25,723.00)	338.00	(159,465.93)
Minimum Revenue Provision (MRP) Reserve	Minimum Revenue Provision (MRP) Reserve	(2,000,000.00)		2,000,000.00	0.00
Street Lighting	Set up to equalise cash flows relating to the Council's street lighting PFI scheme	(3,715,412.68)	0.00	365,392.38	(3,350,020.30)
Lettings Agents Transparency & Redress Scheme	Grant to support the monitoring of lettings agents in the Lettings Agents Transparency & Redress Scheme	(4,770.68)			(4,770.68)
Music Service	Development of music education hub	(105,177.24)	(107,780.90)	105,177.24	(107,780.90)
North Shields Christmas Market	The Xmas Market runs annually at a 'cost neutral' basis. The balance handed over & now retained in NTC's accounts acts as a contingency for the market (given that the market event is run for the community). If the event makes a loss, the balance/funding held is used to meet the expense. Similarly, if the event makes a profit, the balance will increase. It is expected that the annual event runs on a 'cost neutral' basis for some time to come	(6,480.00)	(4,067.00)		(10,547.00)
Riverside Way/ Elm House	The Children's Social Care Innovation Programme and Partners in Practice support the development, testing and spreading of more effective ways of supporting children and families who need help from children's social care services.	(262,945.13)	(90,662.26)	262,945.13	(90,662.26)
Partners in Practice Programme	Reserve established following receipt of S31 income to improve children's services. Commitments exist in 2019/20.	(375,352.00)	(151,406.38)	375,352.00	(151,406.38)
Construction & Maintenance Reserve	Options Post Kier 2019	(250,000.00)			(250,000.00)
Tynemouth Pool Restoration	A grant from Ministry of Housing, Communities and Local Government to provide planning application support for Tynemouth Pool Restoration	0.00	(46,800.00)		(46,800.00)
Wallsend Festival	The Wallsend Festival runs annually at a 'cost neutral' basis. The balance handed over & now retained in NTC's accounts acts as a contingency for the festival (given that the festival is run for the community). If the event makes a loss, the balance/funding held is used to meet the expense. Similarly, if the event makes a profit, the balance will increase. It is expected that the annual event runs on a 'cost neutral' basis for some time to come	(7,746.00)		1,318.00	(6,428.00)
Reinvestment in Leisure Service	Reinvestment in Leisure Service	(500,000.00)			(500,000.00)
Alternate Weekly Waste Collection Reserve	Alternate Weekly Waste Collection Reserve	(200,000.00)			(200,000.00)
Redundancy & Remuneration Reserve	Reserve to meet the expected cost of redundancies arising from the Change Programme	(2,195,125.68)	(1,469,510.17)	814,399.70	(2,850,236.15)
Support for Change Programme	Reserve to support the implementation of the Change Programme	(4,019,000.00)	(1,031,136.00)	156,000.00	(4,894,136.00)
Community Infrastructure Levy	To be used on the costs associated with the Community Infrastructure Levy	(60,000.00)		17,118.00	(42,882.00)
Affordable Homes	Carry forward of budget to continue to develop initiatives and create the requisite delivery mechanisms to help achieve Cabinet's ambition to enable delivery of 3,000 affordable homes in the Borough over the next 10 years	(87,334.32)	(4,024.00)		(91,358.32)
Capacity Funding	This is a grant received in 2014/15 from the Ministry of Housing, Communities & Local Government (MHCLG) for Capacity Funding towards the feasibility of the redevelopment of Murton Gap for Housing, with spend commencing in 2015/16	(7,192.72)			(7,192.72)
Adopt North East	Adopt North East (ANE) is the new regional adoption agency, which combines local authority adoption services from North Tyneside, Gateshead, Newcastle, Northumberland and South Tyneside, that went live on 1st December and is hosted in North Tyneside Council. It was agreed that the service is to be funded from each of the five local authorities. The reserve is a ring-fenced account and will be used to offset any future pressures ANE may encounter.	0.00	(214,853.25)		(214,853.25)
Lead Local Flood Authority	Funding to support the Council's programme of flooding work in its role as Lead Local Flooding Authority	0.00	(5,686.00)		(5,686.00)
MHCLG - New Burdens Funding	Planning applications for Brownfield sites	(7,636.81)		3,537.00	(4,099.81)
MHCLG - Self Build	Works associated with the self build and custom build register	(40,998.79)	(27,682.54)		(68,681.33)
Local Plan Reserve	This reserve has been established (along with a provision) for a Trading Standards Legal Case	(18,852.20)	18,852.20		0.00
CAPITA NTC Managed Budget Reserve	The reserve has been established to hold any surplus balance generated by the Capita NTC Managed Budget. Funds held in this reserve will be ring-fenced to help support any potential future in-year pressures that the Managed Budget might experience.	0.00	(133,709.00)		(133,709.00)
Training Reserve	This reserve will be available to supplement and support the delivery of the Corporate Training Plan	(100,000.00)			(100,000.00)
Welfare Reform	Grant funding from central government to meet the on-going cost of implementing welfare reform	(109,519.57)	(63,317.96)	109,519.57	(63,317.96)
Education PFI Reserve	Established to provide a mechanism which takes account of project cashflows over a 30-year period to enable the yearly equalisation of the additional costs of the PFI schools	(2,024,054.26)		696,192.22	(1,327,862.04)
Hackney Carriage Unmet Demand Survey Reserve	A ring fenced reserve set up at the request of the Hackney Carriages and Private Hire Trade representatives whereby any surplus from fees is reinvested in the service	0.00	(21,163.00)		(21,163.00)
Building Control Reserve	The reserve has been set up to assist in complying with the accounting requirements of the Building (Local Authority Charges) regulations 2010	(149,372.14)		42,376.00	(106,996.14)
Feasibility Study Reserve	Set up to fund feasibility studies of potential capital schemes	(480,043.19)			(480,043.19)

