2019/20 Financial Management Report Annex

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SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 This report is the second 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 an 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 as, in common with most local authorities, North Tyneside Council continues to face significant financial challenges. 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 £5.243m (a pressure of £5.263m in May). The budget includes £6.875m of savings as agreed at Council on 21 February 2019. Table 1 in paragraph 1.7 below sets out the variation summary across the General Fund.

1.3 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 £3.775m (up from a forecasted pressure of £3.083m at May) and Adults Services are forecasting a pressure of £2.596m (£2.528m pressure in May). 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 £1.159m in Children's and £0.796m in Adults. Further details are contained within this report in Section 4.2.

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

1.5 In Environment, Housing & Leisure prudent forecasts suggest that the outturn position will be a pressure of £0.585m, an improvement of £0.145m since the last report. The main pressures are staffing, energy and rates, fleet and PFI. Currently £0.430m worth of potential management actions have been identified which 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 £0.155m worth of pressures. Further details can be found in section 4.4.

1.6 Central Items is forecasting an underspend of £2.934m, representing an improvement of £0.479m since the last report. This includes contingencies of £4.636m, which, if allocated, would produce pressures in Central Items of £1.852m. These pressures are a result of Central Items holding the targets for the cross-cutting savings proposals, partially offset by forecasted underspends generated by management actions around Strain on the Fund and the Authority's Treasury Management Strategy.

1.7 Table: 1 2019/20 General Fund Revenue Forecast Outturn as at 31 July 2019

	Gross Expenditure			Income			Net Expenditure			May 2019
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance	Variance
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Health, Education, Care and Safeguarding	179.781	188.873	9.092	(111.711)	(114.432)	(2.721)	68.070	74.441	6.371	5.611
Commissioning and Asset Management	207.246	210.036	2.790	(185.327)	(187.935)	(2.608)	21.919	22.101	0.182	0.174
Environment, Housing and Leisure	71.599	73.599	2.000	(29.465)	(30.880)	(1.415)	42.134	42.719	0.585	0.730
Regeneration and Economic Development	2.242	2.163	(0.079)	(1.071)	(0.850)	0.221	1.171	1.313	0.142	0.153
Corporate Strategy	1.807	2.031	0.224	(1.609)	(1.676)	(0.067)	0.198	0.355	0.157	0.116
Chief Executive	0.432	0.368	(0.064)	(0.486)	(0.486)	0.000	(0.054)	(0.118)	(0.064)	(0.050)
Resources	79.500	73.774	(5.726)	(78.339)	(71.774)	6.565	1.161	2.000	0.839	0.924
Law and Governance	3.666	3.727	0.061	(3.811)	(3.907)	(0.096)	(0.145)	(0.180)	(0.035)	0.060
Central Items	17.774	13.637	(4.137)	(16.511)	(15.308)	1.203	1.263	(1.671)	(2.934)	(2.455)
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	20.013	20.013	0.000	0.000
Total Authority	**584.060**	**588.221**	**4.161**	**(428.330)**	**(427.248)**	**1.082**	**155.730**	**160.973**	**5.243**	**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, a total of £6.370m, representing 60% of the target, is already forecast to be saved in 2019/20 (May, £6.219m and 59%). An additional £1.100m 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 29% of the target still needs to be achieved (May, £31%).

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

Service	2019/20 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
Regeneration and Economic Development	0.103	0.099	0.000	0.004
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	2.811	0.000	0.457
Total	**10.533**	**6.370**	**1.100**	**3.063**

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 Housing Revenue Account. 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 HECS is forecasting to deliver £2.811m (86%) of its targets at this stage in the year. A total of £0.250m of the target that is still to be achieved relates to the Efficiency Statement category of Responding to Rising Complex Needs. Work is still on-going within HECS to deliver savings relating to enablement and the alternative delivery model.

2.14 In addition the following still require achievement as at July 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 £0.007m 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 management within HECS 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 No new revenue grants have been received or notified during June and July 2019.

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. Meetings have taken place with Lead Members to review the 2018/19 outturn, the initial outlook for 2019/20 and the quarter one position. Further meetings have been planned on a quarterly basis 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 £68.070m net controllable expenditure budget of £6.371m. This represents a worsening of £0.760m since the May forecast variance 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 4: Forecast Variation for HECS at July 2019**

	Budget £m	Forecast £m	Variance July £m	Variance May £m
Corporate Parenting and Placements	16.374	19.272	2.898	2.572
Early Help and Vulnerable Families	1.593	1.661	0.068	0.015
Employment and Skills	0.546	0.531	(0.015)	0.000
Integrated Disability and Additional Needs Service	2.269	3.069	0.800	0.496
School Improvement	0.088	0.112	0.024	0.000
Regional Adoption Agency	0.000	0.000	0.000	0.000
Children's Services Sub-total	**20.870**	**24.645**	**3.775**	**3.083**
Wellbeing, Governance & Transformation	2.299	2.316	0.017	(0.063)
Disability & Mental Health	31.280	31.840	0.560	0.791
Wellbeing & Assessment	10.299	12.347	2.048	1.741
Integrated Services	2.919	2.799	(0.120)	(0.044)
Business Assurance	0.298	0.389	0.091	0.103
Adult Services Sub-total	**47.095**	**49.691**	**2.596**	**2.528**
Public Health	0.105	0.105	0.000	0.000
Total HECS	**68.070**	**74.441**	**6.371**	**5.611**

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.

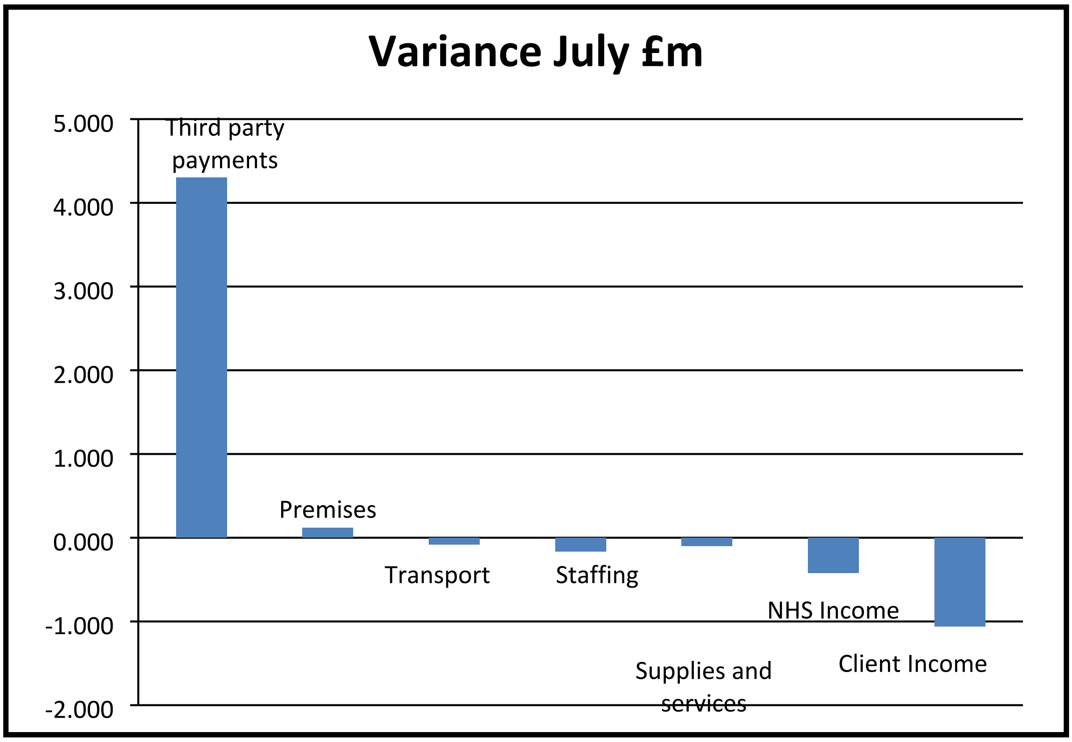
4.2.4 The main factor behind the pressure is third party payments in relation to fees for care homes and community-based packages for adults. In addition, there remains significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. There has been a slight rise in the number of children in care to 304 from 301 at May 2019 (see 4.2.23 below) and this, in addition to an increased forecast for respite costs for children with a disability, explains the increased budget variance at July. In addition to third party care provision pressures, there are also on-going pressures in the workforce arising from staff retention costs and recruitment costs.

