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 fourth 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 £3.483m (a pressure of £4.809m was reported in September). 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 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 £4.460m (down from a forecasted pressure of £4.615m at September) and Adults Services are forecasting a pressure of £1.346m (an improvement from the £1.384m pressure in September). 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). 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 (EHL) prudent forecasts suggest that the outturn position will be a pressure of £0.338m, an improvement of £0.015m since the last report. The main pressures are staffing, energy and rates. The Service is committed to delivering a balanced position and is continuing to work on identifying options around the remaining pressures. Further details can be found in section 4.4.

1.6 Central Items is forecasting an underspend of £3.570m, representing an improvement of £0.250m since the last report. This includes contingencies of £4.636m, which, if allocated, would produce pressures in Central Items of £1.066m. 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 30 November 2019

	Gross Expenditure as at November 2019			Income as at November 2019			Net Expenditure as at November 2019			Sept 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	178.667	189.632	10.965	(110.898)	(116.057)	(5.159)	67.769	73.575	5.806	5.999
Commissioning and Asset Management	207.556	211.692	4.136	(185.329)	(189.090)	(3.761)	22.227	22.602	0.375	0.391
Environment, Housing and Leisure	71.425	74.401	2.976	(29.290)	(31.928)	(2.638)	42.135	42.473	0.338	0.353
Regeneration and Economic Development	2.193	2.225	0.032	(1.022)	(0.955)	0.067	1.171	1.270	0.099	0.116
Corporate Strategy	1.785	2.034	0.249	(1.587)	(1.702)	(0.115)	0.198	0.332	0.134	0.134
Chief Executive	0.406	0.368	(0.038)	(0.486)	(0.486)	0.000	(0.080)	(0.118)	(0.038)	(0.038)
Resources	79.829	74.724	(5.105)	(78.338)	(73.076)	5.262	1.491	1.648	0.157	0.992
Law and Governance	3.666	4.650	0.984	(3.811)	(4.613)	(0.802)	(0.145)	0.037	0.182	0.182
Central Items	16.059	12.489	(3.570)	(15.108)	(15.108)	0.000	0.951	(2.619)	(3.570)	(3.320)
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	20.013	20.013	0.000	0.000
Total Authority	**581.599**	**592.228**	**10.629**	**(425.869)**	**(433.015)**	**(7.146)**	**155.730**	**159.213**	**3.483**	**4.809**

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. 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 £7.803m, representing 74% of the target, is already forecast to be saved in 2019/20 (September, £7.753m and 74%). These figures include mitigating items of £1.400m comprising of the £1.100m of management actions which have been identified as achievable via Central Items in 2019/20 and a further £0.300m additional health income which is mitigating a savings target within HECS. 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 26% of the target still needs to be achieved (September, 26%).

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

Service	2019/20 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
Regeneration and Economic Development	0.103	0.075	0.000	0.028
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	2.868	0.300	0.100
Total	**10.533**	**6.403**	**1.400**	**2.730**

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. 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 further mitigate the residual target in 2019/20.

2.9 One of these cross-cutting savings targets 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.

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 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 is anticipating allocating 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 £2.868m (88%) of its targets at this stage in the year. There is one remaining target which still requires achievement as at November 2019. This is 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. This project is trialling new approaches and there is cautious optimism that the full target will be permanently delivered from April 2020. An outstanding target outlined in the previous report of £0.050m relating to generating new income streams under Leading Sector-Led Improvement is now forecasted to be achieved. A target relating to 2018/19, for the revision of quality bandings for care homes, has been met in year by additional CCG income of £0.300m with arrangements progressing to permanently deliver this saving from 2020/21.

SECTION 3 – NEW REVENUE GRANTS

3.1 The following new revenue grants have been received or notified during October and November 2019.

Table 4: Grants Received or Notified in October and November 2019

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Environment Housing and Leisure	Department for Transport	Bikeability	To support the provision of cycle training for children attending compulsory education and to train instructors	0.055
Commissioning and Asset Management	Ministry of Housing, Communities and Local Government	Domestic Abuse, Housing and Complex Needs Grant	To support projects supporting families and individuals suffering domestic abuse	0.085
Commissioning and Asset Management	Education and Skills Funding Agency	Teachers' Pension Employer Contribution Grant for Maintained Schools (DSG funding not part of the General Fund)	Funding passported to schools to support the increase in employer contributions to pension costs with effect from 1 September 2019	2.591
Health, Education Care and Safeguarding	Education and Skills Funding Agency	PE and Sports Premium Grant (DSG funding not part of the General Fund)	Funding passported to schools to improve the provision of PE and sport to promote healthy lifestyles	1.129
Total				**3.860**

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. Meetings have taken place with Lead Members to review the quarter one and quarter two positions. Further meetings are scheduled 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 £67.769m net controllable expenditure budget of £5.806m. This represents an improvement of £0.193m since the September forecast variance of £5.999m. This forecast position excludes the application of contingency budgets set aside in Central Items for pressures in Adult Services of £1.800m and within Children's Services of £2.616m.

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

	Budget £m	Forecast £m	Variance Nov £m	Variance Sept £m
Corporate Parenting and Placements	16.495	20.389	3.894	3.656
Early Help and Vulnerable Families	1.173	1.179	0.006	0.066
Employment and Skills	0.546	0.524	(0.022)	(0.003)
Integrated Disability and Additional Needs Service	2.269	2.924	0.655	0.957
School Improvement	0.088	0.015	(0.073)	(0.061)
Regional Adoption Agency	0.000	0.000	0.000	0.000
Children's Services Sub-total	**20.571**	**25.031**	**4.460**	**4.615**
Wellbeing, Governance & Transformation	2.265	2.300	0.035	(0.014)
Disability & Mental Health	31.008	30.219	(0.789)	(0.757)
Wellbeing & Assessment	10.643	12.849	2.206	2.178
Integrated Services	2.903	2.741	(0.162)	(0.092)
Business Assurance	0.274	0.330	0.056	0.069
Adult Services Sub-total	**47.093**	**48.439**	**1.346**	**1.384**
Public Health	0.105	0.105	0.000	0.000
Total HECS	**67.769**	**73.575**	**5.806**	**5.999**

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 negotiations continue around ensuring funding contributions from NHS for clients with health needs as the North Tyneside Clinical Commissioning Group (NTCCG) themselves face continuing budget constraints.

4.2.4 The main factor behind the forecasted position is the significant pressure within Corporate Parenting and Placements in relation to care provision for children in care and care leavers. Although there has been a fall in the overall number of children in care to 298 from 315 at September 2019 (see 4.2.25 below), the reduced numbers are within internally fostered provision. The numbers of care nights provided through more costly external residential placements and supported accommodation have continued to rise resulting in the ongoing financial pressures. 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. Within adult services, cost pressures remain in relation to third party care provision especially in relation to older people.

<u>Adult Services</u>

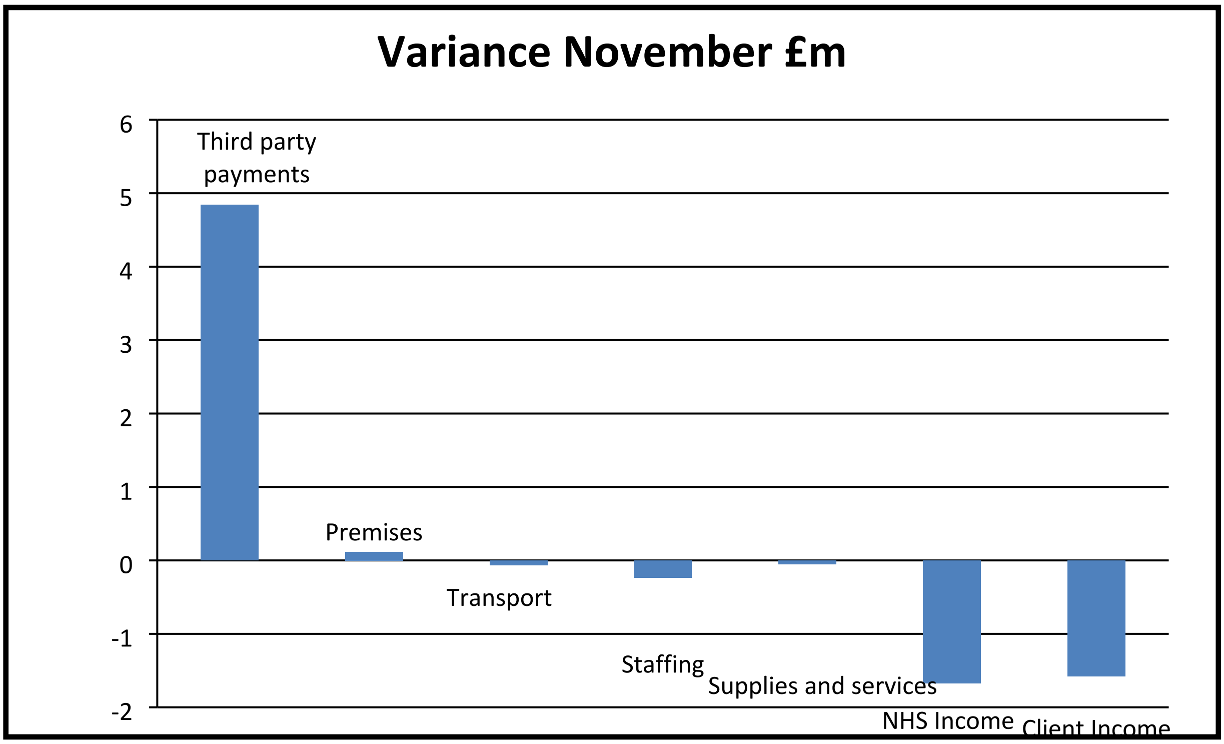
4.2.5 In Adult Services, there is a remaining pressure of £1.346m, which has improved by £0.038m from the reported position in September.

