

North Tyneside Council

Report to Cabinet

25 November 2019

Title: 2019/20 Financial Management Report to 30 September 2019

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Ray Glindon
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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 third 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 a further 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 and how they will mitigate these. The current forecast for the year is a projection of a residual gap of £4.809m, an improvement of £0.434m from July.

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, £2.582m is included within the £4.809m overall pressure outlined above, which represent the residual balances of the challenging cross-cutting savings targets.

This is the third report of the financial year and necessarily reflects these known pressures the Authority will be required to manage during the rest of 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 managed 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 30 September 2019.

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.

At the halfway point of the financial year this report also provides updates on the delivery of the Treasury Management Strategy, the Prudential Indicators and the performance of the Collection Fund.

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) as at 30 September 2019 (Annex sections 1, 5 and 6);
- (b) notes the Authority's Investment Plan spend of £18.698m to 30 September 2019 and the financing of the Plan to the end of the year (Annex Section 7);
- (c) approves variations of £10.506m within the 2019 – 2023 Investment Plan (Annex Section 7);
- (d) approves the receipt of £0.162m of new Revenue grants and £10.000m capital grant;
- (e) note the performance of the Treasury Management Strategy (Annex Section 8);
- (f) note the performance against the Prudential Indicators (Annex Section 9);
- (g) note the performance of the Collection Fund (Annex Section 10)

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 2 August 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 third monitoring report presented to Members on the Authority's 2019/20 financial position. It provides the third 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 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 £4.809m 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 £4.615m and Adult Services of £1.384m, 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 £3.656m of pressures in Corporate Parenting and Placements and £2.178m in Wellbeing and Assessment. 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;
- Managing the costs of 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 continuing with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs for 2019/20.

The other main areas of pressure exist within the Resources section, primarily due to additional costs within ICT Retained Services. It is anticipated that the overall outturn forecast will improve over the course of the financial year as planned remedial actions begin to impact on both expenditure and income.

New Revenue Grants:

The following new Revenue grants have been received during the period August – September 2019:

Service	Provider	Grant	Purpose	Value (£m)
Environment, Housing & Leisure	Department of Health & Social Care	New Tobacco Burdens	To support implementation of the Tobacco Product Directive and Age of Sale nicotine Inhaling Products legislation	0.003
Commissioning & Asset Management	Department for Education	Extension of the Role of Virtual School Heads	To support the extension of this role of certain previously looked after children and make information and advice available	0.054
Health, Education, Care and Safeguarding	European Social Fund	North of Tyne – Working Homes	To support delivery of a housing employability framework	0.105
Total				0.162

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 indicated a similar level of pressure within the year of £0.952m. However, at September the anticipated pressure is now £2.616m reflecting the rise in demand for special school places within the Authority and a general increase in complexity of children supported in special schools and within mainstream schools. This increase in demand is in line with the national picture and the Authority is planning for places at the end of 2019/20 to total approximately 776. 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 £7.585m, which are £3.714m 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 (£1.101m) but there is also an in-year estimated underspend of (£2.613m), against an in-year budget of £2.331m, due to additional income of (£0.496m) combined with reduction to expenditure of (£2.117m) which is linked to savings identified following the end of the Kier JV from April 2019.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of the end of September 2019, 2,850 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 £210.933m (£75.000m 2019/20) and is detailed in table 20 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 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 Council has seen costs within adult social care continue to rise. The number of adults supported in placements within Residential and Nursing Care and Homecare and Extra Care have risen during the second quarter on 2019/20. The increase in demand is combined with the individual needs of those clients increasing 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 have risen steadily from 293 in September 2018 to 315 in September 2019 (as per Chart 4 in 4.2.25 of the Annex). There are a wide range of levels of care provided, with more complex cases now being faced. Increasing demand and complexity continues to drive financial pressure in 2019/20 and the Authority is forecasting a pressure of £3.656m in Corporate Parenting and Placements.

1.5.3 Investment Plan

An officer led review of the Investment Plan has resulted in proposals for variations of £10.506m of which more details are set out in Section 7 of the Annex to this report. The revised Investment Plan stands at £75.000m for 2019/20 and to the end of September 2019 spend of £18.698m had been incurred which represents 24.93% 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 30 September 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
Amar Hassan – Treasury Management matters – Tel. (0191) 643 5747

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available via the links below or 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>
- (e) Treasury Management Economic Commentary Detail Report
- (f) LINK Interest Rate Forecast
- (g) 2019-20 Treasury Management Upside Downside Risks

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 2 December 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
- Head of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy and Customer Service