Adult Services

4.2.5 In Adult Services, the £2.596m pressure relates to third party payments for care provision which is £4.301m above budget levels. There are also smaller pressures relating to premises costs (£0.118m). These pressures are partially offset by a higher than budgeted level of client contributions (£1.060m), and contributions from the NHS for clients with a health need (£0.423m). There are also underspends against staffing budgets, supplies and services and transport of £0.163m, £0.096m and £0.081m 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 £2.596m 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 Council 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 £4.301m above budget. These are analysed into the following service types:

Table 5: Analysis of Adult Services Care Provision Pressure by Service Type

Type of Service	July £m	May £m
Residential and Nursing Care	2.662	2.520
Homecare and Extra Care	0.959	0.955
Other Community-Based Care	0.680	0.712
Total	**4.301**	**4.187**

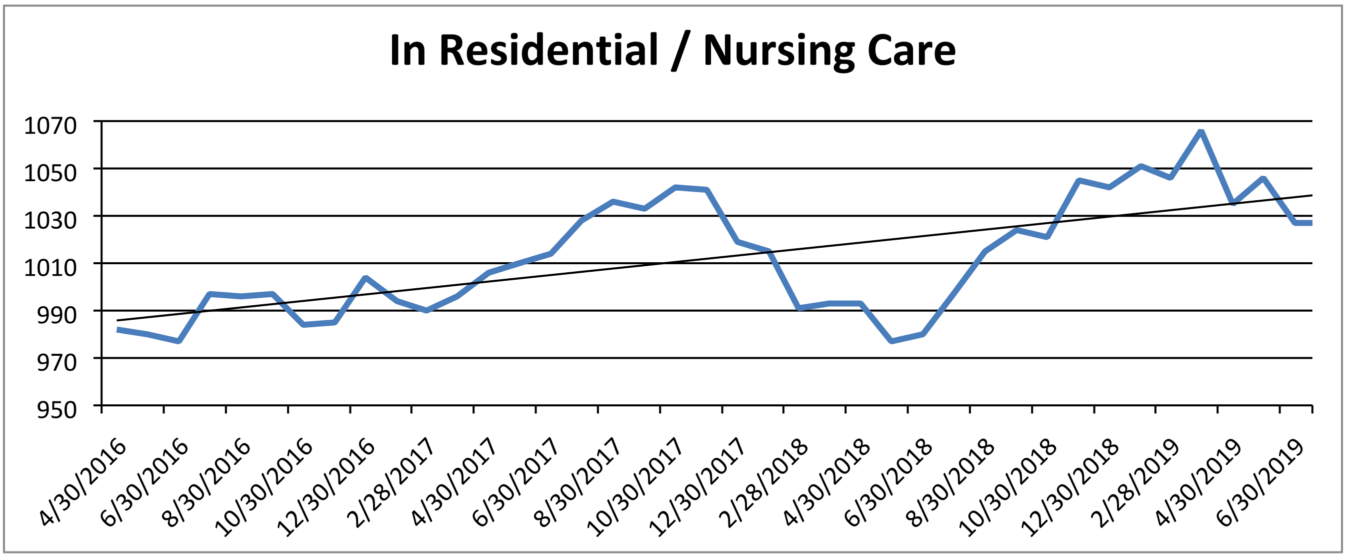
Residential and Nursing Care

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 the first quarter of 2019/20. 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 July 2019 (1,027) are higher than July 2018 which stood at 997.

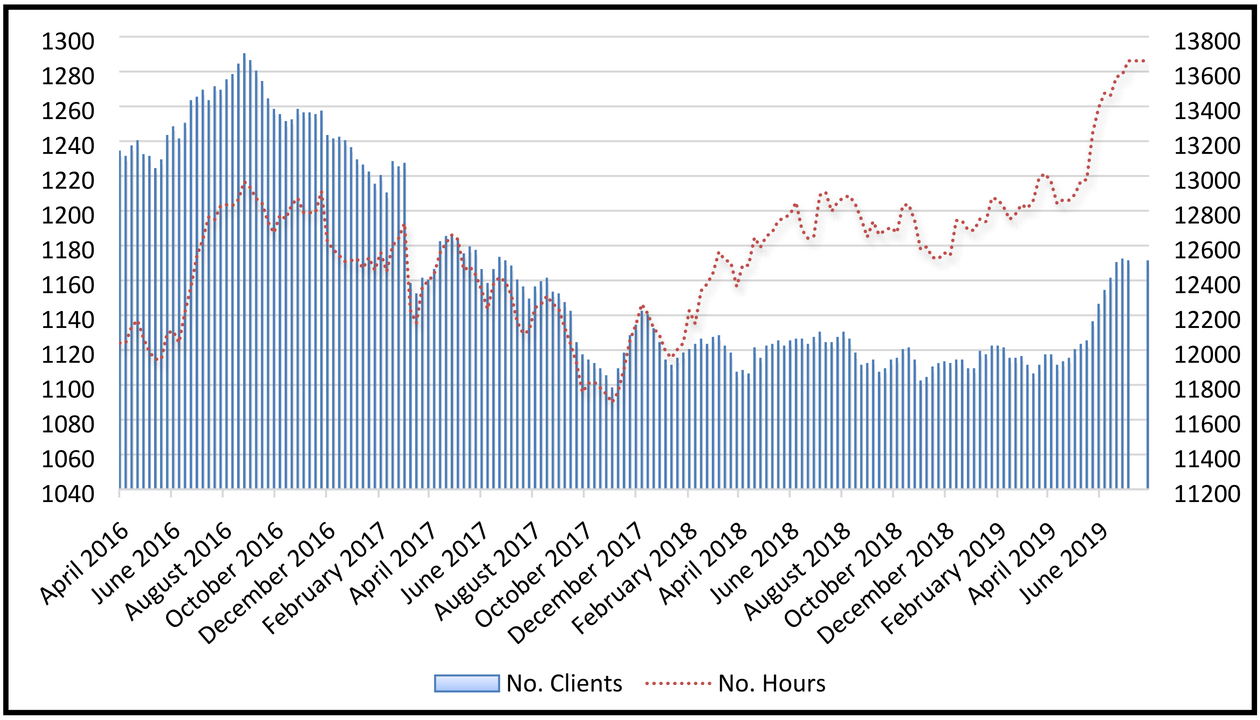
Chart 2: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



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.

<u>CCG Income</u>

4.2.16 There is an over-achievement of s117 Mental Health Aftercare income of £0.584m 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 (£0.221m). 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 July is £1.490m. 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.

<u>Client Income</u>

4.2.17 Client income is forecast to over-recover against budget by £1.060m. This includes an additional £0.120m relating to the full year impact of the new contributions policy agreed by Cabinet in 2018.

<u>Premises</u>

4.2.18 There are pressures of £0.118m 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.

<u>Children's Services</u>

4.2.19 In Children's Services the £3.775m pressure relates mainly to demand pressures of £2.898m in Corporate Parenting and Placements and £0.800m in Integrated Disability and Additional Needs, which were foreseen by Cabinet and backed by £2.616m of contingencies held centrally. The forecast has increased by £0.692m since the last report mainly due to increased externally provided placements for children in care (£0.326m) and increased anticipated expenditure for respite services for children with a disability (£0.304m).