4.2.6 The small improvement in position relates to a combination of movements with a reduced forecast in Loan Equipment within Integrated Services, an increased staffing underspend and improved client contributions partially offset by a further increase in third party payments.

4.2.7 The remaining pressure relates to third party payments for care provision which is £4.839m above budget levels. There is also a smaller pressure relating to premises costs (£0.116m). These pressures are partially offset by a higher than budgeted level of contributions from the NHS (£1.675m), and from client contributions (£1.577m). There are underspends against staffing budgets and supplies and services of £0.238m and £0.051m respectively. The demand pressures were foreseen by Cabinet and backed by £1.800m of contingencies held centrally.

4.2.8 The factors behind the overall pressure of £1.346m are represented graphically below:

Chart 1: Breakdown of Budget Variances within Adult Social Care



4.2.9 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.

4.2.10 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.

4.2.11 Pressures within external payments for care provision total £4.839m above budget. These are analysed into the following service types:

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

Type of Service	November £m	September £m
Residential and Nursing Care	3.303	3.162
Homecare and Extra Care	1.150	1.106
Other Community-Based Care	0.386	0.345
Total	**4.839**	**4.613**

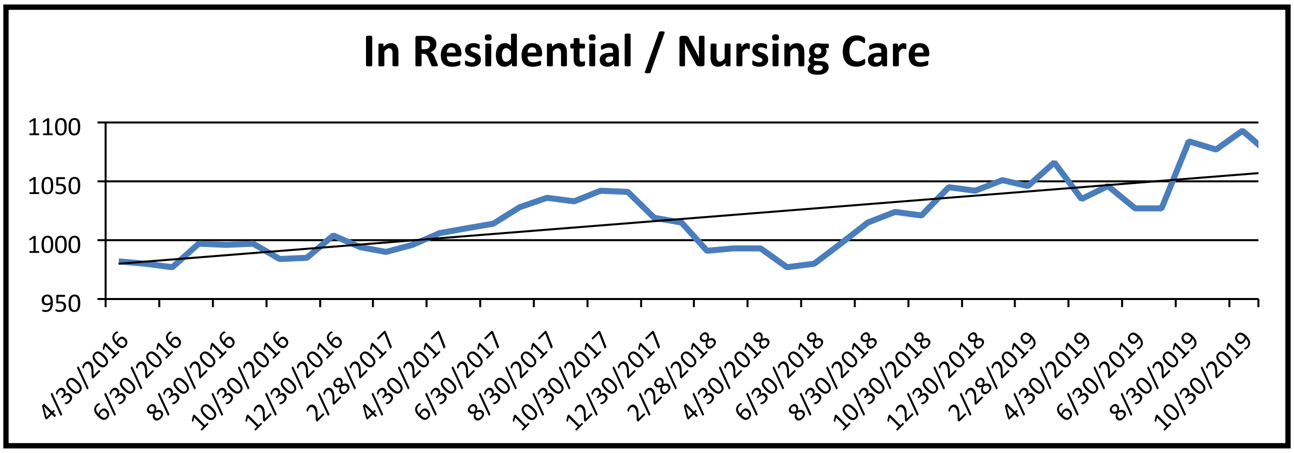
Residential and Nursing Care

4.2.12 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 had fallen in the first part of 2019/20 (1,027 at July 2019). However, challenges remain, for example the option 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.

4.2.13 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.

4.2.14 The numbers of placements overall for residential and nursing care, however, increased in August and September from 1,027 to 1,077 this increase was sustained into October with a figure of 1,093 but has since fallen in November to 1,073. The comparative numbers in residential and nursing care in October and November 2018 were 1,021 and 1,045 and this clearly shows the significant increase in client numbers during 2019/20. The increased numbers of clients placed in residential and nursing care has led to further increase in pressure for this type of service to £3.303m (£3.162m in September). HECS is continuing to review all placements made through an internal panel and is examining individual cases and the flow of clients through the whole system to understand the causes of this increased level of demand and whether the reducing trend seen in November can be sustained and continued. The movement in numbers placed in residential and nursing care is shown in Chart 2 below.

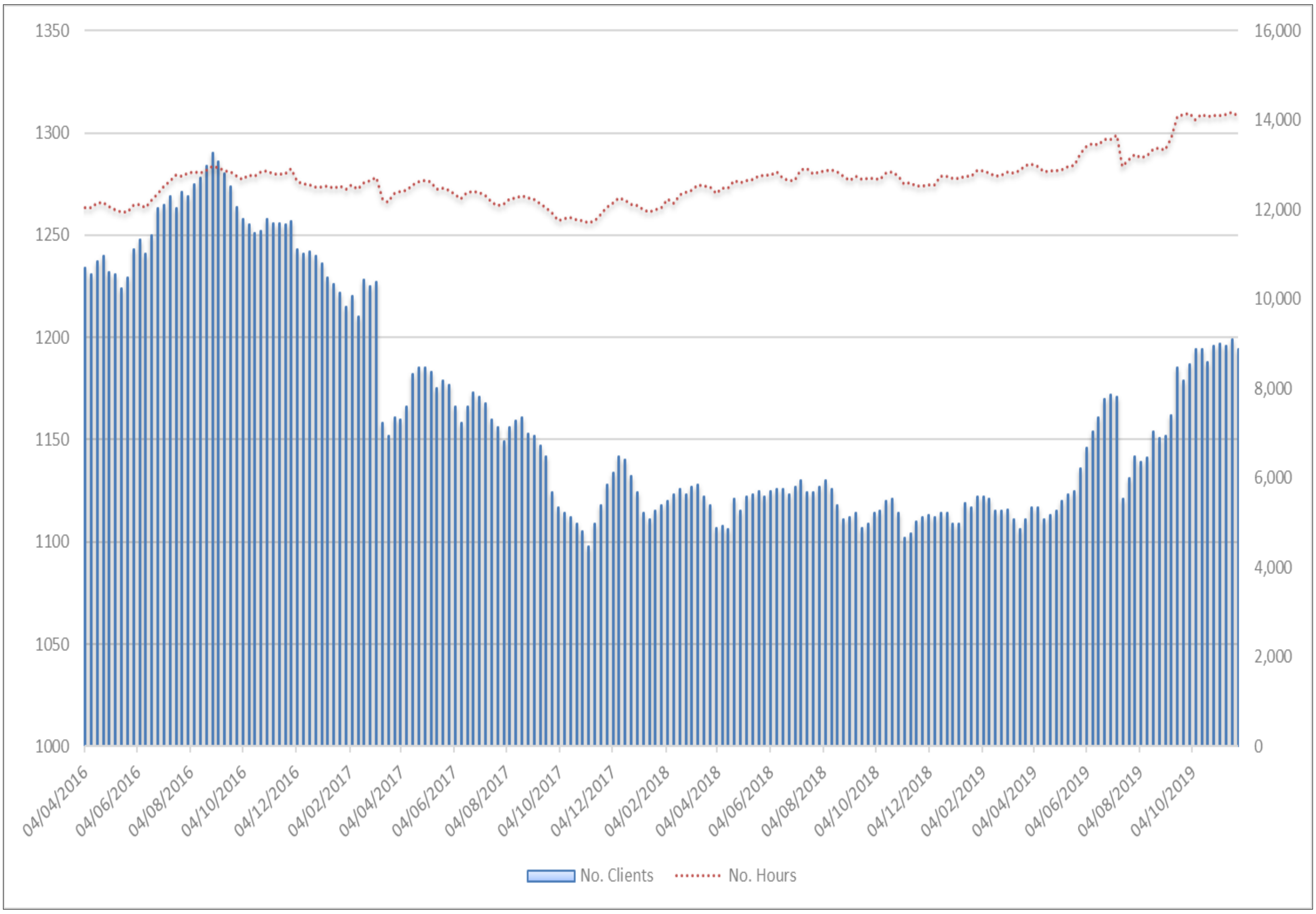
Chart 2: Movement in Numbers of Clients in Residential and Nursing Care since April 2016



<u>Homecare and Extra Care</u>

4.2.15 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. It is noted, however, that the number of clients is now starting to rise. In April 2019 there were 1,117 clients, by July this had risen to 1,142 and in September there were 1,187. The numbers receiving homecare in November have risen again to 1,194. The rise in numbers of clients and in hours delivered has increased the budget pressure for homecare and extra care to £1.150m (September, £1.106m). The movement in client numbers and hours delivered is shown in Chart 3 below:

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



4.2.17 HECS is working hard to continue to embed 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. Work is continuing to develop further technology solutions to meet needs related to areas such as medication prompts and shopping in a more cost-effective way.