Reserve	Purpose of Reserve	Opening Balance	Cont To	Cont From	Closing Balance
Strategic Reserve	Established to address future potential significant external pressures on the Council's budget	(14,472,516.01)	(124,880.42)		(14,597,396.43)
Dudley/Shiremoor Joint Service Centre PFI Reserve	Established to provide a mechanism which takes account of project cashflows over a 25-year period to enable the yearly equalisation of the additional costs of the Joint Service Centre	(1,136,654.00)	(64,517.35)		(1,201,171.35)
Schools PFI Lifecycle Costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract	(2,705,146.86)	(267,164.00)	106,437.96	(2,865,872.90)
MHCLG Bond Bank	This reserve is used to underwrite the deposit required when renting a property and therefore enabling people (over 18) who are homeless or have a housing need to access private lettings	(39,935.00)			(39,935.00)
Dudley PFI Lifecycle Costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract	(289,272.72)			(289,272.72)
Smokehouses Fish Quay Sinking Fund	Sinking Fund re Smokehouses - North Shields Fish Quay	(2,500.00)			(2,500.00)
Dockmasters Fish Quay Sinking Fund	Sinking Fund re Dockmasters - North Shields Fish Quay	(2,000.00)			(2,000.00)
Union Quay/Working Above Shops Sinking Fund	Sinking Fund re Union Quay - North Shields Fish Quay	(7,000.00)			(7,000.00)
Vita House Fish Quay Sinking Fund	Sinking Fund re Vita House	(2,500.00)			(2,500.00)
Barracks Building Fish Quay Sinking Fund	Sinking Fund re Barracks Building	(2,000.00)			(2,000.00)
North Shields Business Centre Sinking Fund	Sinking Fund re Business Centre	(4,000.00)			(4,000.00)
Salisbury House North Shields Sinking Fund	Sinking Fund re Salisbury House	(9,400.00)			(9,400.00)
Salisbury House N Shields Ringfence	Salisbury House Reserve	0.00	(14,694.42)		(14,694.42)
Saville Exchange N Shields Ringfence	Saville Exchange Reserve	0.00	(15,419.04)		(15,419.04)
131 Bedford Street	North Shields Reserve - 131 Bedford Street.	(106,228.01)		3,714.20	(102,513.81)
Stag Line Building	North Shields Reserve - Stag Line Building.	0.00	(8.30)		(8.30)
Smokehouses Reserve	Fish Quay Reserve - Smokehouses	(60,009.17)	(7,549.67)		(67,558.84)
Service Improvement Fund	Support fund established to facilitate the delivery of the major change programme that is required to ensure we continue to provide the services that our people need. The fund also provides Cabinet with the flexibility to make service improvement choices based on feedback from the residents and other key stakeholders	(245,565.59)	(473,885.00)	6,569.85	(712,880.74)
Waste Procurement Reserve	A reserve established to manage the future costs of waste provision	(734,012.73)			(734,012.73)
Pow Dene Reserve	Fish Quay Reserve - Pow Dene	(169,127.99)	(30,671.59)		(199,799.58)
Dockmasters Reserve	Fish Quay Reserve - Dockmasters	(11,127.18)	(5,091.65)		(16,218.83)
Working Above The Shops	Fish Quay Reserve - Union Quay Reserve	(9,841.12)	(22,731.76)		(32,572.88)
Local Safeguarding Board	To hold the balance of contributions from various partners and income generated from the LSCB charging policy (in relation to training) on behalf of the LSCB	(58,641.30)	(26,440.71)	33,348.60	(51,733.41)
Vita House Reserve	Fish Quay Reserve - Vita House reserve	(36,207.54)	(7,122.89)		(43,330.43)
Ballards Smoke House Reserve	Fish Quay Reserve - Ballards Smoke House	(789.00)	(27.64)		(816.64)
Barracks Building Reserve	Fish Quay Reserve - Barracks Building	(39,805.30)		2,795.81	(37,009.49)
Whitley Bay CFC PFI Reserve	Established to provide a mechanism which takes account of project cashflows over a 25-year period to enable the yearly equalisation of the additional costs of the Customer First Centre	(691,755.15)	(60,622.38)		(752,377.53)
Coast Road Improvement Works	Lynn Road bus lane income (PCNs) set aside for capital financing	(103,000.00)		103,000.00	0.00
Whitley Bay CFC PFI Lifecycle Costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract	(212,798.05)			(212,798.05)
Apprenticeships	To support the further development of the Council’s apprenticeship and training programme, with a particular focus on working with the business partners ENGIE and Capita Symonds	(70,000.00)			(70,000.00)
Major Repairs Reserve (MRR)	Reserve that is used for new capital investment in Housing Revenue Account assets	(2,231,494.77)			(2,231,494.77)
Internal Refurbishment Reserve	A furniture reserve to fund a rolling programme of refurbishments to the Direct Access Units and Dispersed Units	(97,881.62)		48,140.12	(49,741.50)
HRA Solar PV Green Fund	To support the provision of energy efficiency measures on council dwellings	(540,537.19)	(111,757.56)	13,862.36	(638,432.39)
HRA Solar PV Risk Fund	This reserve is used to provide compensation payments due to the removal of Solar Panels on Right to Buy properties	(24,123.16)		24,123.16	0.00
Older Peoples Homes for the Future PFI Reserve	Set up to equalise cash flows relating to the Council's North Tyneside Living PFI scheme	(14,116,313.73)	(595,688.00)	2,490,841.25	(12,221,160.48)
New Build	Established to support the provision of New Build Council Housing	(4,508,582.93)		1,881,170.50	(2,627,412.43)
Housing PFI Lifecycle Costs	Established to provide a mechanism to reflect the costs of replacing items of equipment over the life of the PFI contract	(3,011,365.53)	(719,270.64)		(3,730,636.17)
Surplus on RTB Admin Costs	Reserve created to recognise additional administration payments over and above those required to fund RTB administration costs over the previous two years, have been set aside to supplement financing available for the Housing Investment Plan.	(414,841.00)	(57,835.00)		(472,676.00)
HRA Solar PV Maintenance	Maintenance of solar PV systems on new build council dwellings	(7,168.84)	(4,294.30)		(11,463.14)
Repairs Options Post 2019	To assist with Repairs Offer Options post 2019	(100,000.00)			(100,000.00)

Reserve	Purpose of Reserve	Opening Balance	Cont To	Cont From	Closing Balance
	Sub Total - General Reserves	(70,161,505.40)	(6,442,507.82)	9,711,588.05	(66,892,425.17)
Grants					
SEND Reform Grant	Grant towards SEND (special educational needs and or disabilities) reforms	(118,225.00)		118,225.00	0.00
Air Quality Monitoring Grant	Grant to fund support on measures to improve air quality in the local authority area	(25,700.00)	(30,319.00)		(56,019.00)
Heat Network Delivery Grant	Used to cover/support the local authority to identify and evaluate opportunities to develop new heating & cooling networks as per the Dept. of Energy and Climate Change funding	(27,186.51)		27,186.51	0.00
Step up to Social Work Grant	A programme to provide accelerated entry route into social work for high achieving graduates and career changers	(39,000.00)	(78,463.62)	54,233.34	(63,230.28)
Rogue Landlords Grant Reserve	To provide improved reporting systems to assist in tackling rogue landlords in North Tyneside	0.00	(4,368.00)		(4,368.00)
Tobacco Burdens Grant	To cover any additional costs incurred as a direct result of the implementation new tobacco legislation	0.00	(3,480.58)		(3,480.58)
Public Health Grant	Department of Health ring-fenced grant made available to local authorities to allow them to discharge their new public health responsibilities	(218,934.97)	(809,161.29)	218,934.97	(809,161.29)
Education Funding Agency	The 16-19 Bursary Fund aims to ensure that every young person participates and benefits from a place in 16-19 training. The SEN element of the reserve is intended to develop special educational needs and disability implementation and services	(194,412.05)	(268,973.85)	194,412.05	(268,973.85)
Syrian Refugee Grant	The reserve is for the Syrian Refugee Relocation Programme and will be used for spend in-line with this programme. The grant will be spent over the 5 years of the programme, but will be added to/ reduced as the next wave of refugees enter our Borough, with their 5 years of funding starting from this point	(189,342.55)		74,524.00	(114,818.55)
Tackling Troubled Families	Grant reserve to support the delivery of outcomes for families with complex and multiple needs	(378,000.00)	(142,500.00)	378,000.00	(142,500.00)
Fraud & Error Reduction Grant	Provides financial incentives to Local Authorities who reduce fraud and error in their housing benefit cases	0.00			0.00
Assessed & Supported Year in Employment	The Assessed and Supported Year in Employment (ASYE) is designed to help newly qualified social workers develop their skills, knowledge and capability, and strengthen their professional confidence. It provides them with access to regular and focused support during their first year of employment in social work	(13,087.96)			(13,087.96)
North East Social Work Alliance	Development of a North East Social Work Alliance website providing a comprehensive one stop resource for everything to do with social work education within the region	(15,000.00)			(15,000.00)
Flexible Homelessness Support Grant	Grant to allow councils greater flexibility to prioritise homelessness prevention through new ways of working	(97,752.00)	(159,036.50)		(256,788.50)
Homeless Veterans Grant Reserve	Grant to assist any Veterans who present themselves as being homeless in the borough	0.00	(90,909.00)		(90,909.00)
Local Authority EU Exit Preparation Reserve	As Central Government is committed to ensuring councils have the support and the funding they need to prepare for an orderly exit from the EU and do appropriate contingency planning, this funding will help councils to adapt to changes caused by Brexit, while still protecting vital local services	0.00	(104,984.00)		(104,984.00)
Homeless Reduction Act Grant	Grant to support the introduction of the Homeless Reduction Act from 1st April 2018	(51,425.00)	(9,950.50)		(61,375.50)
Grant Reserves under £100k	Safer North Tyneside (53,777.04);Heritage Events (1,606.50);Local Authority Parks Improvement Funding (35,659.00);National Community Clean-Up Campaign (35,844.00) ; Adoption Support Fund (167,638.18);Moving on Tyne and Wear (14,551.98);Universal Credit (31,176.10);Domestic Abuse (14,634.00); Reducing Parental Conflict (40,100.00)	(403,135.52)	(278,546.12)	286,694.84	(394,986.80)
Training & Development	School-centred initial teacher training (SCITT) - Networks of schools that have been approved to run school-centred courses are known as SCITTs. They provide practical, hands-on teacher training, delivered by experienced, practising teachers based in their own school or a school in their network. SCITT courses generally last one year, and many include a postgraduate certificate in education (PGCE) and/or Master's-level credits. Training as part of a SCITT gives you the opportunity to learn 'on the job'. You will benefit from working and learning every day in a school and getting an immediate insight into what teaching involves.	(51,200.27)	(8,640.00)	19,874.44	(39,965.83)
Skills Funding Agency Grant	Designed to help people of different ages and backgrounds to get a new skill, reconnect with learning, follow a new interest.	(179,896.99)		179,896.99	0.00
Parks - Heritage Lottery Fund Grant	Ring-fenced grant for the future maintenance and managements costs associated with Wallsend Parks and Northumberland Parks	(561,106.36)			(561,106.36)
Dedicated Schools Grant	This Grant is a ring-fenced specific grant and must be used in support of the Schools Budget as financed in the School Finance (England) Regulations 2008	(119,955.72)	(745,941.54)	119,955.72	(745,941.54)
Preventing Repossession Fund	To offer assistance to individuals to avoid repossession of their property	(35,450.00)		33,043.00	(2,407.00)
NE One Public Estate Grant	Grant as part of a national programme (NT are part of North East Scheme) to transform local communities and public services	(43,633.00)			(43,633.00)
LAA Performance Grant	To support local authorities in England towards expenditure lawfully incurred	(2,098.59)			(2,098.59)
	Sub Total of Grant Reserves	(2,764,542.49)	(2,735,274.00)	1,704,980.86	(3,794,835.63)
	Total all Reserves	(72,926,047.89)	(9,177,781.82)	11,416,568.91	(70,687,260.80)
General Fund Balances		(6,804,821.42)			(6,804,821.42)
School Balances		(3,355,826.46)		1,756,618.81	(1,599,207.65)
Housing Revenue Account		(6,082,777.10)	(1,221,093.93)		(7,303,871.03)
Sub-total		(16,243,424.98)	(1,221,093.93)	1,756,618.81	(15,707,900.10)
Total Reserves and Balances		(89,169,472.87)	(10,398,875.75)	13,173,187.72	(86,395,160.90)