Corporate Parenting and Placements

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

Table 6: Analysis of Pressures in Corporate Parenting and Placements

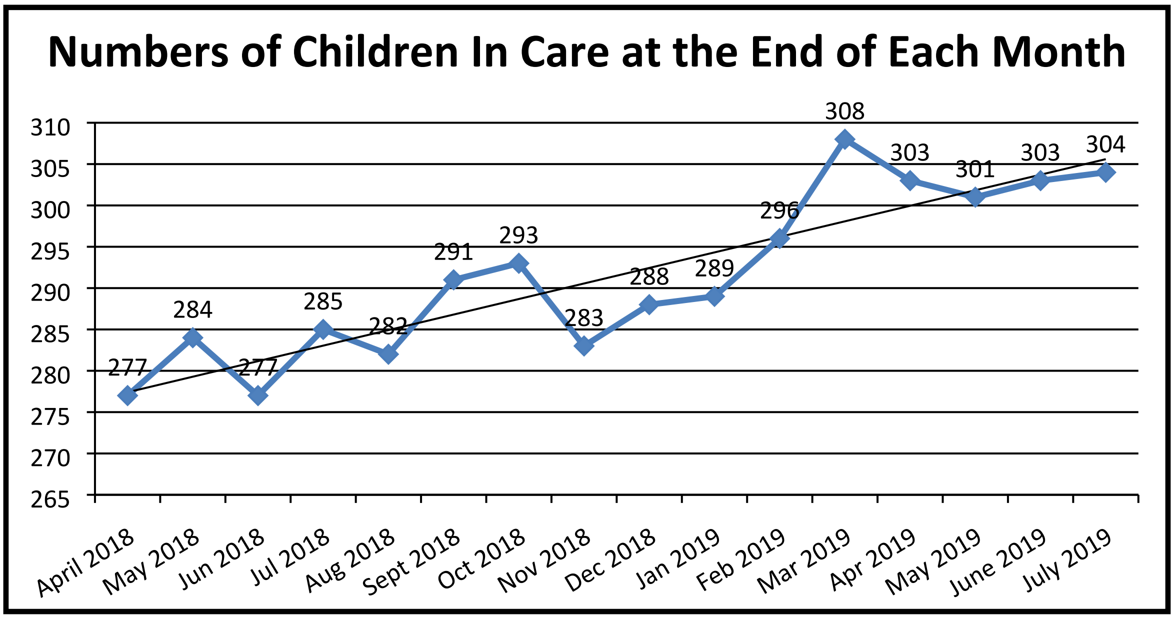
Type of Service	Budget 2019/20 £m	Variance July £m	Variance May £m
Care provision – children in care	9.186	2.016	1.658
Care provision – other children	3.202	0.425	0.472
Management and Legal Fees	0.098	0.120	0.112
Social Work	3.844	0.333	0.330
Safeguarding Operations	0.044	0.004	0.000
Total	**16.374**	**2.898**	**2.572**

4.2.21 The increase of £0.326m since the last report relates mainly to two new residential placements and two new supported accommodation placements.

Care Provision – Children in Care

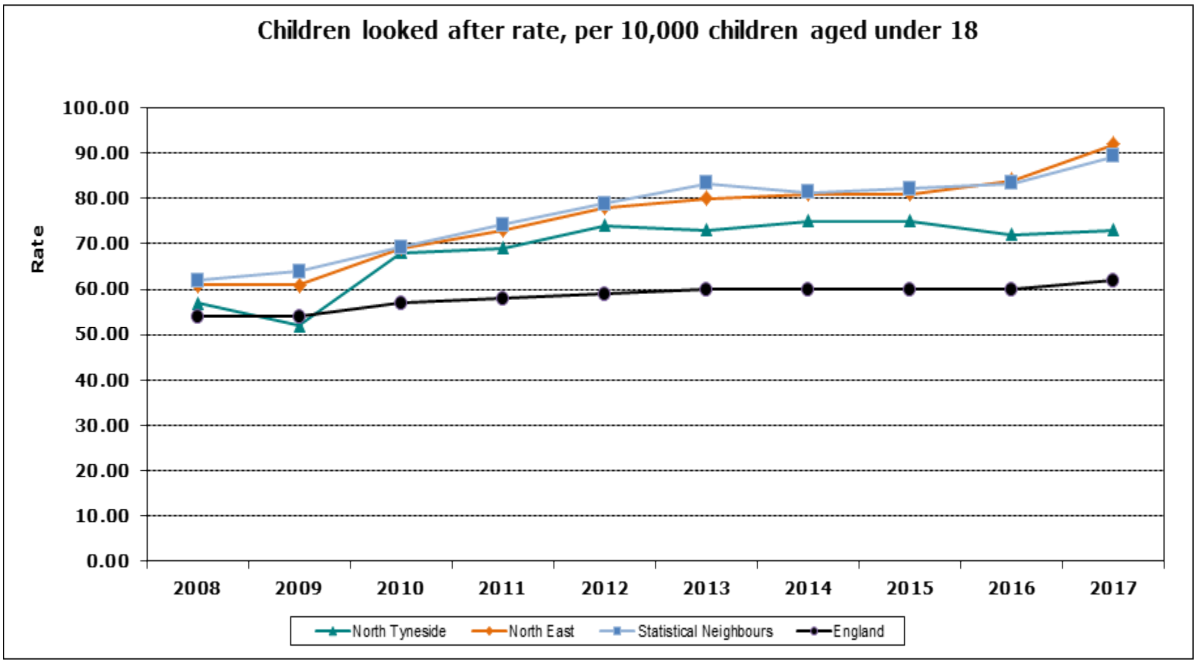
4.2.22 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases felt nationally. Numbers were however, steady through 2018/19 before rising to 308 at the year end. Numbers of children in care have fallen slightly to 304 at the end of July 2019. The increase seen at the end of the 2018/19 financial year related to delays in the Courts resulting in fewer children leaving the care system.

4.2.23 **Chart 4: Children in Care at the End of Each Month**



4.2.24 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 children in care. Updated national figures for 2018/19 will be available in autumn 2019.

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



4.2.26 In addition to the recent rise in overall numbers of children in care since February 2019, resulting mainly from delays in legal processes, 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 6% of provision by bed nights but is very costly amounting to 33% of the overall placement cost. The average cost of a residential care placement at present is £0.254m; 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.

4.2.27 **Table 7: 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 children July 19	No. of children May 19
External Residential Care	1.085	0.254	7227	6%	24	22
External Fostering	0.110	0.038	10,578	10%	24	24
In-House Fostering Service	0.015	0.020	76,250	69%	208	208
External Supported Accommodation	0.783	0.127	3,374	3%	12	10
Other*	0.023	various	12,811	12%	36	37
Total	**2.016**		**110,240**	**100%**	**304**	**301**

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

4.2.28 Children's Services has been successful in reducing the use of externally provided supported accommodation, which is the next most expensive form of provision after residential care. This has been achieved by making full use of the Authority's in house provision jointly working with the housing team and supporting young people who have been involved in risk taking behaviour with stable and resilient staff teams. This has allowed the placement of young people within internal services that may otherwise have required an external placement at significant additional cost.

Care Provision – Children not in care

4.2.29 The pressure of £0.425m relating to care provision for children not in the care system 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

4.2.30 There is an over-commitment in management staffing costs of £0.020m within the overall pressure of £0.120m, 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

4.2.31 Within the overall pressures of £2.898m for Corporate Parenting and Placements, there are staffing pressures of £0.333m. 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

4.2.32 There is a pressure of £0.800m at July 2019 which is an increase of £0.304m since the last report. This increase relates to an increased forecast for respite services for children with a disability. Within this service area there are pressures relating 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 £0.134m 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 (C&AM) is forecasting a pressure of £0.182m as set out in Table 8. This is a slight worsening compared to the previously reported variance of £0.174m. The increased budget variance is due to a higher forecast in home to school transport (£0.016m) and increased administration staffing costs in Child Protection Independent Assessment and Review (£0.010m). These costs are partially offset by a reduced forecast for North East Procurement organisation (NEPO) fees (£0.008m) and increased school non- attendance penalties (£0.010m).