<u>CCG Income and Better Care Fund Contributions</u>

4.2.18 Contributions from health are forecasted to be maintained at the same level as in September.

<u>Client Income</u>

4.2.19 Client contribution income has improved since September by £0.087m and is now forecasted to over-recover against budget by £1.577m. This includes an additional £0.120m relating to the full year impact of the new contributions policy agreed by Cabinet in October 2018. HECS continues to apply national guidelines to financial assessments of all relevant clients to ensure that appropriate contributions are made towards the care provided.

Premises

4.2.20 There are pressures of £0.116m in premises costs relating mainly to rent for respite premises for clients with a learning disability and accommodation costs for teams based within the community.

Children's Services

4.2.21 In Children's Services the £4.460m pressure relates mainly to demand pressures of £3.894m in Corporate Parenting and Placements and £0.655m in Integrated Disability and Additional Needs, which were foreseen by Cabinet and backed by £2.616m of contingencies held centrally. The forecast has decreased overall by £0.155m since the last report mainly due to £0.200m additional funding from public health and £0.118m reduction in short break placement costs partially offset by increased cost of externally provided placements for children in care.

Corporate Parenting and Placements

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

Table 7: Analysis of Pressures in Corporate Parenting and Placements

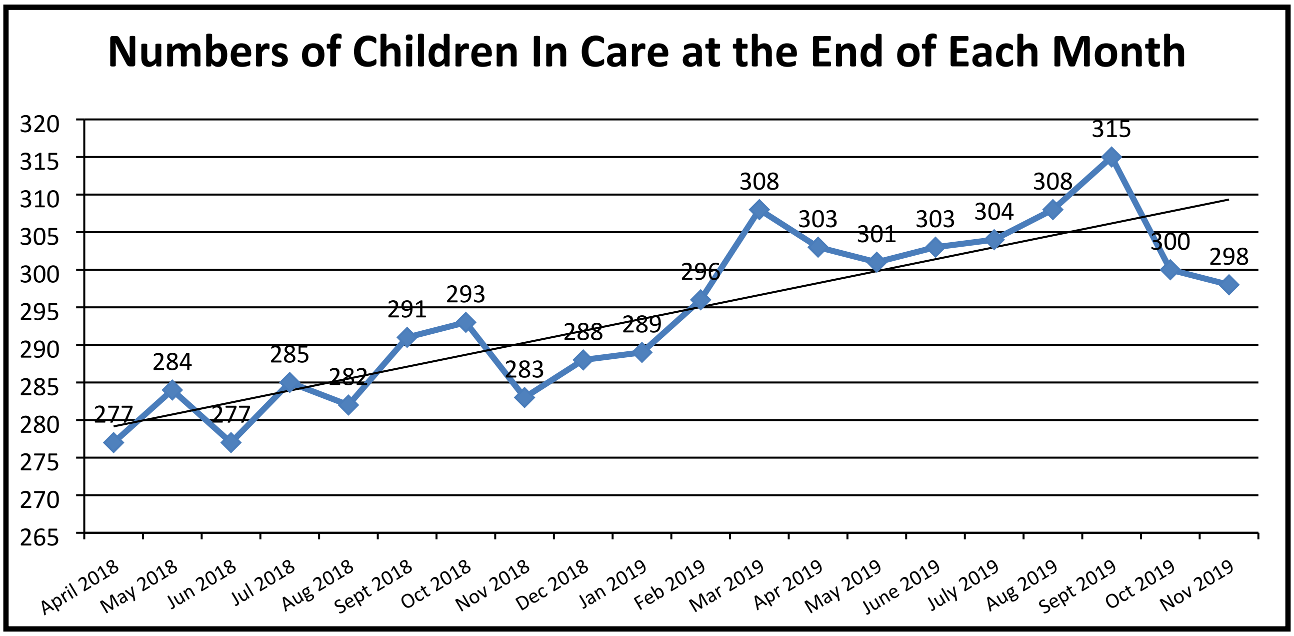
Type of Service	Budget 2019/20 £m	Variance November £m	Variance September £m
Care provision – children in care	9.185	2.830	2.809
Care provision – other children	3.202	0.541	0.392
Management and Legal Fees	(0.120)	0.141	0.123
Social Work	4.184	0.377	0.328
Safeguarding Operations	0.044	0.005	0.004
Total	**16.495**	**3.894**	**3.656**

4.2.23 The increase of £0.238m since the last report relates mainly to three residential placement extensions (£0.127m) partially offset by one residential placement not yet started (£0.048m). In addition, there has been one new supported accommodation placement (£0.020m), one supported accommodation placement change (£0.029m) and one supported accommodation placement extension (£0.116m).

Care Provision – Children in Care

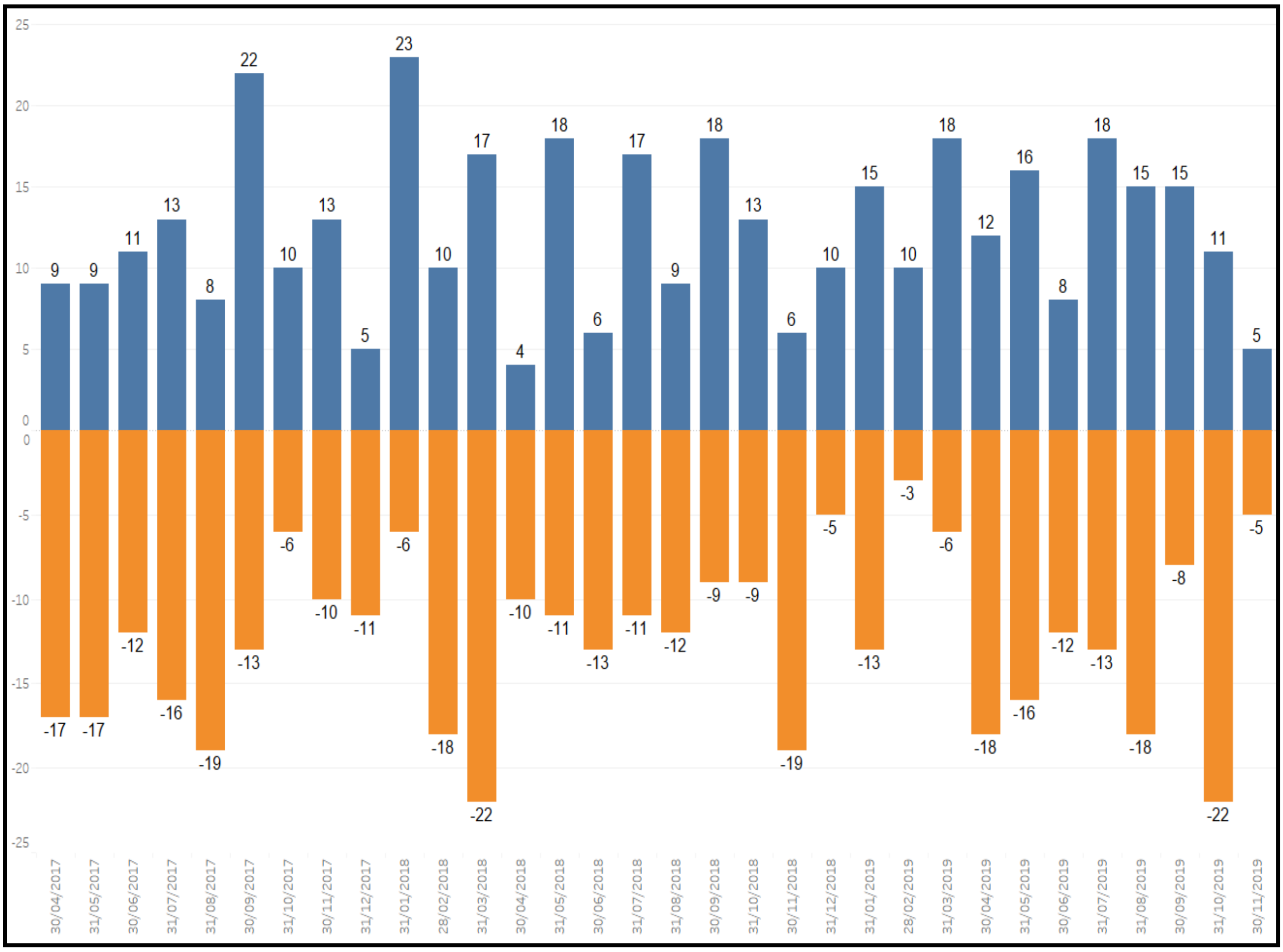
4.2.24 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases felt nationally. Numbers were, however, steady through 2018/19 before rising to 308 at the year end. Although the number of children in care fell slightly from this during the first few months of the financial year, they rose to 315 at the end of September 2019 but have now fallen back to 298 in November.