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2018/19 INVESTMENT PLAN FINANCING SUMMARY

	Actual Gross Expenditure £000	Financing					
		Unsupported Borrowing £000	Capital Receipts £000	Government Grants £000	Grants & Contributions £000	Revenue Funding £000	Total Financing £000
General Fund	**41,708**	-20,365	0	-12,556	-8,635	-152	**-41,708**
Housing (HRA)	**27,651**	0	-1,737	0	0	-25,914	**-27,651**
Total	**69,359**	**-20,365**	**-1,737**	**-12,556**	**-8,635**	**-25,066**	**-69,359**

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2018/19 INVESTMENT PLAN OUTTURN VARIATIONS

APPENDIX C

		Gross Expenditure	Budget	Variance	(Under)/Overspend (-)/+	Funding adjustments	Reprogramming
		£000	£000	£000	£000	£000	£000
GENERAL FUND							
BS026	Asset Planned Maintenance Programme	1,604	1,626	-22	0	-0	-22
CO064	Social Care Information System	287	385	-98	0	1	-100
CO067	Weekly Collection Support Grant	25	25	-0	0	-0	-0
CO075	Skate/BMX Park - The Parks Sports Centre	55	55	-0	0	-0	-0
CO076	Lockey Park Environmental Improvements	48	49	-1	0	-1	0
CO078	Coastal Revival Fund	0	0	0	0	0	0
DV054	The Dome (Including Pre 18/19 Coastal Regeneration)	3,574	3,619	-45	0	0	-45
DV058	Swan Hunter Redevelopment	2,317	490	1,827	0	1,900	-73
DV060	Rosehill Regeneration	24	24	0	0	0	0
DV062	St Mary's Lighthouse and Visitor Centre	0	0	0	0	0	0
DV064	Council Property Investment	105	108	-3	0	0	-3
DV065	North Shields Fisherman's Heritage Project	48	44	4	0	4	0
DV066	Investment in North Tyneside Trading Company	3,019	2,897	122	0	0	122
DV067	Northern Promenade	193	571	-378	0	0	-378
DV068	Southern Promenade	0	0	0	0	0	0
DV069	High Point Development	944	1,008	-64	0	-64	0
DV070	Forest Hall Regeneration	669	706	-37	0	0	-37
DV071	Section 106 Contributions to set up Health Facilities	0	90	-90	0	0	-90
ED075	Devolved Formula Capital	712	1,304	-592	0	44	-636
ED100	30Hrs Grant	0	75	-75	0	0	-75
ED120	Basic Need	252	253	-1	0	-1	-0
ED132	LEA Formula Capital Maintenance Programme	3,552	3,803	-251	0	5	-256
ED186	Backworth Park Primary	2,137	2,146	-9	0	-9	-0
ED187	Healthy Pupils Capital Fund	253	253	0	0	0	-0
ED188	Special Educational Needs and Disabilities	0	0	0	0	0	0
EV034	Local Transport Plan	3,829	3,942	-113	0	81	-194
EV054	Central Promenade Reconstruction Scheme	846	846	0	0	0	-0
EV055	Surface Water Management	749	1,082	-333	0	-333	0
EV056	Additional Highways Maintenance	2,125	2,297	-172	0	0	-172
EV069	Transport Review	1,691	2,029	-338	0	0	-338
EV073	A1058 Coast Road Improvements to Junctions	1,115	1,185	-70	0	-70	-0
EV076	Operational Depot Accommodation Review	3,012	5,660	-2,648	0	0	-2,648
EV077	A1056/A189 Weetslade Junction Imps	32	101	-69	-69	0	0
EV078	A19 Employment Corridor Access Imps	249	39	210	0	210	0
EV079	A191 Coach Lane & Tyne Park Junction Imps	63	78	-15	0	-15	0
EV080	Coast Road Cycle Route	0	231	-231	0	0	-231
EV081	Cobalt Cycle Route	0	0	0	0	0	0
EV082	North Bank of Tyne Infrastructure	2,241	3,422	-1,181	0	34	-1,214
EV083	Street Lighting LED	498	531	-33	0	-33	-0
EV084	A189 Improvements Haddricks Mill to West Moor	1,587	1,000	587	0	0	587
EV085	England Coast Path (St Mary's)	25	25	0	0	0	0
EV086	Clean Bus Technology Fund	844	1,206	-362	0	-4	-357
EV087	Air Quality Early Measures Fund	0	350	-350	0	0	-350
GEN12	Local Infrastructure Projects (General Fund)	162	252	-90	0	0	-90
HS004	Disabled Facility Grants	1,433	1,442	-9	0	1	-10
HS036	NT Warm Zones	46	72	-26	0	-26	-0
HS051	Private Sector Empty Homes Programme	47	47	0	0	0	0
HS052	Killingworth Moor Infrastructure	0	0	0	0	0	0

APPENDIX C

		Gross Expenditure £000	Budget £000	Variance £000	(Under)/Overspend (-)/+ £000	Funding adjustments £000	Reprogramming £000
IT020	ICT Strategy	791	1,025	-234	0	0	-234
IT025	BDUK (Broadband)	76	76	0	0	0	0
IT026	ICT Citizen Interaction and Self Serve	322	263	59	0	59	0
		41,603	46,733	-5,130	-70	1,784	-6,844
GEN03	Contingency Provision	105	1,027	-922	0	-1,832	910
	TOTAL GENERAL FUND	41,708	47,760	-6,052	-70	-48	-5,934
							0
HOUSING							
HS015	Refurbishment / Decent Homes Improvements	20,252	20,443	-191	-1	0	-190
HS017	Disabled Adaptations	1,030	1,030	0	0	0	0
HS039	Integrated Housing Computer System	108	112	-4	0	0	-4
HS041	Housing PFI	216	470	-254	0	0	-254
HS044	HRA New Build	2,895	3,697	-802	0	0	-802
HS050	Construction Options Project	3,150	4,450	-1,300	0	0	-1,300
	TOTAL HOUSING	27,651	30,202	-2,551	-1	0	-2,550
	TOTAL	69,359	77,962	-8,603	-71	-48	-8,484
							-0
							0

Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19
	actual	revised	actual
	£m	£m	£m
Capital Expenditure			
Non – HRA (General Fund)	£53.156	£52.978	£41.708
HRA	£23.531	£30.202	£27.651
TOTAL	£76.687	£83.180	£69.359
Ratio of financing costs to net revenue stream			
Non – HRA (General Fund)	6.94%	15.32%	14.98%
HRA	30.50%	27.77%	27.51%
Ratio of financing costs for Prudential Borrowing to net revenue stream			
Non – HRA (General Fund)	8.12%	9.18%	9.07%
HRA	7.22%	3.44%	7.94%
Gross borrowing requirement General Fund (CFR excluding PFI)			
brought forward 1 April	£247.659	£271.772	£271.772
carried forward 31 March	£271.772	£280.211	£279.553
in year borrowing requirement	£24.113	£8.439	£7.781
Gross borrowing requirement HRA (CFR excluding PFI)			
brought forward 1 April	£266.877	£259.531	£259.531
carried forward 31 March	£259.531	£257.116	£254.731
in year borrowing requirement	(£7.346)	(£2.415)	(£4.800)
Gross debt (excluding PFI)	£449.929	£490.519	£461.155
CFR			
Non – HRA	£317.912	£326.176	£323.907
HRA	£335.173	£331.604	£328.669
TOTAL	£653.085	£657.780	£652.576
Annual change in Capital Financing Requirement			
Non – HRA	£22.186	£8.261	£5.995
HRA (applies only to housing authorities)	(£8.954)	(£3.569)	(£6.504)
TOTAL	(£13.232)	£4.692	(£0.509)

2. TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2018/19
	actual	revised	actual
	£'000	£'000	£'000
Authorised Limit for external debt -			
borrowing	£1,200.000	£1,200.000	£1,200.00
other long term liabilities	£160.000	£160.000	£160.000
TOTAL	£1,280.000	£1,280.000	£1,280.000
Operational Boundary for external debt -			
borrowing	£560.000	£560.000	£560.000
other long term liabilities	£140.000	£140.000	£140.000
TOTAL	£700.000	£700.000	£700.000
Actual external debt	£449.929	£496.519	£461.155

Maturity structure of fixed rate borrowing during 2018/19	upper limit	lower limit
under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	25%
20 years and within 30 years	100%	25%
30 years and within 40 years	100%	25%
40 years and within 50 years	100%	25%

Item 7

Finance Sub-committee 30 July 2019

Cabinet Report 29 July

2019/20 Financial Management Report to 31 May 2019

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North Tyneside Council
Report to Cabinet
29 July 2019

Item 5(a)

Title: 2019/20 Financial Management Report to 31 May 2019

Portfolios:	**Elected Mayor**	**Cabinet Member:**	**Norma Redfearn**
	Finance and Resources		**Councillor Ray Glindon**

Report from:	**Finance**	
Responsible Officer:	**Janice Gillespie, Head of Resources**	**Tel: 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

This report is the 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.

In considering the financial outlook for 2019/20, Services have considered the financial pressures they will face in 2019/20 and how they will mitigate these. The initial forecast for the year being a projection of a residual gap of £5.263m.

At this stage in the financial year, Cabinet will understand that there are still aspects of the £10.533m 2019/20 savings programme to be met to deliver the General Fund budget approved by Council on 21 February 2019. A number of sessions have already been held by the Senior Leadership Team to give early consideration as to the actions required to manage the financial risks identified for 2019/20, including what additional actions can be taken in line with the Authority's Efficiency Statement. As a result, £2.800m is included within the £5.263m overall pressure outlined above, which represent the residual balances of the challenging cross-cutting savings targets.

This is the first report of the financial year and necessarily reflects these known pressures the Services will be required to manage during the financial year. As well as an explanation of any previously identified risks that have crystallised, this report sets out any new risks that may have a financial impact on the Authority. It is anticipated that the overall in-year pressures will be manged by the Services, enabling the Authority to again deliver a balanced position at year end.

The report includes details of any additional grants received by the Authority since the budget was set. The report also advises Cabinet of the position so far on the 2019/20 Schools budgets, planning for 2020/21, Schools funding and the forecast outturn for the Housing Revenue Account as at 31 May 2019.

Finally, the report provides an update on the 2019/20 Investment Plan, including delivery so far this year, along with details of variations and reprofiling of the Investment Plan which are presented to Cabinet for approval.

1.2 Recommendations:

It is recommended that Cabinet:

(a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) and as at 31 May 2019 (Annex sections 1, 5 and 6);

(b) approves the receipt of £0.352m new revenue grants (as outlined in Annex section 3);

(c) notes the Authority's Investment Plan spend of £2.283m to 31 May 2019 and the financing of the Plan to the end of the year (Annex Section 7); and

(d) approves variations of £4.531m and reprogramming of £8.106m for 2019/20 within the 2019 – 2023 Investment Plan (Annex Section 7).

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 18 April 2019.

1.4 Authority plan and policy framework:

The budget is a key strand of the Authority's Budget and Policy Framework.

1.5 Information:

1.5.1 Financial Position

This report is the first monitoring report presented to Members on the Authority's 2019/20 financial position. It provides an early indication of the expected revenue and capital financial position of the Authority as at 31 March 2020.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified;
- The delivery of 2019/20 approved budget savings plans; and
- An update on the Capital Investment Plan, including details of variations and reprogramming, that is recommended for approval.

General Fund Revenue Account:

The budget for 2019/20 was approved by full Council at its meeting on the 21 February 2019. The net General Fund revenue budget was set at £155.730m. This included £10.533m of savings to be achieved (£6.875m relating to 2019/20).

The forecast overall pressure is estimated at £5.263m against an approved net budget of £155.730m. This is driven mainly by Health, Education, Care & Safeguarding reflecting the continued pressures in Children's Services of £3.083m and Adult Services of £2.528m, partly mitigated by the contingency balances that were created by Cabinet as part of the 2018/19 budget setting process and continue to be held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £2.572m of pressures in Corporate Parenting and Placements, £1.741m in Wellbeing and Assessment and £0.791m in Disability & Mental Health. The drivers for these pressures continue from 2018/19 and arise from:

- Continued growth in demand in Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Efficiency Savings Programme to the extent that achievement of some savings may be at risk;
- The shared pressure with the North Tyneside Clinical Commissioning Group around agreeing adequate levels of contributions for clients with health needs and to support social care; and
- Negotiations with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs are at an early stage for 2019/20.

The other main movement from the initial outlook is £0.730m in Environment, Housing & Leisure. The Service is still expecting to be able to manage pressures of £1.378m by year end but the monitoring reflects the fact that some of the management actions are still being formulated and as such a prudent approach has been taken at this early stage of the financial year.

It is anticipated that the overall outturn forecast will improve over the course of the financial year as planned remedial actions being to impact on both expenditure and income.

New Revenue Grants:

The following revenue grants have been received during April and May 2019:

Table 1: Revenue Grants Received during 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
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**

School Funding:

Schools are required to submit their rolling three year budget plan by 31 May each year. The total planned deficit for 2019/20 is £5.045m. 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.

As well as school balances reducing overall, some individual schools continue to face significant financial challenges. There were nine schools with approved deficits in 2018/19 and five of these schools continue to be in deficit for 2019/20. Six schools are also new to deficit in 2019/20.

Cabinet will recall that the High Needs Block ended 2018/19 with a pressure of £0.920m. 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 is planning for places at the end of 2019/20 to total approximately 762. This compares to a total of 664 places at the beginning of 2018/19.

Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2020 of £5.087m, which are £1.216m higher than budget which was set at £3.871m. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous year's financial performance (£3.190m) but there is also an in-year estimated underspend of (£0.115m), against an in-year budget of £2.331m, due to additional income of (£0.061m) combined with reduction to expenditure of (£0.054m).

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of June 2019, 2,284 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position will be closely monitored as the year progresses to identify any adverse impacts on the budget position.

Investment Plan:

The 2019-2023 Investment Plan, as adjusted for proposed reprogramming, totals £199.127m (£73.326m 2019/20) and is detailed in table 28 of the Annex. The Annex to this report also sets out in Section 7 delivery progress to date, planned delivery for 2019/20, reprogramming and other variations identified through the Investment Programme Governance process.

1.5.2 Performance against Council Plan

The 2018-2020 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Council Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

Our People will:

- Be listened to so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence.
- Be cared for, protected and supported if they become vulnerable.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people.
- Be a thriving place for choice of visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.
- Offer a good choice of quality housing appropriate to need, including affordable homes.
- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, cycle ways, pavements, street lighting, drainage and public transport.
- Continue to regenerate Wallsend and Whitley Bay while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.

Our Economy will:

- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly by ensuring the right skills and conditions are in place to support investment, and create and sustain and sustain new high quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. The area under most financial pressure is Health Education Care and Safeguarding.

In common with most local authorities, and in line with the national picture, North Tyneside has seen costs within adult social care continue to rise. Although the number of adults supported remains relatively stable, their individual needs have increased due to living longer with multiple complex conditions. Supporting those needs requires more intensive packages of care which are more expensive to provide. In addition to older people, younger adults with learning disabilities and physical disabilities are also living longer, often with multiple complex issues.

In Children's Services, good progress continues to be made on engaging with children in the early years of life to ensure that they are ready for school. Safeguarding vulnerable children and maximising their educational attainment remain key priorities.