4.3.2 **Table 8: Commissioning and Asset Management Forecast Variation**

	Budget £m	Forecast £m	Variance July £m	Variance May £m
School Funding & statutory staff costs	18.288	18.288	0.000	0.000
Commissioning Service	0.402	0.402	0.000	0.000
Child Protection independent assurance and review	0.674	0.694	0.020	0.010
Facilities and Fair Access	0.247	0.417	0.170	0.164
Community and Voluntary Sector Liaison	0.439	0.439	0.000	0.000
Strategic Property and Investment	0.795	0.795	0.000	0.000
High needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	0.975	0.975	0.000	0.000
Commissioning & Asset Management & support	0.154	0.154	0.000	0.000
Procurement	(0.055)	(0.063)	(0.008)	0.000
Total Commissioning & Asset Management	**21.919**	**22.101**	**0.182**	**0.174**

4.3.3 The main budget pressures across C&AM 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 £0.090m 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 £2.200m equates to a pressure of £0.110m across the Service; this has been partially mitigated by cost efficiencies and by raising additional income.

4.3.4 C&AM 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.

4.4 Environment, Housing & Leisure (EHL)

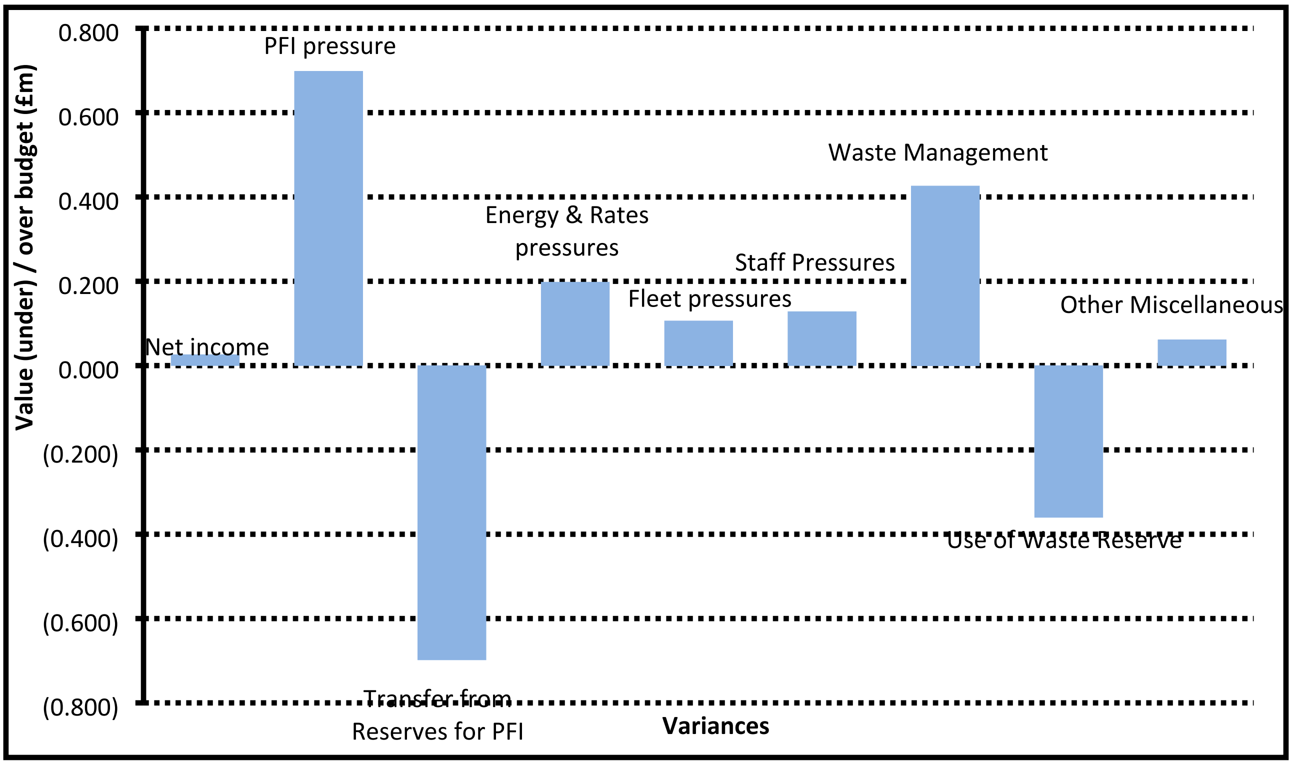
4.4.1 EHL is forecasting a pressure of £0.585m against the £42.134m budget, as set out in Table 9 below, which is an improvement of £0.145m from the forecast at May. This reflects gross pressures of £1.888m which the service has plans to manage to the net pressure. This is in line with the position in previous years and there is still an expectation to be able to manage out these pressures in their entirety. This monitoring position reflects a £0.698m transfer from reserves to cover Private Finance Initiative (PFI) pressures and £0.360m transfer from the reserves specifically related to pressures from the Kerbside/Home Recycling Disposal contract renewal. EHL remains committed to delivering a balanced position.

4.4.2 **Table 9: Forecast Variation in Environment Housing & Leisure**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	May 2019 Variance (£m)
Sport & Leisure	3.100	3.316	**0.216**	0.266
Cultural Services	6.925	7.096	**0.171**	0.223
Security & Community Safety	0.302	0.283	**(0.019)**	0.004
Fleet Management	0.808	0.914	**0.106**	0.120
Waste and Recycling Disposal	7.230	7.179	**(0.051)**	(0.049)
Waste Management	3.607	3.729	**0.122**	0.137
Local Environmental Services	7.248	7.302	**0.054**	0.029
Head of Service and Resilience	0.133	0.175	**0.042**	0.022
Street Lighting PFI	4.396	4.396	**0.000**	0.000
Consumer Protection & Building Control	0.927	0.885	**(0.042)**	(0.011)
Transport and Highways	6.327	6.330	**0.003**	0.003
Planning	0.218	0.218	**0.000**	0.000
General Fund Housing	0.913	0.896	**(0.017)**	(0.014)
Total	**42.134**	**42.719**	**0.585**	**0.730**

4.4.3 The main pressures, identified in Chart 6 below, are Street-lighting PFI of £0.698m, pressures on energy and rates across the service areas of £0.198m and waste pressures of £0.426m related to the contract renewals. In addition there are new pressures in Fleet Management due to the capital financing of the new vehicles of £0.106m and net staffing pressures of £0.128m, plus smaller pressures in income and other miscellaneous operational spend.

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 £0.216m, which is an improvement of £0.050m on the position at May. Whilst income budget targets around gyms have increased by £0.600m compared to 2018/19, EHL is still expecting a £0.159m improvement against these revised targets.

4.4.7 The improved income is offsetting historical pressures within Sport and Leisure around staffing and energy and rates 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 £0.171m, which includes historical pressures due to utility and rates costs and income shortfalls. This has improved by £0.052m since May's forecast due to focussing on staffing costs.

4.4.9 EHL is expecting to mitigate the pressure primarily by maximising the return from the Playhouse and Mouth of the Tyne Festival, along with continued close management of operational expenditure.

Security and Community Safety

4.4.10 This service area has reviewed and realigned both structure and finances to increase its overall viability. Following this review it is forecasting a significant improvement over the outturn pressure of £0.054m in 2018/19, in fact forecasting an underspend of (£0.019m) as at July 2019.