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



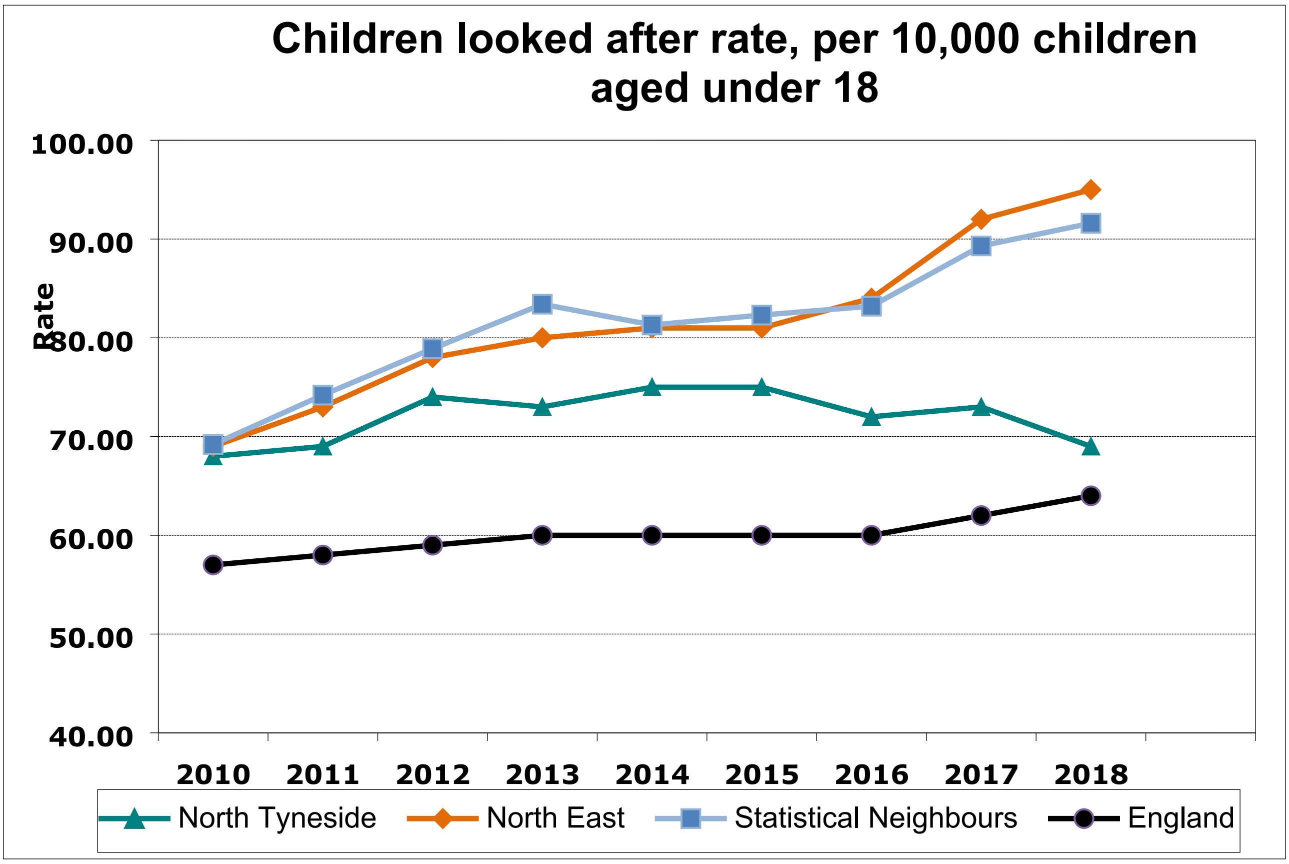
4.2.26 Delays within the court system continue to impact on the numbers of children leaving care. The pattern of children leaving care has proven to be much more volatile in 2019 as compared to 2018 but with a general pattern of less children leaving care, as shown in Chart 5 below.

Chart 5: Detailed Movement in the Numbers of Children in Care



4.2.27 The most recent available national comparators from 2018, as demonstrated by Chart 6 below, shows that North Tyneside, although above the England average, performed well within the North East region in relation to the rates of children in care.

4.2.28 **Chart 6: Comparative Performance in Rates of Children in Care per 10,000 Children under 18**



4.2.29 Placement mix continues to change, moving towards the complex end of the spectrum and this is driving an increase in overall costs. 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 table 8 below where the main pressure results from residential placements which, in terms of total bed nights, represents only 8% of provision by bed nights but is very costly amounting to 35% 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 any 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.

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

Placement Type	19/20 Forecast Variance	Average Annual Placement cost (£m)	19/20 Bed nights	Placement Mix	No. of children Nov 19	No. of children Sept 19
External Residential Care	1.583	0.254	8.236	7%	23	26
External Fostering	0.124	0.038	10.648	10%	25	22
In-House Fostering Service	0.004	0.020	76.009	69%	204	214
External Supported Accommodation	1.166	0.176	3.945	4%	16	12
Other*	(0.047)	various	11.680	10%	30	41
Total	**2.830**		**110.518**	**100%**	**298**	**315**

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

4.2.31 The impact of the increasingly complex needs of children within the care system can be seen in the increase in average costs of placements between 2018/19 and 2019/20 shown in Charts 7 and 8 below.

Chart 7: Changes in Average, Minimum and Maximum Weekly Fee Rates Between 2018/19 and 2019/20 for Residential Care (net of health and education contributions)

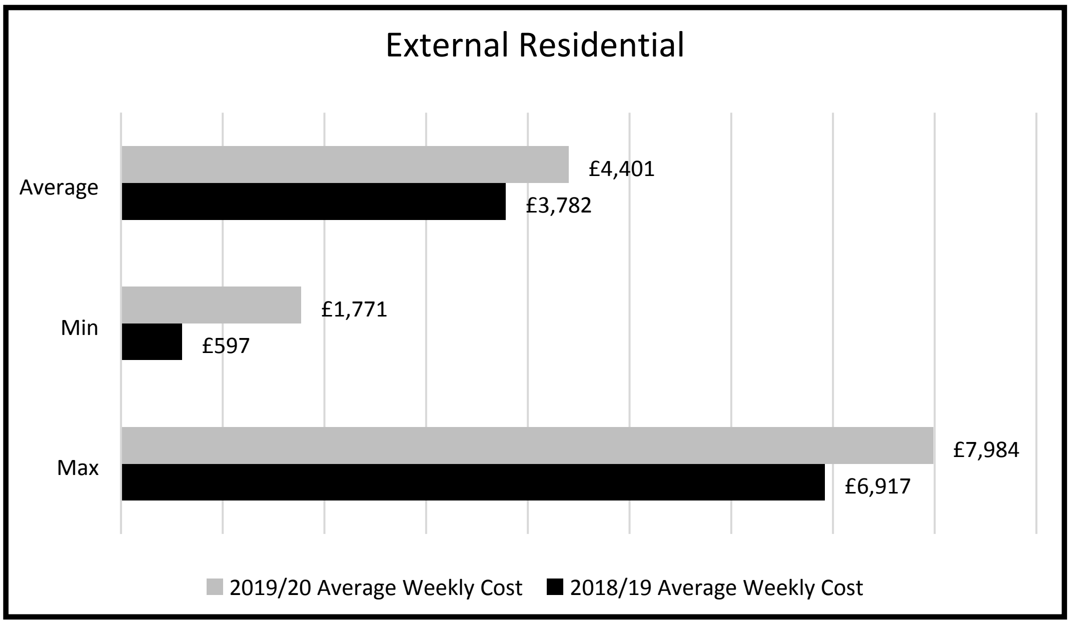
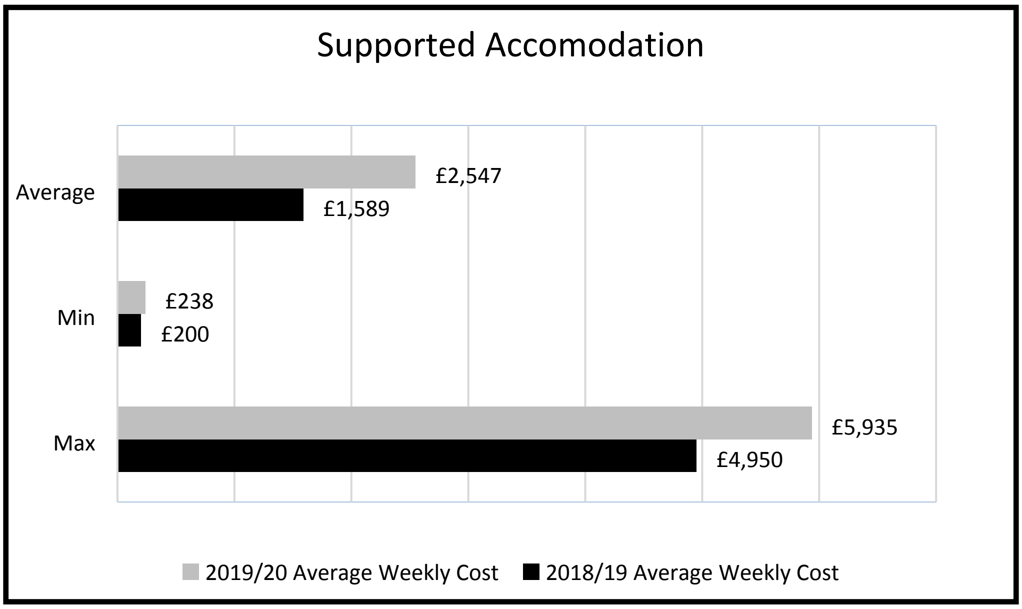