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. As such, the levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. In year data suggests that our LAC levels, whilst fluctuating, are on average, remaining constant (as per Section 4.2 in the Annex) but there are a wide range of levels of care provided, with more complex cases now being faced.

Increasing complexity continues to drive financial pressure in 2019/20. The Authority is forecasting a pressure of £2.572m in Corporate Parenting and Placements, however on-going management of this pressure by the Service, including the implementation of the New Model to Support Children has seen a positive movement from the outturn pressure for 2018/19 of £3.580m.

1.5.4 Investment Plan

An officer led review of the Investment Plan has resulted in proposals for reprogramming of (£8.106m) and variations of £4.531m of which more details are set out in Section 7 of the Annex to this report. The revised Investment Plan stands at £73.326m for 2019/20 and to the end of May 2019 spend of £2.283m had been incurred which represents 3.11% of the revised plan.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet may approve the recommendations at paragraph 1.2 of this report.

Options 2

Cabinet may decide not to approve to recommendations at paragraph 1.2 of this report.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Cabinet is recommended to agree the proposals set out in section 1.2 of this report as it is important that Cabinet continues to monitor performance against the Budget, especially given the current level of financial pressures faced by the public sector.

1.8 Appendices:

Annex : Financial Management Report to 31 May 2019
Appendix 1: 2019 – 2023 Investment Plan

1.9 Contact officers:

Janice Gillespie – Corporate Finance matters – Tel. (0191) 643 5701
Claire Emmerson – Corporate Finance matters – Tel. (0191) 643 8109
David Dunford – (Acting) Senior Business Partner – Tel. (0191) 643 7027
Cathy Davison – Investment Plan matters- Tel. (0191) 643 5727
Darrell Campbell – Housing Revenue Account matters – Tel. (0191) 643 7052

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

(a) Revenue budget 2019/20
https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201920.pdf

(b) Investment Plan 2019-23
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/2019-2023%20Financial%20Planning%20and%20Budget%20Process%20Final%20Report.pdf (page 22-25)

(c) Reserves and Balances Policy (Appendix G)
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/cabinet%20ex%20agenda%20for%2021%2001%202019_0.pdf
(page 128-133)

(d) Overview, Scrutiny and Policy Development Performance Report
https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/6.%20OSPD%20Performance%20report%20%28June%202019%29.pdf

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 30 July 2019.

2.2 Legal

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

2.3 Consultation/community engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation / Engagement

The 2019/20 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are no direct equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

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

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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.

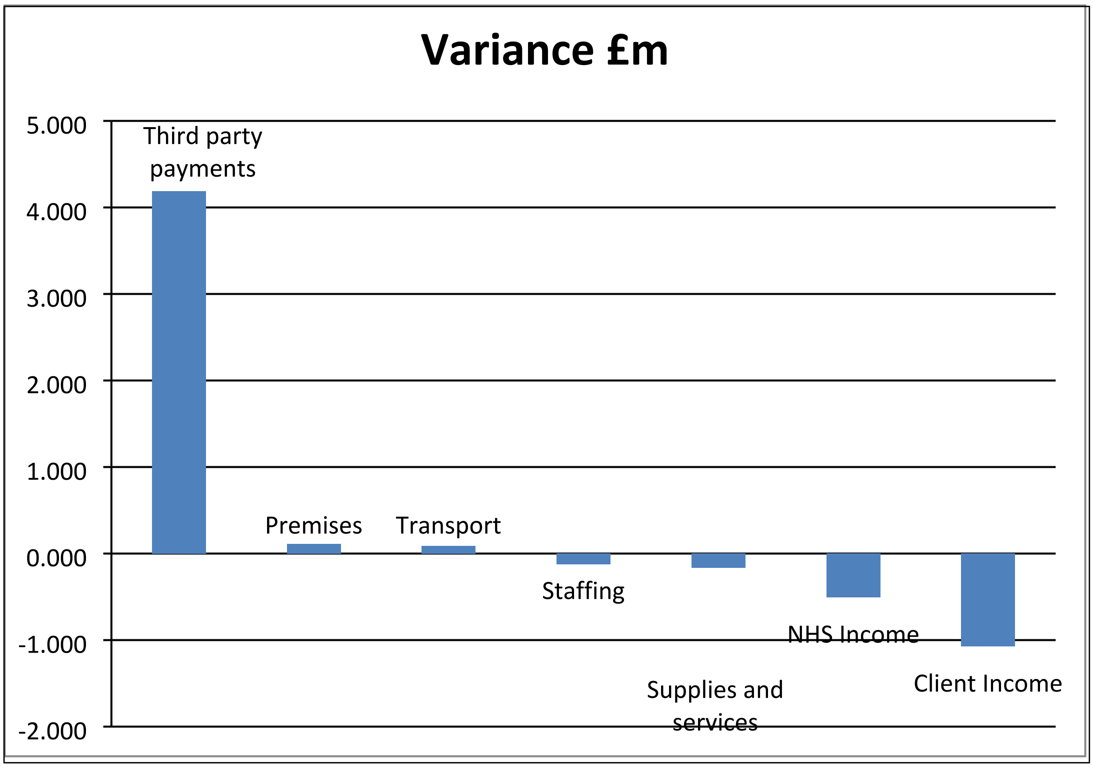
4.2.4 The main factor behind the pressure is third party payments in relation to fees for care homes and community-based packages for adults. In addition, there remains significant pressure within Corporate Parenting and Placements in relation to care provision for Looked After Children (LAC) and Care 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.

Adult Services

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**

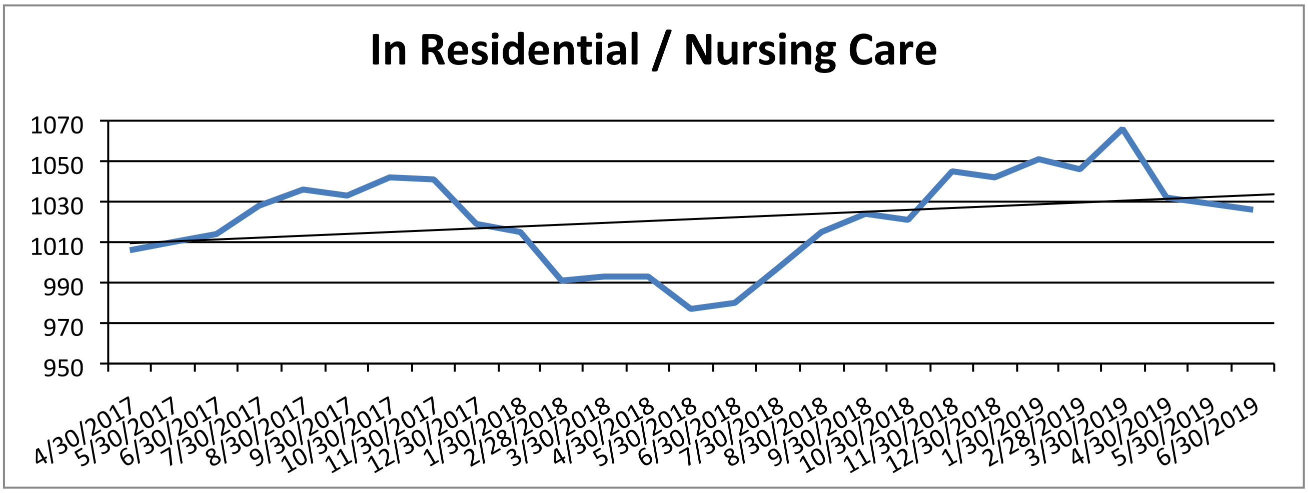
Residential and Nursing Care

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.