Fleet Management

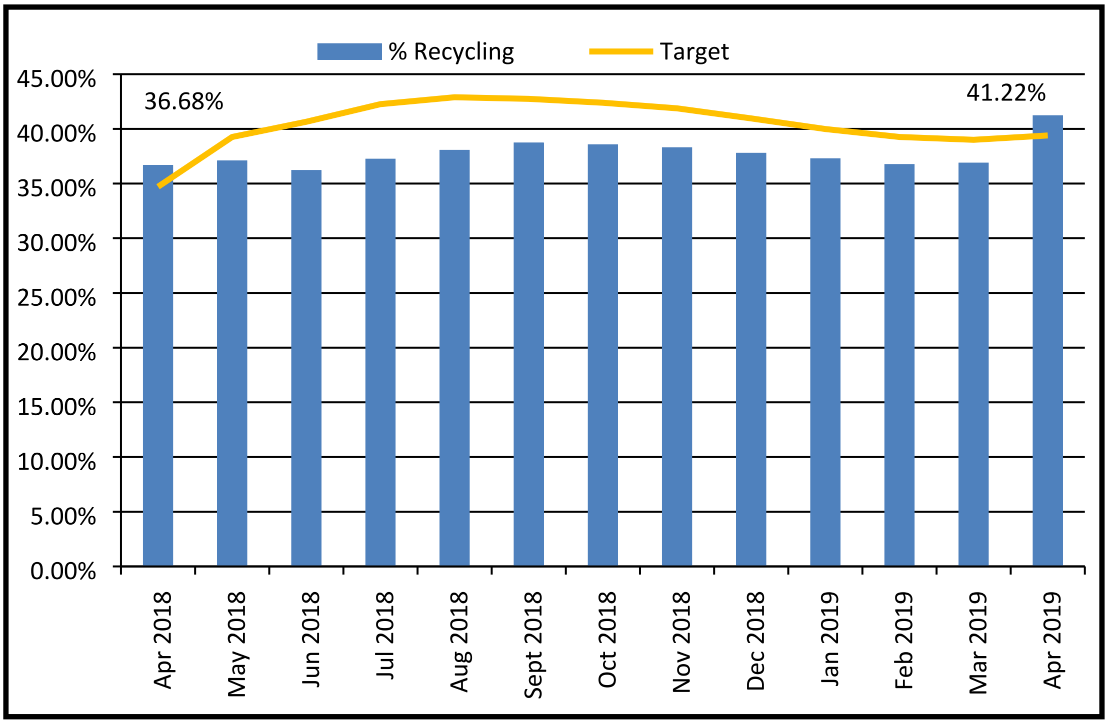
4.4.11 Fleet Management is now forecasting a £0.106m pressure, mainly in relation to increased capital financing costs for newly purchased vehicles. This service area is prudently forecasting other costs, such as maintenance, materials and other operational expenditure whilst it carries out a review 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

4.4.12 Waste Management are predicting pressures relating to Kerbside/Home Recycling Disposal Contract costs, which are planned to be mitigated by use of all available waste resources. Operational increases to routes due to new builds across North Tyneside account for other pressures, leaving a net pressure of £0.071m.

4.4.13 EHL are seeing the proportion of household reuse, recycling and composting continue to show improvement since the introduction of alternate weekly collections, as reflected in Chart 7 below.

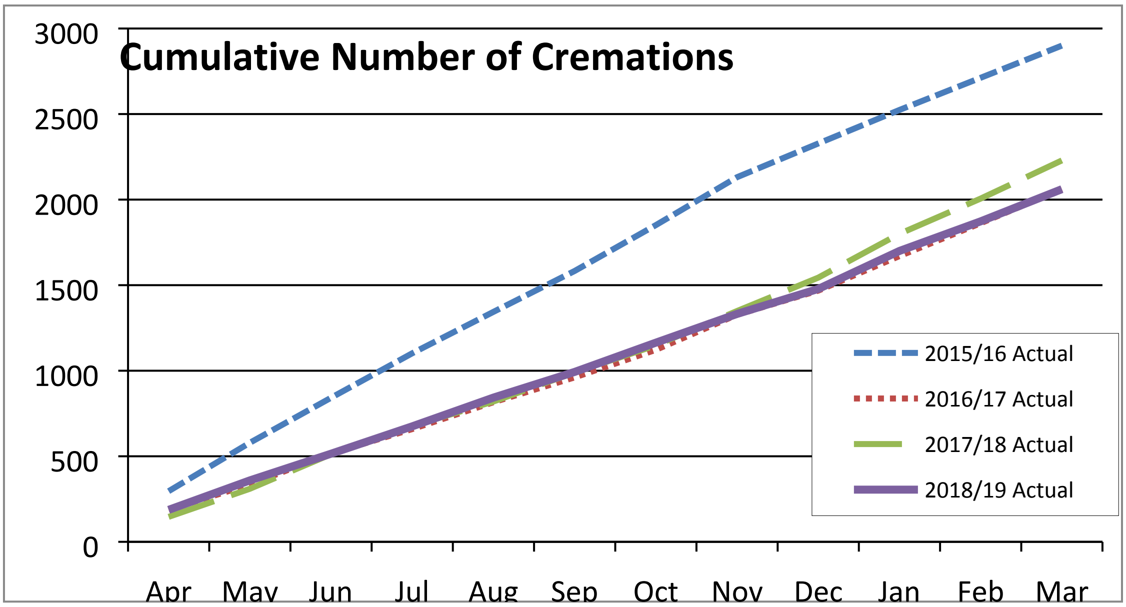
4.4.14 **Chart 7: Proportion of household reuse, recycling and composting**



Local Environmental Services

4.4.15 Local Environmental Services is predicting a forecast pressure of £0.054m, mainly relating to an expected income shortfall in Bereavement of £0.048m. 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 for 2019/20 of £0.698m, 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 £0.142m at 31 July 2019 as summarised in Table 10 below:

4.5.2 **Table 10: Forecast Variation for Regeneration and Economic Development**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	May 2019 Variance (£m)
Regeneration	0.309	0.414	**0.105**	0.120
Business & Enterprise	0.754	0.775	**0.021**	0.018
Resources & Performance	0.108	0.124	**0.016**	0.015
Total	**1.171**	**1.313**	**0.142**	**0.153**

4.5.3 The pressures result from a forecast shortfall against budget for berthing fee income of £0.153m and for rental income for business units at the Swans Centre for Innovation of £0.092m. 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 £0.157m as set out in Table 11 below, an increase of £0.041m from May mainly due to increased staffing pressures. These staffing pressures are partially offset by savings in supplies and services as Corporate Strategy has reviewed subscriptions to various bodies. Corporate Strategy is looking to partly mitigate the pressures through the year by focused vacancy management, identifying opportunities to increase income and continuing to reduce non-essential spend.

4.6.2 **Table 11: Forecast Variation Corporate Strategy**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	May 2019 Variance (£m)
Corporate Strategy Management	(0.019)	0.008	**0.027**	0.024
Policy, Performance & Research	(0.059)	(0.074)	**(0.015)**	(0.027)
Marketing	0.092	0.200	**0.108**	0.070
Elected Mayor and Executive Support	(0.003)	0.000	**0.003**	0.011
Children's Participation & Advocacy	0.187	0.221	**0.034**	0.038
Total	**0.198**	**0.355**	**0.157**	**0.116**

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast pressure of £0.775m, within Resources and Chief Executive Office, decreased from £0.874m in May. The pressures, as set out in Table 12 below, mainly relate to Customer Journey and Digital Strategy within ICT Retained Services plus an increased forecast pressure in Revenues & Benefits of £0.231m in relation to overpayment recovery.