Chart 8: Changes in Average, Minimum and Maximum Weekly Fee Rates Between 2018/19 and 2019/20 for Supported Accommodation (net of health and education contributions)



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

<u>Care Provision – Children not in care</u>

4.2.33 The pressure of £0.541m 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.

<u>Management and Legal Fees</u>

4.2.34 There is a pressure in management staffing costs of £0.020m and general operating expenses of £0.050m within the overall pressure of £0.141m.

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<u>Social Work</u>

4.2.35 Within the overall pressures of £3.894m for Corporate Parenting and Placements, there are staffing pressures of £0.274m. 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 (£0.114m) and market supplement payments (£0.160m). At the time of reporting, no agency staff are currently required and caseloads are in line with good practice.

Integrated Disability and Additional Needs

4.2.36 There is a pressure of £0.655m at September 2019 which is an improvement of £0.302m since the last report. Within this service area there are pressures relating to operational staffing costs within in-house residential services of £0.218m, and an associated unachieved health income target of £0.096m. 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 £0.117m. There are also staffing pressures of £0.175m in Educational Psychology partly relating to cover arrangements associated with maternity leave. The improvement since the September report relates to a contribution from Public Health of £0.200m and a reduction in the forecast for respite placement cost of £0.118m following a review of high cost cases. There is a remaining pressure of £0.255m within respite placement costs and the IDANS service is continuing to carefully review planned provision.

4.3 Commissioning and Asset Management

4.3.1 Commissioning and Asset Management (C&AM) is forecasting a pressure of £0.375m as set out in Table 9. This is an improvement of £0.016m compared to the previously reported variance of £0.391m.

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

	Budget £m	Forecast £m	Variance Nov £m	Variance Sept £m
School Funding & statutory staff costs	18.288	18.268	(0.020)	0.000
Commissioning Service	0.384	0.384	0.000	0.000
Child Protection independent assurance and review	0.674	0.694	0.020	0.020
Facilities and Fair Access	0.636	0.831	0.195	0.187
Community and Voluntary Sector Liaison	0.439	0.424	(0.015)	(0.008)
Strategic Property and Investment	0.865	0.860	(0.005)	0.000
High needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	0.815	1.015	0.200	0.200
Commissioning & Asset Management & support	0.155	0.155	0.000	0.000
Procurement	(0.029)	(0.029)	0.000	(0.008)
Total Commissioning & Asset Management	**22.227**	**22.602**	**0.375**	**0.391**

4.3.3 In addition to Property, there are budget pressures relating to Facilities and Fair Access where there are inflationary pressures of £0.075m within Catering and £0.040m in Cleaning. In addition, there are pressures within Home to School Transport of £0.130m 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 <u>**Environment, Housing & Leisure (EHL)**</u>

4.4.1 EHL is forecasting a pressure of £0.338m against the £42.135m budget, as set out in Table 10 below, which is an improvement of £0.015m from the forecast at September. This forecast position and improvement is in line with EHL's record of managing pressures through each financial year and there is still an expectation to be 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 £0.320m transfer from the reserves specifically related to pressures from the Kerbside/Home Recycling Disposal Contract renewal.

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

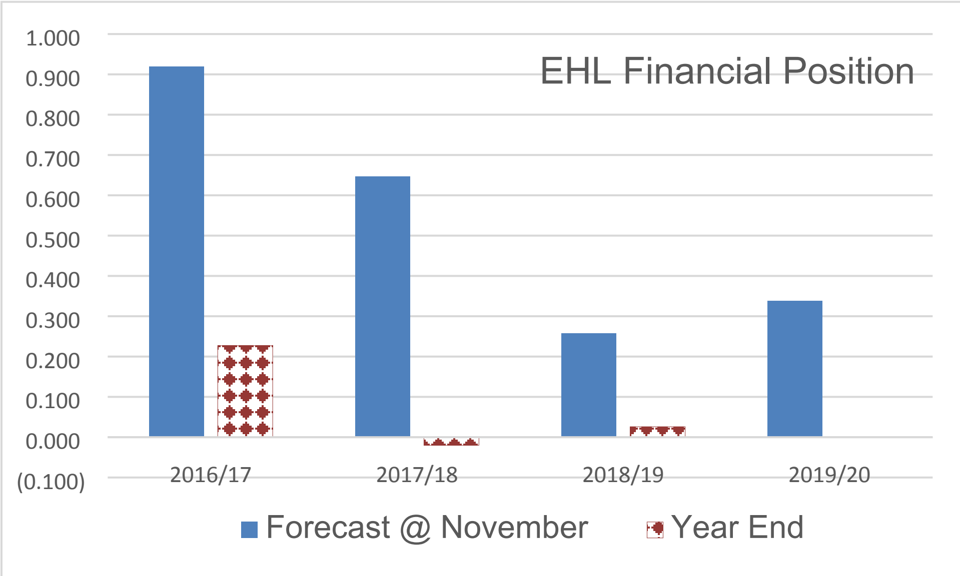
	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	September Variance (£m)
Sport & Leisure	3.101	3.301	0.200	0.215
Cultural Services	6.925	7.078	0.153	0.113
Security & Community Safety	0.301	0.294	(0.007)	(0.005)
Fleet Management	0.808	0.844	0.036	0.070
Waste and Recycling Disposal	7.130	7.029	(0.101)	(0.101)
Waste Management	3.707	3.783	0.076	0.077
Local Environmental Services	7.249	7.248	(0.001)	0.001
Head of Service and Resilience	0.133	0.180	0.047	0.048
Street Lighting PFI	4.396	4.396	0.000	0.000
Consumer Protection & Building Control	0.928	0.886	(0.042)	(0.042)
Transport and Highways	6.328	6.331	0.003	0.003
Planning	0.217	0.217	0.000	0.000
General Fund Housing	0.912	0.886	(0.026)	(0.026)
Total	**42.135**	**42.473**	**0.338**	**0.353**

4.4.3 EHL remains committed to delivering a balanced position. The following areas of spend are under review, with an expectation they will bring the EHL forecast position to break-even:

- Waste volume charges (current forecast only includes new charges to July due to timing of billing)
- Fleet operational costs (expecting costs of maintenance to drop now new fleet is in place)
- Whitley Bay Playhouse profit-share has not yet been identified
- Bereavement income
- Operational costs in Cultural Services and Local Environmental Services