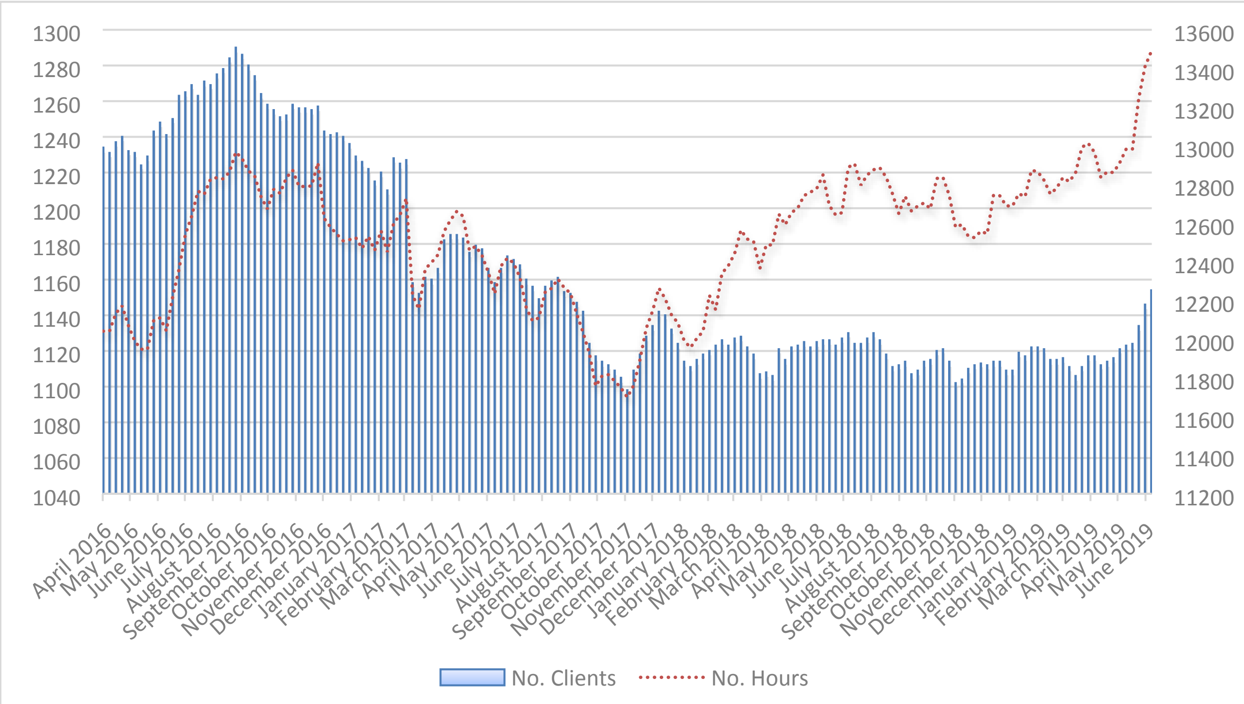
Chart 2: Movement in Numbers of Clients in Residential and Nursing Care since April 2017



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:

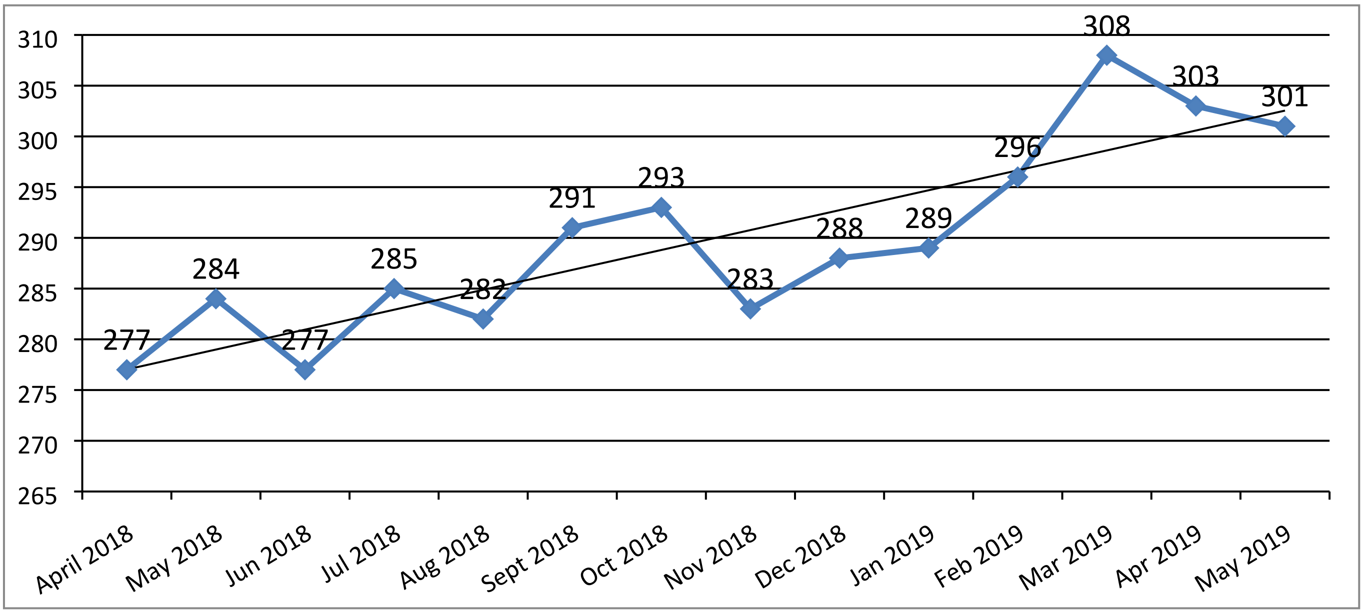
Table 7: Analysis of Pressures in Corporate Parenting and Placements

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

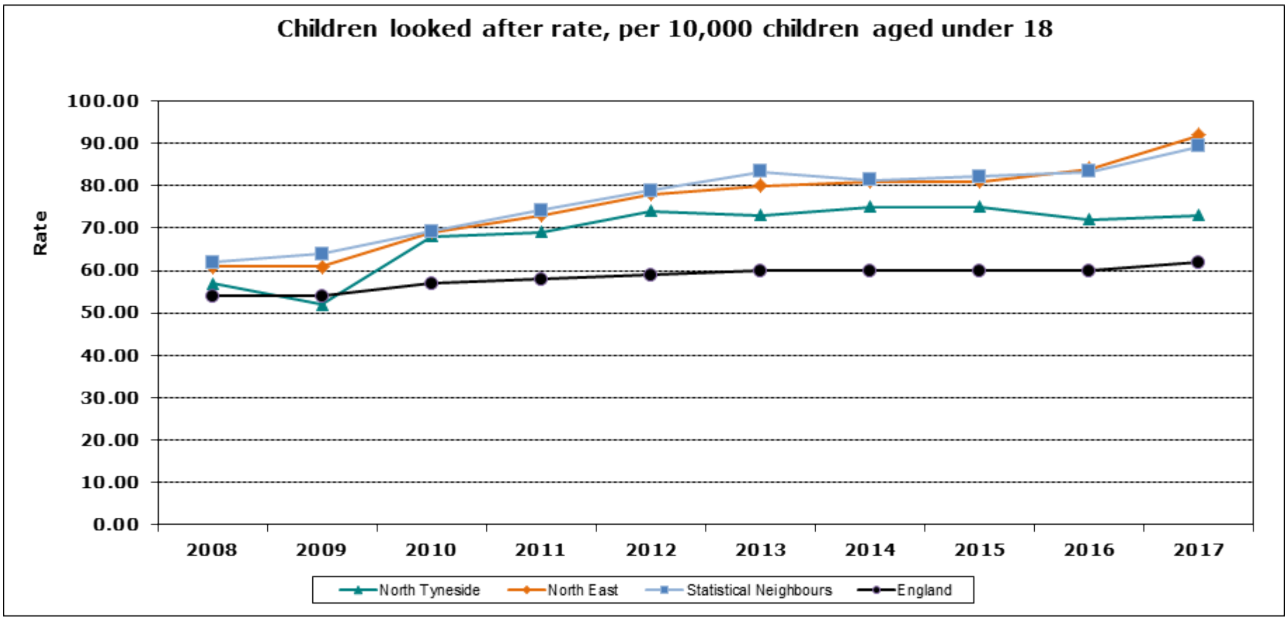
4.2.21 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of Looked After Children (LAC) has mirrored the increases 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.