4.7.2 **Table 12: Forecast Variation Resources**

Resources	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	Variance May £m
Chief Executive	(0.054)	(0.118)	**(0.064)**	(0.050)
ICT Retained Services	1.805	2.366	**0.561**	0.884
Finance Service	(0.449)	(0.449)	**0.000**	0.000
Internal Audit	(0.088)	(0.090)	**(0.002)**	0.000
Revenue & Benefits and Customer Services	(0.020)	0.206	**0.226**	(0.005)
Human Resources	(0.334)	(0.280)	**0.054**	0.045
Organisational Development	0.247	0.247	**0.000**	0.000
Total Resources	**1.107**	**1.882**	**0.775**	**0.874**

4.7.3 Within ICT Retained Services, the main pressures relate to continuing staffing pressures associated with the Customer Journey project of £0.162m. There is 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 May is in relation to the Head of Digital Strategy post and previously forecasted pressures now being covered by the Pension Cap and Collar payment received through the Engie NTC contract.

4.7.4 Also within ICT Retained Services are budget pressures within Digital Strategy of £0.401m, 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 (HR) is showing a pressure of £0.054m due to staffing pressures following the transfer of HR back to the Authority from ENGIE.

4.7.6 Within Revenues, Benefit and Customer Services, there has been a reduction in recovery of Housing Benefit Overpayments from debtors on-going benefit payments. This is due to claimants moving across to Universal Credit and Housing Benefit Overpayments being allocated a lower priority payment from Universal Credit than other debts which are deemed priority such as rent and Council Tax. Fewer Housing Benefit Overpayments are being created as the number of claims to Housing Benefit reduces, which has also led to a reduction in forecast income but this element is largely offset by a reduction in the bad debt provision. A review of the overpayment income targets and forecasts is on-going.

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting an underspend of £0.035m, an improvement of £0.095m from a £0.060m pressure in May. A pressure was expected to arise relating to backdated staffing costs for the Coroner. This pressure was estimated at the 18/19 year-end and a provision was made within the Redundancy and Remuneration Reserve to cover the estimated cost. The improved position is primarily a result of the full cost of the back pay now expected to be covered from this reserve.

4.8.2 **Table 13: Forecast Variation for Law and Governance**

	Budget (£m)	**Current Forecast (£m)**	**Current Variance (£m)**	**May 2019 Variance (£m)**
Customer, Governance and Registration	(0.075)	(0.046)	**0.029**	0.029
Democratic and Electoral Services	(0.064)	(0.058)	**0.006**	0.006
Information Governance	(0.113)	(0.135)	**(0.022)**	(0.022)
Legal Services	(0.186)	(0.162)	**0.024**	0.024
North Tyneside Coroner	0.293	0.221	**(0.072)**	0.023
Total	**(0.145)**	**(0.180)**	**(0.035)**	**0.060**

4.8.3 There are pressures within Customer, Governance and Registration relating to 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. Legal Services is showing a small pressure due to locum cover.

4.9 **Central Items**

4.9.1 The forecast outturn at July 2019 set out in Table 14 below reflects an underspend of £2.934m on central budgets, including contingency budgets relating to pressures in adult and children's social care of £4.416m. This is an improvement of £0.479m resulting from increased savings in interest (£0.229m) and a reduced bad debt provision (£0.250m).

4.9.2 **Table 14: Forecast Variation Central Budgets and Contingencies**

	Budget £m	**Forecast £m**	**Variance July £m**	**Variance May £m**
Corporate & Democratic Core	9.545	9.545	0.000	0.000
Other Central Items	(8.282)	(11.216)	(2.934)	(2.455)
Total Central Items	**1.263**	**(1.671)**	**(2.934)**	**(2.455)**

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 £0.962m 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 (£0.607m). In addition, reprogramming within the Investment Plan has delivered a credit against Minimum Revenue Provision of £0.370m at this stage in the year. Of this total saving, an amount of £1.100m has been proposed as 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 a reduced pressure relating to the bad debt provision of £0.150m.

SECTION 5 - SCHOOLS FINANCE

5. **Update on School Budgets 2019/20**

5.1 Schools are required to submit their rolling three year budget plan to the Authority by 31 May each year. The total initial planned deficit for school balances, as reported to Cabinet in July, was £5.045m in 2019/20.

5.2 In 2018/19 cumulative balances of £0.803m was available for schools with falling rolls or schools in financial difficulty (headroom funding). A retrospective allocation of £0.117m was made to Whitley Bay High School relating to the 2017/18 financial year following a successful bid in line with the eligibility criteria set by Schools Forum. This left a residual balance of £0.686m which was therefore available to allocate to eligible schools relating to the 2018/19 financial year.

In June 2019 six bid submissions were received from those schools who were eligible to access this funding. The Finance sub-group of Schools Forum considered each bid made against the eligibility criteria, subsequently a recommendation was made to Schools Forum on 10 July 2019 to allocate £0.288m to five schools. These allocations are shown in Table 15 below. The residual balance of £0.398m has been added to the new allocations to support schools in financial difficulty for 2019/20 and £0.732m will be available to eligible schools this financial year.

Table 15: Allocations Agreed by Schools Forum to Schools in Financial Difficulty

School	Outturn 2018/19 £m	Allocation under falling rolls or headroom for 2018/19 £m
Ivy Road	(0.223)	0.049
Backworth Park Primary	(0.013)	0.030
Longbenton High School	(1.544)	0.065
Marden High School	(0.533)	0.089
Percy Main Primary School	(0.055)	0.055
Total	**(2.368)**	**0.288**

5.3 These allocations, in addition to adjustments notified by schools or arising through the deficit challenge process, have reduced the total planned deficit balance to £4.703m. Table 16 below shows the revised projected school balances analysed by phase.

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	2.788
Secondary	(3.279)	(7.731)
Special/PRU	1.080	0.238
Total	**1.599**	**(4.703)**

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 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

5.5 Some individual schools continue to face significant financial challenge. As reported in July, there are eleven schools with a deficit budget plan in 2019/20. There are five schools with continuing deficits and six schools new to deficit in 2019/20. A deficit challenge session has been held with each school in deficit during June and July 2019. Following adjustments identified during the challenge sessions and the allocation of falling rolls and headroom funding, the total balances of deficit schools is now planned to be £10.073m with individual school deficit values shown in Table 17 below.

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

School	Outturn 2018/19 £m	Budget Plan 2019/20 £m
Ivy Road Primary	(0.223)	(0.288)
Marden High	(0.533)	(0.493)
Norham High	(1.462)	(2.299)
Longbenton High	(1.544)	(2.195)
Monkseaton High	(3.485)	(4.492)
Beacon Hill	0.301	(0.210)
Fordley Community Primary	(0.033)	(0.014)
Forest Hall Primary	0.000	(0.014)
Holystone Primary	(0.034)	(0.023)
St Aidan’s RC Primary	(0.022)	(0.027)
St Bartholomew’s C of E Primary	(0.005)	(0.018)
Total	**(7.040)**	**(10.073)**

5.7 Further work continues 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.

5.8 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.

5.9 Under the revised Scheme all schools which 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 three years. Previously the maximum timescale allowed was five years. Those schools that are already operating under a Licenced Deficit Agreement have been required to produce robust financial recovery plans which show the school achieving an in-year balanced position within three years with a view to start repaying the deficit in year four and subsequent years. Two secondary schools have been unable to produce plans to achieve an in-year balance within three years and further work is on-going to support these schools to identify recovery plans.

5.10 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, pension contributions, the apprenticeship levy and inflationary pressures on premises, equipment and materials costs. As a consequence the Authority has introduced a Support and Challenge process to help schools to deliver excellent outcomes for pupils within available resources.

5.11 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.

5.12 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 was co-ordinated by the Authority and was submitted by the deadline of 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

5.13 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 ring-fenced 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.

5.14 The forecast at July 2019 for the High Needs Block is unchanged since the last report with an anticipated in-year pressure of £0.952m reflecting a rise in demand for special school places within 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 18 below:

5.15 **Table 18: Breakdown of High Needs Pressures at July 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

5.16 Work is also well underway within the review of the Additionally Resourced Provisions (ARPs) in mainstream schools. Many of the ARPs were established in 2004/05 to meet the needs of children with Moderate Learning Difficulties which were then rising in prevalence. The ARP review will inform changes required to enable the needs of children to be met more effectively in mainstream schools, highlight where places could be decommissioned in light of changing needs and identify action needed to ensure that there are smooth transition routes from primary to secondary schools. The Commissioned Services funded by the High Needs Block are also subject to a programme of review.