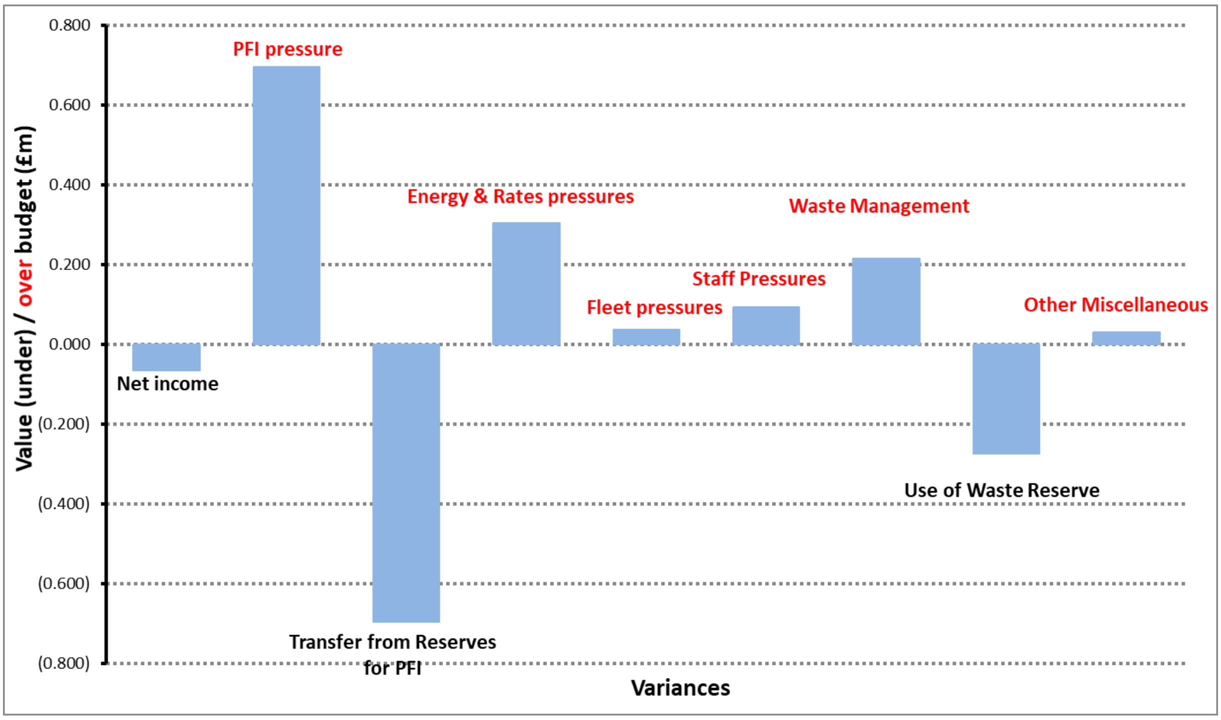
Chart 9 below shows EHL's improvement in managing pressures between November and year end for the last three years.

4.4.4 **Chart 9: EHL management of budget overspends 2016/17 to 2018/19**



4.4.5 The main pressures, identified in Chart 10 below, are Street-lighting PFI of £0.696m, pressures on energy and rates across the service areas of £0.275m and waste pressures of £0.215m. In addition, there are pressures in Fleet Management due to the capital financing of the new vehicles of £0.070m which are netted off by operational savings on maintenance and net staffing pressures across the EHL service of £0.094m, plus smaller pressures associated with income generation shortfalls and other miscellaneous operational spend.

4.4.6 **Chart 10: EHL Underlying Pressures and Mitigation Savings 2019/20**



4.4.7 The following paragraphs 4.4.8 to 4.4.20 outline the pressures in each service area;

Sport and Leisure

4.4.8 Sport and Leisure is predicting a pressure of £0.200m, reflecting a £0.015m improvement since September. Whilst income budget targets around gyms have increased by £0.600m compared to 2018/19, EHL is still expecting a £0.161m improvement against these revised targets.

4.4.9 The improved income is offsetting historical pressures within Sport and Leisure around staffing and energy and rates costs.

Cultural Services

4.4.10 Cultural Services within North Tyneside are showing a forecast pressure of £0.153m, which includes historical pressures due to energy and rates costs and income shortfalls due to changing patterns of consumer behaviour. This has worsened by £0.040m since September's forecast position due to increased quarterly estate management costs for Wallsend Customer First Centre.

4.4.11 EHL is expecting to partially mitigate the pressure primarily by maximising the return from the Playhouse, along with continued close management of operational expenditure.

Security and Community Safety

4.4.12 Cabinet will recall from September that this service area has reviewed and realigned both structure and finances to increase its overall viability. Following this review, it is forecasting an underspend of £0.007m at November 2019.

Fleet Management

4.4.13 Fleet Management is now forecasting a £0.036m pressure, mainly in relation to a £0.070m burden absorbing increased capital financing costs for newly purchased vehicles.

4.4.14 This service area is prudently forecasting other costs, such as vehicle maintenance and other operational expenditure, however it has reflected an improvement of £0.034m in operational costs since September. 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

4.4.15 Waste Management are predicting pressures relating to kerbside materials recycling contract costs which are planned to be mitigated by use of all available waste resources. Operational increases to routes due to new housing developments across North Tyneside account for other pressures, leaving a net saving of £0.025m.

4.4.16 EHL are seeing the proportion of household reuse, recycling and composting continue to show improvement since the introduction of alternate weekly collections.

Local Environmental Services

4.4.17 Local Environmental Services is predicting a forecast break-even position. Income for cremations has improved to a £0.047m surplus, creating an upturn in forecasts since September. This is offsetting a worsened position for cafes within parks and income pressures in Grounds Maintenance.

4.4.18 EHL have reprofiled the borrowing associated with the refurbishment of Tynemouth Crematorium which has had a positive impact in year. Next year this will contribute to the refurbishment of Whitley Bay Crematorium and Cemetery. Local Environmental Services will continue to manage overall costs and look for opportunities to make additional savings whilst closely reviewing the income levels, especially during winter.

Street Lighting PFI

4.4.19 The Street Lighting PFI is predicting a cost pressure for 2019/20 of £0.696m, 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

4.4.20 £0.122m shortfall primarily 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 £0.099m at November 2019 as summarised in Table 11 below. This is a £0.017m improvement from September, with improvements in operational cost forecasts.

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

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	September Variance (£m)
Regeneration	0.309	0.408	0.099	0.099
Business & Enterprise	0.754	0.739	(0.015)	0.000
Resources & Performance	0.108	0.123	0.015	0.017
Total	**1.171**	**1.270**	**0.099**	**0.116**

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, plus further operational savings in Business & Enterprise.

4.6 **Corporate Strategy**

4.6.1 Corporate Strategy is forecasting a pressure of £0.134m as set out in Table 12 below and is unchanged from September. Corporate Strategy continue to assess opportunities to increase income and continuing to reduce non-essential spend to mitigate these pressures.

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

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	September Variance (£m)
Corporate Strategy Management	(0.019)	0.010	0.029	0.029
Policy, Performance & Research	(0.059)	(0.064)	(0.005)	(0.005)
Marketing	0.092	0.179	0.087	0.087
Elected Mayor and Executive Support	(0.003)	0.000	0.003	0.003
Children's Participation & Advocacy	0.187	0.207	0.020	0.020
Total	**0.198**	**0.332**	**0.134**	**0.134**

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast pressure of £0.119m within Resources and Chief Executive Office improved by £0.835m from £0.954m in September. The movement mainly relates to an assumption relating to a contract payment from ENGIE of £0.500m relating to pension costs shown within the Finance Service plus an improved position also shown within Finance relating to Revenues & Benefits of £0.305m.

4.7.2 **Table 13: Forecast Variation Resources**

Resources	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	September Variance £m
Chief Executive	(0.080)	(0.118)	(0.038)	(0.038)
ICT Retained Services	1.891	2.502	0.611	0.611
Finance Service	(0.328)	(0.887)	(0.559)	0.252
Human Resources & Organisational Development	(0.072)	0.033	0.105	0.129
Total Resources	**1.411**	**1.530**	**0.119**	**0.954**

4.7.3 Within ICT Retained Services the main pressures relate to continuing staffing pressures associated with the Customer Journey project of £0.212m. 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 remaining pressure relates to adopted systems for which budgets have yet to be identified.

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 £0.105m due to the costs of the new restructure adding to existing staffing pressures following the transfer of HR back to the Authority from ENGIE.

4.7.6 Within Finance (including Revenues, Benefits and Customer Services) there remains a pressure due to a reduction in overpayment income. This, however, has improved over the last month due to increased housing benefit overpayments being recovered through reduced ongoing housing benefit. The forecast bad debt provision has also reduced for 2019/20 due to historic and current Housing Benefit overpayments being passed to the DWP, which reduces the in-year provision requirement to £0.892m below budget. There are also pressures on bank charges (£0.037m) and the Engie contract payment for splitting of the Northgate database (£0.044m). A forecasted amount of £0.500m relating to a pension related contractual payment from ENGIE has been included since the last report and there is also a forecast surplus of £0.050m for enforcement income.

4.8 Law and Governance

4.8.1 Law and Governance is forecasting a pressure of £0.182m, which is in line with the reported position in September.

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

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	September Variance (£m)
Customer, Governance and Registration	(0.075)	(0.070)	0.005	0.004
Democratic and Electoral Services	(0.064)	(0.015)	0.049	0.049
Information Governance	(0.113)	(0.089)	0.024	0.024
Legal Services	(0.186)	(0.104)	0.082	0.082
North Tyneside Coroner	0.293	0.315	0.022	0.023
Total	**(0.145)**	**0.037**	**0.182**	**0.182**

4.8.3 The main pressures are due to use of locums to cover vacant posts within Legal Services. In addition, there is a cost pressure within Democratic and Electoral Services associated with canvassing related activities due to the increased number of elections held in year. The other service areas within Law & Governance are all showing small pressures due to increased operational spend.

4.9 Central Items

4.9.1 The forecast outturn at November 2019 set out in Table 15 below reflects an underspend of £3.570m on central budgets, including contingency budgets relating to pressures in adult and children's social care of £4.416m. This is an improvement of £0.250m resulting from increased savings in budgets relating to strain on the fund costs.