<u>Care Provision – Non-LAC</u>

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>**

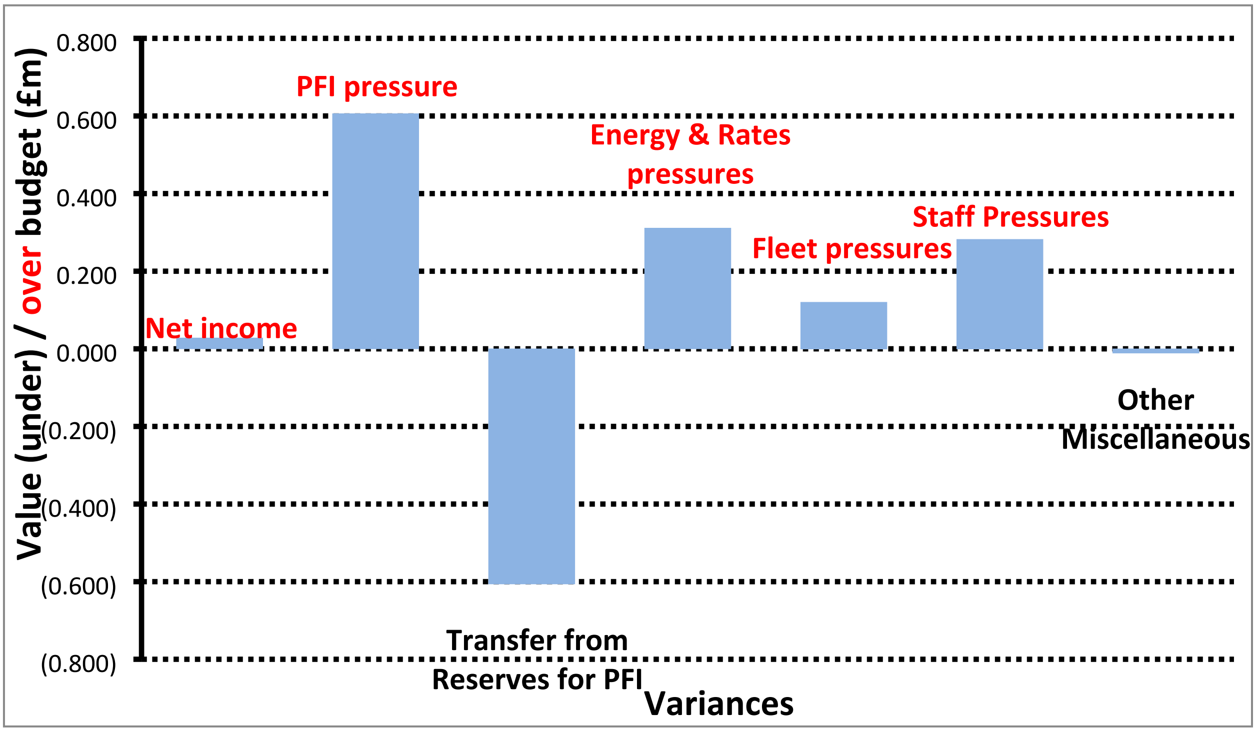
4.4.1 EHL is forecasting a pressure of £0.730m against the £41.752m budget, as set out in Table 10 below. The initial outlook for 2019/20 shared with Lead Members during the recent Budget and Performance session indicated that the Service was working hard to mitigate pressures of £1.378m and, by year 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.

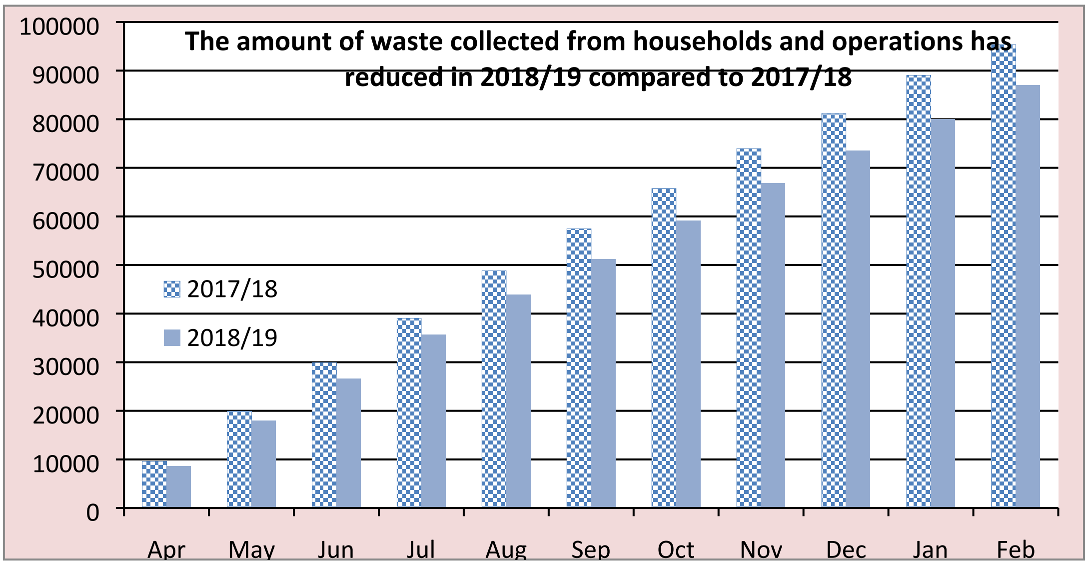
Fleet Management

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**



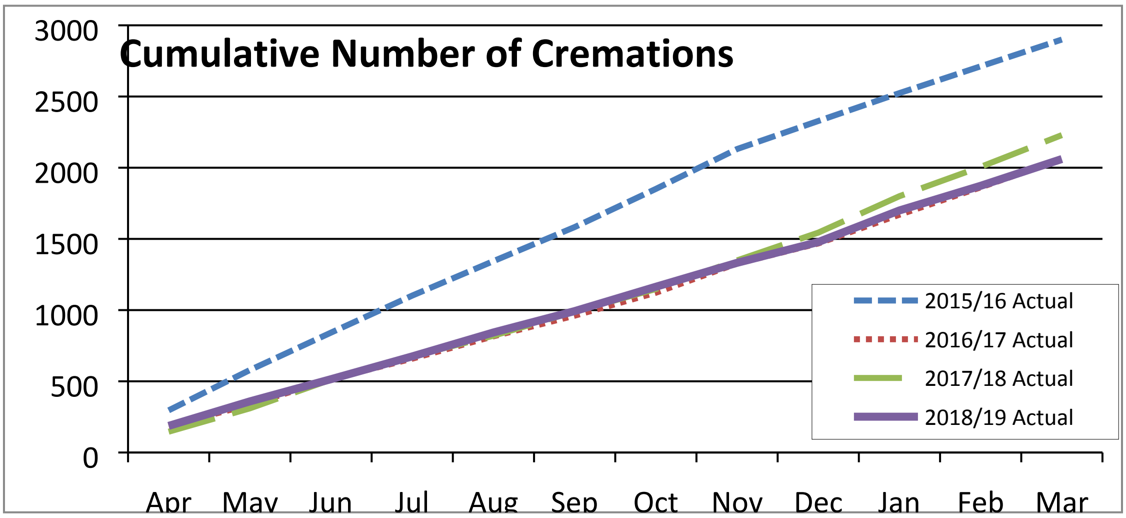
4.4.13 In 2018/19 a 9% decrease in waste volumes was experienced compared to 2017/18. This decrease reflects the beneficial impact of the measures implemented at the Household Waste Recycling Centre from July 2017 to tackle illegal usage of the site and the introduction of alternate weekly waste collections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

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 **<u>Law and Governance</u>**

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 **<u>Central Items</u>**

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%**

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2019 - 2023 Investment Plan Summary **Appendix 1**

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
General Fund						
Maintaining Our Assets						
BS026 Asset Planned Maintenance						
	Council Contribution	1,522	1,500	1,500	1,500	6,022
	Private Contribution (NHS)	100	0	0	0	100
BS026 Asset Planned Maintenance Total		1,622	1,500	1,500	1,500	6,122
BS029 Wallsend CFC Alcohol Treatment Capital Fund						
	Public Health England	411	0	0	0	411
BS029 Wallsend CFC Alcohol Treatment Capital Fund Total		411	0	0	0	411
CO064 Social Care Information System						
	Better Care Fund	99	0	0	0	99
CO064 Social Care Information System Total		99	0	0	0	99
CO076 Lockey Park Environmental and Play Improvements						
	Section 106	74	0	0	0	74
CO076 Lockey Park Environmental and Play Improvements Total		74	0	0	0	74
CO078 Coastal Revival Fund						
	Coastal Revival Fund (HCLG)	48	0	0	0	48
CO078 Coastal Revival Fund Total		48	0	0	0	48
DV071 Section 106 Contributions to Set Up Health Facilities						
	Section 106	90	0	0	0	90
DV071 Section 106 Contributions to Set Up Health Facilities Total		90	0	0	0	90