5.17 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.

5.18 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

5.19 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 every year in early summer as the DfE reviews initial funding estimates based on the most up to date pupil census. Revised DSG allocations for Early Years were issued in July 2019 with a net impact on funding for 2019/20 of a reduction of £0.041m. In addition a clawback of funding for 2018/19 of £0.027m was also notified. This adjustment and clawback were within expectations and indications for 2019/20 continue to show that services can be delivered within the budget available.

Planning for 2020/21

5.20 The Authority is continuing to work 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 process will continue in line with the key milestones outlined below:

Table 19: Process to Agree the Schools Allocation Formula for 2020/21

	Task	Timescales
1	To review the current formula	complete
2	Suggest a number of scenarios showing how it could be changed to move towards the National Funding Formula	complete
3	Model the scenarios	complete
4	Analyse the impact	complete
5	Agree proposal for Schools Forum	complete
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
10	The Authority submits individual school allocations based on the agreed formula to the DfE	January 20

SECTION 6 - HOUSING REVENUE ACCOUNT

Forecast Outturn

6.1 The forecast set out in Table 20 below is based on the results to July 2019 and reflects improvements following the end of the Kier Joint Venture and the creation of the new Housing Property and Construction Service. As this is the first year of running with this new service EHL were conservative in budgeting for the impact, whilst expecting a more efficient service. The efficiencies' values are now becoming apparent and the relative forecasts have been amended accordingly. There are two main areas showing improvements: the cost of the repairs and the management-related costs of the new service. The total £1.500m saving identified below is a permanent saving to the base budget and will be built into the HRA 30-year business plan going forward. In addition, it is anticipated that there will be significant one-off savings in the Construction Project budget, which will be confirmed once the project completes in October.

6.2 **Table 20: Forecast Variance Housing Revenue Account**

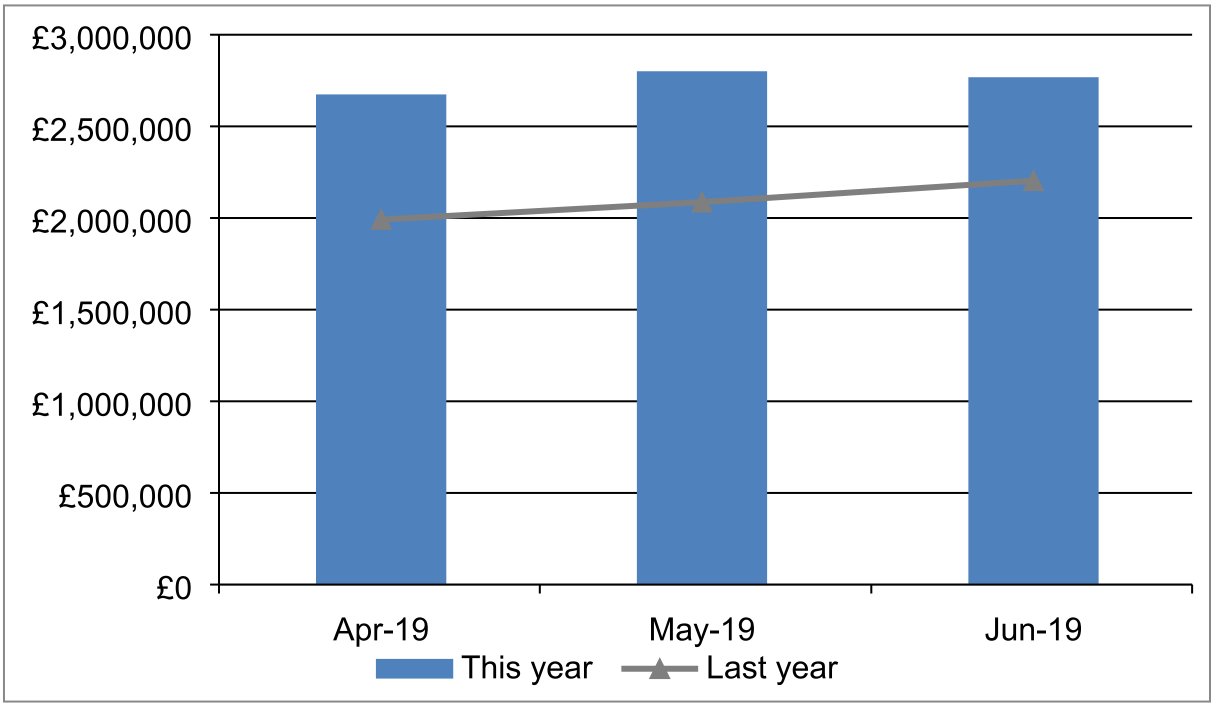
	FULL YEAR - 2019/20			Variance May 2019 £m
		Forecast Outturn		
	Full Year Budget £m	Actual £m	July 2019 Variance £m	
INCOME				
Rental Income	(58.697)	(58.758)	(0.061)	(0.061)
Other Rental Income - Shops & Offices etc.	(0.275)	(0.275)	0.000	0.000
Interest on Balances	(0.050)	(0.050)	0.000	0.000
PFI Credits	(7.693)	(7.693)	0.000	0.000
	(66.715)	**(66.776)**	**(0.061)**	**(0.061)**
EXPENDITURE				
Capital Charges - Net Effect	12.110	12.110	0.000	0.000
HRA Management Costs	12.036	11.036	(1.000)	(0.006)
PFI Contract Costs	9.641	9.641	0.000	0.000
Repairs	11.959	11.459	(0.500)	(0.048)
Revenue Support to Capital Programme	9.053	9.053	0.000	0.000
Contribution to Major Repairs Reserve – Depreciation	12.392	12.392	0.000	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.000	1.000	0.000	0.000
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	69.046	**67.546**	**(1.500)**	**(0.054)**
	2.331	**0.770**	**(1.561)**	**(0.115)**
BALANCES BROUGHT FORWARD	**(6.202)**	**(7.303)**	**(1.101)**	**(1.101)**
BALANCES TO CARRY FORWARD	**(3.871)**	**(6.533)**	**(2.662)**	**(1.216)**

6.3 Rental income continues to perform well 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 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.

Rent Arrears

6.4 The impact of rent arrears has risen in the first quarter of 2019/20 as compared to 2018/19. Despite the lower number of tenants in arrears (down by 400), the value of arrears has risen by £0.563m in this period. Chart 9 below shows the value of rent arrears in 2019/20 compared to the same period in 2018/19. 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 was mainly in relation to changes caused by Universal Credit.

6.5 **Chart 9: Rent Arrears in Quarter 1 2019/20 compared to 2018/19**



6.6 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 1 April 2019 there were 2,005 tenants of North Tyneside Homes on Universal Credit with arrears totalling £1.163m. At July 2019 there were 2,608 tenants on Universal Credit with related arrears of £1.592m.

Right to Buy (RTB) Trends

6.7 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.