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

	Budget £m	Forecast £m	Variance Nov £m	Variance Sept £m
Corporate & Democratic Core	9.545	9.545	0.000	0.000
Other Central Items	(8.594)	(12.164)	(3.570)	(3.320)
Total Central Items	**0.951**	**(2.619)**	**(3.570)**	**(3.320)**

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 £1.462m (September, £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 (£1.107m). In addition, reprogramming within the Investment Plan has delivered a credit against Minimum Revenue Provision of £0.370m. 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 £0.850m for Strain on the Fund costs, increased from £0.600m at September. There are contingency budgets of £4.636m including the £4.416m held against pressures in social care. There is a total of £0.104m other smaller savings.

4.9.4 These underspends are partially offset by savings targets forecast as still to be 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.

SECTION 5 - SCHOOLS FINANCE

Update on the Overall School Position from First Monitoring

5.1 Cabinet will recall that in July it was reported that schools submitted initial budgets for 2019/20 reflecting a total forecast deficit of £5.045m. These budgets were revised, mainly following discussions with schools showing deficit balances, to an expected deficit of £4.661m. This compared to a 2018/19 budget plan forecasting £4.715m, whilst school balances carried from 2018/19 totalled £1.599m.

5.2 The first set of budget monitoring for the financial year was completed in October. Forecast results across all school phases (as shown in table 16 below) now reflect a forecast deficit of £4.105m, which is an improvement against budget of £0.556m.

5.3 **Table 16: First Monitoring Results for Schools - 2019/20**

Phase	Budget Plan 2018/19 £m	Outturn 2018/19 £m	Budget Plan 2019/20 £m	Monitoring 1 2019/20 £m	Variance 2019/20 £m
Nursery	(0.003)	0.008	0.002	0.029	0.027
First	0.220	0.523	0.412	0.433	0.021
Primary	1.292	3.266	2.346	2.356	0.010
Middle	0.098	0.380	0.369	0.346	(0.023)
Secondary	(6.570)	(3.658)	(8.028)	(7.770)	0.258
Special / PRU	0.248	1.080	0.238	0.501	0.263
Total	**(4.715)**	**1.599**	**(4.661)**	**(4.105)**	**0.556**

5.4 Despite the overall improvement in forecast outturns for schools, a further five schools are forecasting deficits over £5,000 in 2019/20. This is in addition to the eleven schools with deficit plans as reported in November's cabinet report. Additional governance arrangements and monitoring meetings have been put in place with these schools which are new to deficit. School Improvement, HR and Finance officers will continue to meet with Head Teachers and Governing Body representatives for all sixteen schools in deficit to monitor the specific requirements of each individual school's deficit approval and recovery plans to bring them back into balance.

High Needs Block

5.5 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. In research undertaken by the ISOS Partnership on behalf of the Local

Government Association (LGA), 93 local authorities were surveyed. Their year-end high needs positions overall worsened from a surplus of £39m in 2015/16 to a deficit of £314m in 2018/19. The regional position in 2018/19 of high needs deficits as a percentage of the overall high needs allocations for the 93 authorities surveyed is shown in Table 17 below.

5.6 **Table 17: High Needs Deficits as a Percentage of High Needs Allocations**

Region	Deficit as a Percentage of High Needs Allocation
North East	**8%**
North West	**9%**
Yorkshire and the Humber	**10%**
East Midlands	**2%**
West Midland	**7%**
East of England	**9%**
London	**13%**
South East	**6%**
South West	**8%**

5.7 The forecast at November 2019 for the High Needs block has worsened since the last report with an anticipated in-year pressure of £3.733m (September, £2.616m) reflecting a 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. A breakdown of the in-year pressure is shown in Table 18 below and further details are provided in paragraphs 5.9 to 5.15.

5.8 **Table 18: Breakdown of High Needs In Year Pressures at November 2019**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	11.004	1.988	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder
ARPs/Top-ups	3.520	0.780	Pressures in pre 16 top-ups
Out of Borough	1.225	0.940	Increased numbers of external school places due to higher numbers of children with more complex needs
Commissioned services	3.977	0.025	
Subtotal	**19.726**	**3.733**	

5.9 **Special Schools and the Pupil Referral Unit (PRU)**

5.10 There is a pressure of £1.988m relating to this area. The Authority has seen increasing numbers of children and young people within the education system with significant needs requiring specialist provision. This is particularly relating to Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health needs (SEMH). The Authority has increased the numbers of places within in special schools to cope with this additional demand. Number of places have increased as follows:

Table 19: Increase in Special School Places in 2019/20

School	Place increases during 2019/20
Silverdale	25
Beacon Hill	22
Benton Dene	3
Woodlawn	15
Southlands	17
Moorbridge (PRU)	20
Total	**102**

5.11 Special schools are funded with £10,000 per place plus a top-up based on a banding which is reflective of the needs of each individual child. Funding values for each banding is shown in Table 20 below. The majority of pupils attending special schools attract band 4 and band 5 top-up levels.

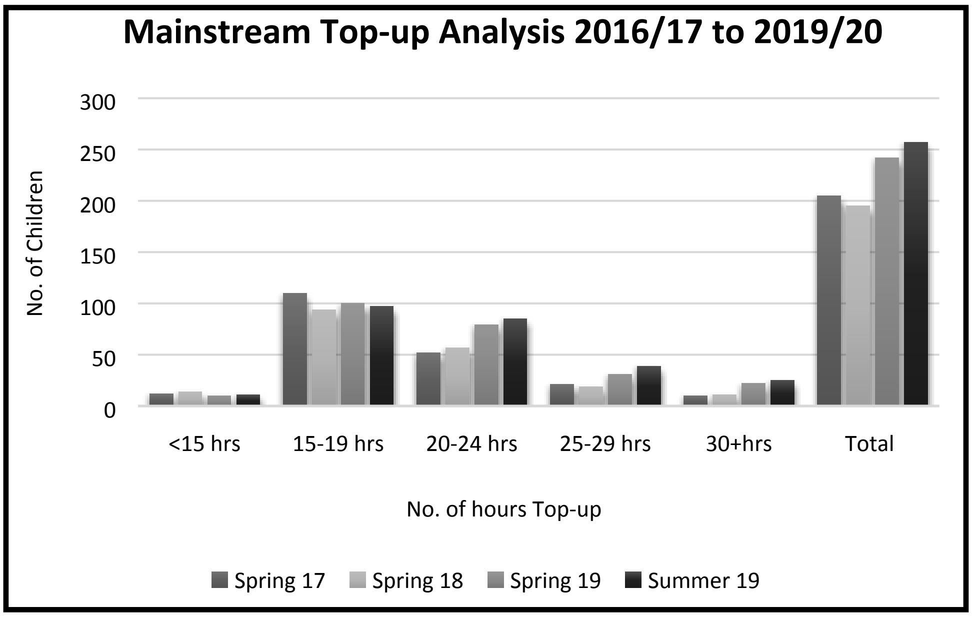
Table 20: Special School Top Up Values by Banding

Band	Top up value £
Band 1	0
Band 2	3,341
Band 3	6,682
Band 4	9,507
Band 4	19,221

ARPS and Mainstream Top Ups (Pre 16)

5.12 There are pressures of £0.780m within Additional Resourced Provision (ARP) and top-up costs within mainstream schools due to increasing numbers of children and young people with additional needs and the rising average complexity of those needs. Twelve additional ARP places have been agreed during 2019/20 at Grasmere Academy (primary) and Longbenton High. These places also attract £10,000 place funding and top-up funding. Top-up funding is also paid to support children with additional needs in mainstream school. This is paid on the basis of an hourly rate reflecting the costs of additional staffing support outlined within the individual child's Education, Health and Care Plan (EHCP). Levels of top-up payments to mainstream schools have risen in the last four years with an overall increase in the numbers of children and a rise in larger packages of support reflecting the increasing complexity of needs. This is analysed in Chart 11 below.