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
ED075 Devolved Formula Capital						
	Education Funding Agency	1,279	1,579	579	579	4,016
ED075 Devolved Formula Capital Total		1,279	1,579	579	579	4,016
ED120 Basic Need						
	Education Funding Agency	184	113	113	113	523
ED120 Basic Need Total		184	113	113	113	523
ED132 School Capital Allocation						
	Education Funding Agency	3,781	3,534	3,534	3,534	14,383
ED132 School Capital Allocation Total		3,781	3,534	3,534	3,534	14,383
ED186 Backworth Park Primary						
	Council Contribution	-2,374	0	0	0	-2,374
	Section 106	2,374	0	0	0	2,374
ED186 Backworth Park Primary Total		0	0	0	0	0
EV034 Local Transport Plan						
	Dept for Transport LTP ITA	958	958	958	958	3,832
	Dept for Transport LTP Maint	2,504	2,195	2,000	2,000	8,699
	DFT Pothole Funding 19/20	144	0	0	0	144
EV034 Local Transport Plan Total		3,606	3,153	2,958	2,958	12,675
EV056 Additional Highways Maintenance						
	Council Contribution	2,000	2,000	2,000	2,000	8,000
	Department For Transport	876	0	0	0	876
EV056 Additional Highways Maintenance Total		2,876	2,000	2,000	2,000	8,876
EV069 Vehicle Replacement						
	Council Contribution	1,300	500	0	0	1,800

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
EV069 Vehicle Replacement Total		1,300	500	0	0	1,800
IT020 ICT Strategy						
	Council Contribution	1,234	1,000	1,000	1,000	4,234
IT020 ICT Strategy Total		1,234	1,000	1,000	1,000	4,234
Maintaining Our Assets Total		16,604	13,379	11,684	11,684	53,351
Corporate						
EV076 Operational Depot Accommodation Review						
	Council Contribution	4,279	3,366	0	0	7,645
	ERDF	843	1,169	0	0	2,012
EV076 Operational Depot Accommodation Review Total		5,122	4,535	0	0	9,657
EV086 Clean Bus Technology Fund						
	Department For Transport	358	0	0	0	358
EV086 Clean Bus Technology Fund Total		358	0	0	0	358
GEN03 Contingencies						
	Council Contribution	3,559	2,125	500	500	6,684
GEN03 Contingencies Total		3,559	2,125	500	500	6,684
IT026 ICT Citizen Interaction						
	Council Contribution	0	0	0	0	0
IT026 ICT Citizen Interaction Total		0	0	0	0	0
IT027 Self Service Kiosk Replacement						
	Council Contribution	100	0	0	0	100
IT027 Self Service Kiosk Replacement Total		100	0	0	0	100

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Corporate Total	9,139	6,660	500	500	16,799
Education					
ED100 30 Hours Capital Grant					
Education Funding Agency	75	0	0	0	75
ED100 30 Hours Capital Grant Total	75	0	0	0	75
ED188 SEND					
Education Funding Agency	400	449	0	0	849
ED188 SEND Total	400	449	0	0	849
Education Total	475	449	0	0	924
Housing General Fund					
DV064 Council Property Investment					
Council Contribution	253	0	0	0	253
DV064 Council Property Investment Total	253	0	0	0	253
HS004 Disabled Facilities Grant					
Better Care Fund	1,500	1,437	0	0	2,937
HS004 Disabled Facilities Grant Total	1,500	1,437	0	0	2,937
HS051 Private Sector Empty Homes					
Council Contribution	469	431	0	0	900
Homes & Communities Grant	244	93	0	0	337
Revenue Contribution (NHB)	76	0	0	0	76
HS051 Private Sector Empty Homes Total	789	524	0	0	1,313
Housing General Fund Total	2,542	1,961	0	0	4,503

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Investments						
DV066 Investment in North Tyneside Trading Co						
	Council Contribution	6,249	2,200	0	0	8,449
	Section 106	1,623	0	0	0	1,623
DV066 Investment in North Tyneside Trading Co Total		7,872	2,200	0	0	10,072
Investments Total		7,872	2,200	0	0	10,072
Regeneration						
CO077 Amberley Playing Field Artificial Grass Pitch						
	Football Foundation Grant	500	0	0	0	500
	Section 106	214	0	0	0	214
CO077 Amberley Playing Field Artificial Grass Pitch Total		714	0	0	0	714
DV054 Spanish City Dome						
	Council Contribution	45	0	0	0	45
DV054 Spanish City Dome Total		45	0	0	0	45
DV058 Swan Hunters Redevelopment						
	Council Contribution	300	0	0	0	300
	LGF	1,885	0	0	0	1,885
DV058 Swan Hunters Redevelopment Total		2,185	0	0	0	2,185
DV067 Northern Promenade						
	Council Contribution	378	0	0	0	378
DV067 Northern Promenade Total		378	0	0	0	378
DV068 Southern Promenade						
	Environment Agency Grant	550	0	0	0	550
DV068 Southern Promenade Total		550	0	0	0	550

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
DV070 Forest Hall Regeneration						
	Revenue Contribution (Feasibility)	37	0	0	0	37
DV070 Forest Hall Regeneration Total		37	0	0	0	37
EV080 Coast Road Cycle Route						
	Cycle City Ambition Fund	231	0	0	0	231
	Transforming Cities Fund	237	0	0	0	237
EV080 Coast Road Cycle Route Total		468	0	0	0	468
EV082 North Bank of Tyne Infrastructure						
	NELEP Growth Deal	1,214	0	0	0	1,214
EV082 North Bank of Tyne Infrastructure Total		1,214	0	0	0	1,214
EV084 A189 Improvements Haddricks Mill to West Moor						
	DFT National Productivity Fund	2,333	0	0	0	2,333
	Section 106	0	0	0	0	0
	Section 278	1,554	0	0	0	1,554
EV084 A189 Improvements Haddricks Mill to West Moor Total		3,887	0	0	0	3,887
EV087 Air Quality Early Measures Fund						
	DEFRA - Air Quality Grant	350	0	0	0	350
	Transforming Cities Fund	285	0	0	0	285
EV087 Air Quality Early Measures Fund Total		635	0	0	0	635
EV088 Tyne View Terrace Cycleway						
	Transforming Cities Fund	427	0	0	0	427
EV088 Tyne View Terrace Cycleway Total		427	0	0	0	427
GEN12 Local Infrastructure						

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
Council Contribution	190	100	100	100	490
GEN12 Local Infrastructure Total	190	100	100	100	490
Regeneration Total	10,730	100	100	100	11,030
General Fund Total	47,362	24,749	12,284	12,284	96,679
HRA					
Housing					
HS015 Refurbishment / Decent Homes Improvements					
See HRA Financing	21,225	20,664	20,862	21,144	83,895
HS015 Refurbishment / Decent Homes Improvements Total	21,225	20,664	20,862	21,144	83,895
HS017 Disabled Adaptations					
See HRA Financing	1,041	1,051	1,062	1,072	4,226
HS017 Disabled Adaptations Total	1,041	1,051	1,062	1,072	4,226
HS039 ICT Infrastructure Works					
See HRA Financing	110	107	108	109	434
HS039 ICT Infrastructure Works Total	110	107	108	109	434
HS041 Housing PFI					
See HRA Financing	254	0	0	0	254
HS041 Housing PFI Total	254	0	0	0	254
HS044 HRA New Build					
See HRA Financing	1,835	5,167	2,692	2,446	12,140
HS044 HRA New Build Total	1,835	5,167	2,692	2,446	12,140
HS050 Construction Options Project					

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
See HRA Financing	1,499	0	0	0	1,499
HS050 Construction Options Project Total	1,499	0	0	0	1,499
Housing Total	25,964	26,989	24,724	24,771	102,448

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
HRA Total		25,964	26,989	24,724	24,771	102,448
Total £000		73,326	51,738	37,008	37,055	199,127

Investment Plan Financing

		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	Total £000
General Fund						
	Council Contribution	19,504	13,222	5,100	5,100	42,926
	Grants & Contributions	27,745	11,527	7,184	7,184	53,640
	Revenue Contribution	113	0	0	0	113
General Fund Total		47,362	24,749	12,284	12,284	96,679
HRA Financing						
	HRA Capital Receipts	2,142	5,481	3,748	2,019	13,390
	HRA Revenue Contribution	9,136	8,079	7,702	9,014	33,931
	HRA MRR	12,392	12,825	13,274	13,738	52,229
	HRA House Building Fund Reserve	1,785	604	0	0	2,389
	HRA PFI Reserve	509	0	0	0	509
HRA Financing Total		25,964	26,989	24,724	24,771	102,448
Total£000		73,326	51,738	37,008	37,055	199,127

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Agenda Item 9

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