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

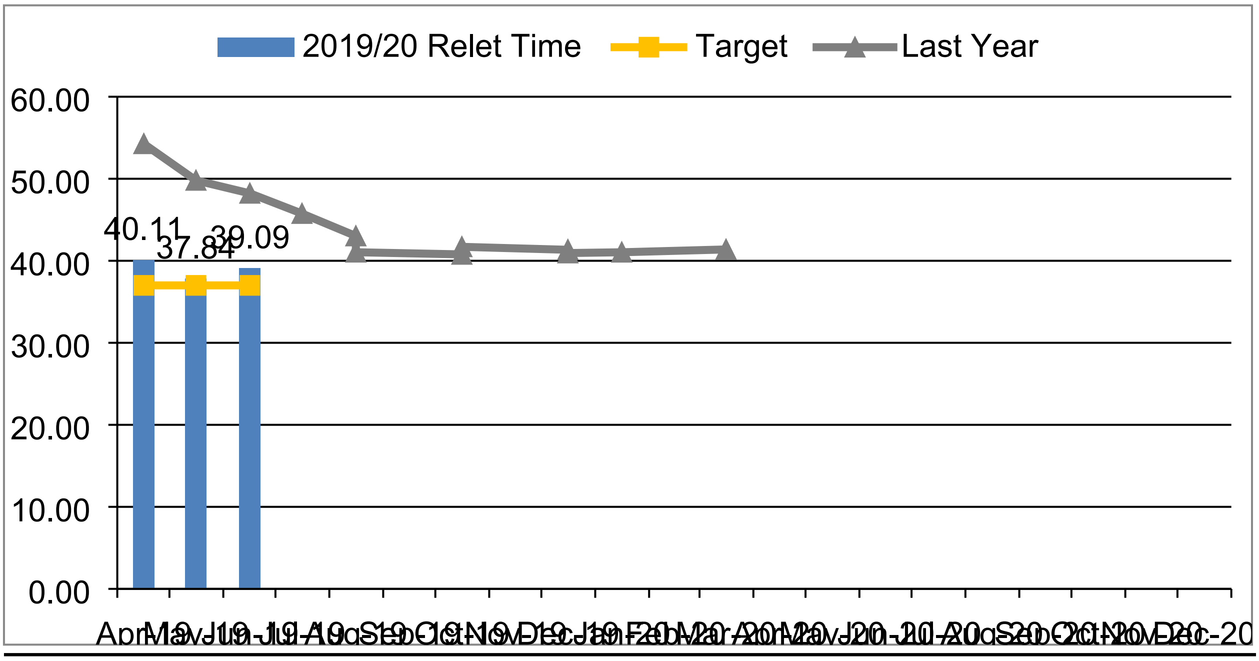
	Sales assumed by self-financing	Actual RTB Sales	Additional RTB Sales above Budget assumptions	Estimated lost rent per annum £m	Capital Receipts £m
2012-13	40	85	45	0.315	3.477
2013-14	47	122	75	0.457	4.957
2014-15	53	100	47	0.397	3.938
2015-16	55	135	80	0.577	5.548
2016-17	55	136	81	0.557	5.632
2017-18	56	158	102	0.630	7.758
2018-19	56	135	79	0.538	6.533
2019-20 YTD	19	37	18	0.148	1.797
Total	**381**	**898**	**517**	**3.619**	**39.640**

6.9 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 898 sales in the same period. However, the cumulative impact on HRA annual rental income from RTB over this period is in excess of £3.600m.

Improvements to Average Reletting Periods

6.10 The HRA is expecting increased rentals throughout 2019/20, in part due to the improvements made in reletting empty properties. Chart 10 below shows the average relet time, for the first quarter of 2019/20, has improved since 2018/19, with year to date statistics showing a decrease of almost 10 days. In addition, 71% of property relets have been completed within the new 37 day target.

6.11 **Chart 10: Average Relet Period**



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.

In addition to the above projects there will be a number of other projects progressed through the design, planning and procurement process during 2019/20 that will subsequently complete in future financial years.

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 in March 2020; 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 Variations of £1.300m to the Investment Plan have been identified and are included in Tables 21 and 22 below. Further details are provided in paragraph 7.8:

7.7.1 **Table 21: 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	6.828	0	0	0	6.828
Cabinet 28 May 2019	8.484	0	0	0	8.484
Cabinet 29 July 2019	(4.744)	9.275	0	0	4.531
Approved Investment Plan	**73.326**	**51.738**	**37.008**	**37.055**	**199.127**
Jun/Jul 2019					
Variations	1.300	0	0	0	1.300
Reprogramming	0	0	0	0	0
Total Variations	**1.300**	**0**	**0**	**0**	**1.300**
Revised Investment Plan	**74.626**	**51.738**	**37.008**	**37.055**	**200.427**

7.8 Details of the £1.300m variations are shown below:

(a) **EV090 Section 278 Avant Homes at Killingworth Village £1.223m** –Officers have successfully negotiated with Avant Homes for the Technical Services Partner to deliver Section 278 highway works on Killingworth Way associated with their residential development planning permission. The works are to be fully funded from developer contributions. This project is part of a pilot which will be undertaken to determine the future delivery of section 278 works;

(b) **DV064 Council Property Investment/DV066 Investment in North Tyneside Trading Co. £1.000m** – It is proposed that £1.000m Council Contribution be moved from DV066 Investment in North Tyneside Trading Company to DV064 Council Property Investment to allow officers to undertake preparation work on three potential sites for development;

(c) **CO079 Play Sites 2019/20 (Section 106) £0.044m** – Two play areas are to be improved using Section 106 funding. They are Rockcliffe Park play area and Merlin Place Play Site. Works to the Rockcliffe Park site include improvements to play equipment, safer surfaces and ancillaries. Works at Merlin place include installation of play equipment, surfaces and boundary/access improvements; and,

(d) **ED132 Schools Capital Allocation £0.033m**– The budget adjustment is to reflect the 2018/19 Kier Gain Share that has been received.

7.9 The impact of the changes detailed above on capital financing is shown in Table 22 below.

7.9.1 **Table 22: Impact of variations on Capital financing**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Approved Investment Plan – Cabinet 29 July 2019	**73.326**	**51.738**	**37.008**	**37.055**	**199.127**
Council Contribution	0.000	0.000	0.000	0.000	0.000
Grants and Contributions	1.300	0.000	0.000	0.000	1.300
Total Financing Variations	**1.300**	**0.000**	**0.000**	**0.000**	**1.300**
Revised Investment Plan	**74.626**	**51.738**	**37.008**	**37.055**	**200.427**

Capital Receipts – General Fund

7.10 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 £0.184m capital receipts have been received in 2019/20. The receipts position is shown in Table 23 below.

7.10.1 **Table 23: 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	0.000	0.000	0.000	0.000	0.000
Receipts Brought Forward	(1.100)	0.000	0.000	0.000	(1.100)
Useable Receipts received 2019/20	(0.184)	0.000	0.000	0.000	(0.184)
Surplus Receipts	**(1.284)**	**0.000**	**0.000**	**0.000**	**(1.284)**

Capital receipts – Housing Revenue Account

7.11 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 previously reported to Cabinet, the requirement is £2.142m. To date, £1.805m receipts have been received in 2019/20 of which £0.468m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £6.446m to be carried forward to fund future years.

7.11.1 Table 24: Capital Receipt Requirement - Housing Revenue Account

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	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)	0.000	0.000	0.000	(0.348)
Reprogramming 2019/20	(1.796)	1.796	0.000	0.000	0.000
Revised Requirement	**2.142**	**5.481**	**3.748**	**2.019**	**13.390**
Receipts Brought Forward	(7.251)	(6.446)	(0.965)	2.783	
Receipts Received 2019/20	(1.805)	0.000	0.000	0.000	
Receipts Pooled Central Government	0.468	0.000	0.000	0.000	
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(6.446)**	**(0.965)**	**2.783**	**4.802**	

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 July 2019

7.12 Actual expenditure, for 2019/20, in the General Ledger was £9.255m, 12.40% of the total revised Investment Plan at 31 July 2019. This is after adjusting for £0.281m of accruals and retentions relating to 2018/19 expenditure.

7.12.1 Table 25: Total Investment Plan Budget & Expenditure to 31 July 2019

	2019/20 Revised Investment Plan £m	Actual Spend to 31 July 2019 £m	Spend as % of revised Investment Plan %
General Fund	48.662	5.516	11.34%
Housing	25.964	3.739	14.40%
TOTAL	**74.626**	**9.255**	**12.40%**