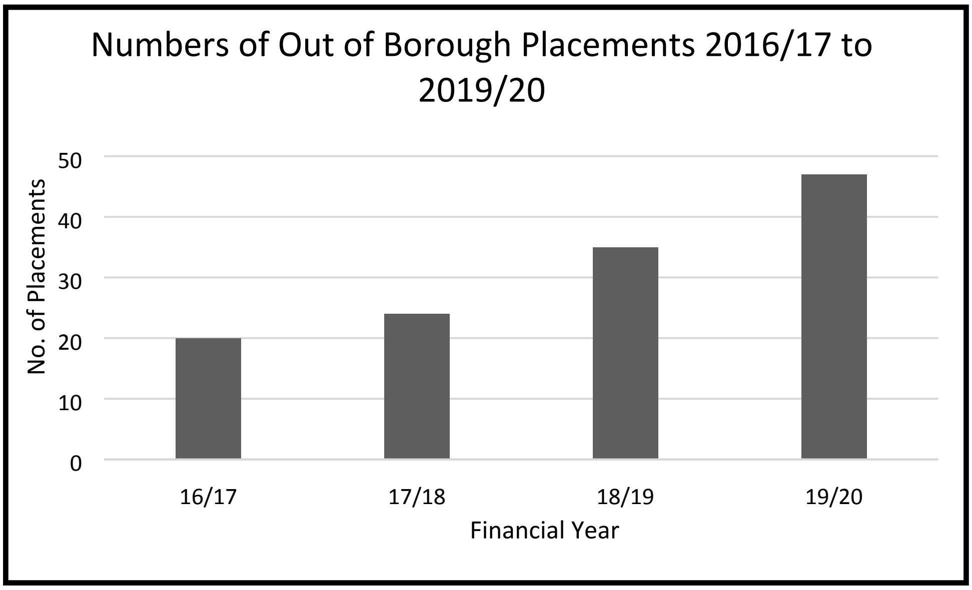
Chart 11: Analysis of Top Up Hours Paid to Mainstream Schools



Out of Borough Placements

5.13 In some instances, the Authority is unable to meet the needs of an individual child or young person and an out of borough placement is made. This can be made with a local private provider. This area of expenditure is showing a pressure of £0.940m due to increasing numbers of placements made with 47 children attending out of borough providers at November 2019 compared to 35 in 2018/19 and only 20 in 2016/17. The increasing use of these placements in illustrated in Chart 12 below.

Chart 12: Numbers of Out of Borough Placements 2016/17 to 2019/20



5.14 The Government announced indicative levels of funding for 2020/21 for the Schools block and High Needs block in October 2019. This shows an increase in High Needs funding of £2.900m which will contribute towards addressing the in-year level of pressure which has developed in 2019/20. However, the Authority and Schools Forum will need to continue to closely monitor the overall financial position for high needs.

5.15 Work is continuing within the Authority to strengthen processes around Special Educational Needs and Disabilities (SEND).

- Following a SEND review in 2018/19 there has been a significant investment in the Authority's SEND Support Team. The team is responsible for the statutory assessment process covering Education, Health and Care Plans (EHCPs) and annual reviews. This has built capacity and expertise to improve co-ordination, increase efficiency, strengthen quality assurance and improve partnership working across education, health and social care.

- Work continues to strengthen the gatekeeping around access to High Needs top-up funding, to ensure greater equity and value for money in the way funding is allocated and used. Consultation with schools has proposed improvements to the process used to evidence what support is required, over and above core place funding and notional SEND budget. It is proposed that additional funding will be based on actual costs to meet need rather than the current default allocation of additional staffing hours.

- A review of the SEND Panel has taken place and new terms of reference agreed to strengthen decision making. The SEND Panel will continue to receive individual requests to assess and panel will decide on whether to issue an EHCP. As part of that process, panel will agree access to specialist placements, requests for additional support or funding to meet the identified need.

SECTION 6 - HOUSING REVENUE ACCOUNT

6.1 The forecast set out in Table 21 below is based on the results to November. This reflects the previously reported 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 prudent in budgeting for the impact, whilst expecting a more efficient service.

6.2 The values of efficiencies are now becoming apparent and the relative forecasts have been amended accordingly. Further details were presented to Cabinet on 25 November 2019 in the 'Construction Project – Delivery and Benefits Realised' report. There are two main areas showing improvements: the cost of the repairs and the management-related costs of the new service. The total £2.117m saving identified previously is a permanent saving to the base budget and has been built into the HRA 30-year business plan going forward. These include an over-achievement of rental income of (£0.496m) combined with in-year savings within repairs (£0.634m) as well as the forecast underspend within the project team (£1.712m), which is due to complete its work in December 2019.

6.3 Since the last report to Cabinet the position has improved by £0.007m. This is mainly due to a further improvement in rental income (£0.146m). To meet the demand for repairs from our tenants an increase in spend is now forecasted through to the year end (£0.152m), compared to figures reported in September, but the £0.500m of revenue savings estimated at the beginning of the year are still expected to be delivered.

6.4 **Table 21: Forecast Variance Housing Revenue Account**

	FULL YEAR - 2019/20			Variance Sept 2019 £m
		Forecast Outturn		
	Full Year Budget £m	Forecast Actual £m	Nov 2019 Variance £m	
INCOME				
Rental Income	(58.697)	(59.339)	(0.642)	(0.496)
Rental Income - Shops & Offices	(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)	**(67.357)**	**(0.642)**	**(0.496)**
EXPENDITURE				
Capital Charges - Net Effect	12.110	12.110	0.000	0.000
HRA Management Costs	12.036	10.311	(1.725)	(1.712)
PFI Contract Costs	9.641	9.641	0.000	0.000
Repairs	11.959	11.477	(0.482)	(0.634)
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	1.229	0.229	0.229
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	69.046	**67.068**	**(1.978)**	**(2.117)**
	2.331	**(0.289)**	**(2.620)**	**(2.613)**
BALANCES BROUGHT FORWARD	**(6.202)**	**(7.303)**	**(1.101)**	**(1.101)**
BALANCES TO CARRY FORWARD	**(3.871)**	**(7.592)**	**(3.721)**	**(3.714)**

6.5 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 (£0.506m). Income from Garages also continues to perform above budget (£0.026m). Service charge income (including furniture packs) has also seen an improvement and this now expected to perform ahead of budget (£0.110m).

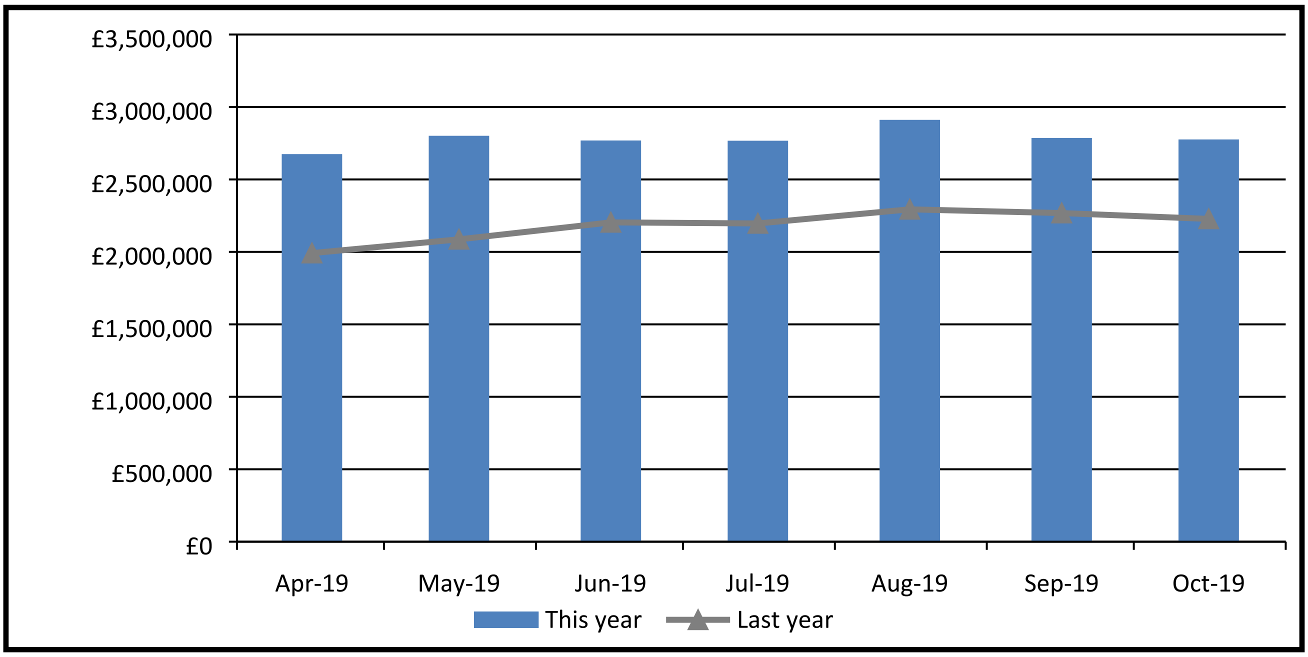
6.6 The current situation regarding arrears, partially due to the impact of Universal Credit, is continuing to increase. As a result of this, the bad debt provision held on the balance sheet is forecast to increase by £0.229m more than the budgeted level.

6.7 Based on this half year 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 continued increase in the bad debt provision, both of which will be closely monitored throughout the year.

Rent Arrears

6.8 The level of rent arrears has risen in the first seven months of 2019/20 as compared to 2018/19 with the value of arrears being £0.547m higher than this period last year. Chart 13 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, with a pressure again forecast in 2019/20. This is mainly in relation to changes caused by Universal Credit.

6.9 **Chart 13: Rent Arrears in 2019/20 compared to 2018/19**

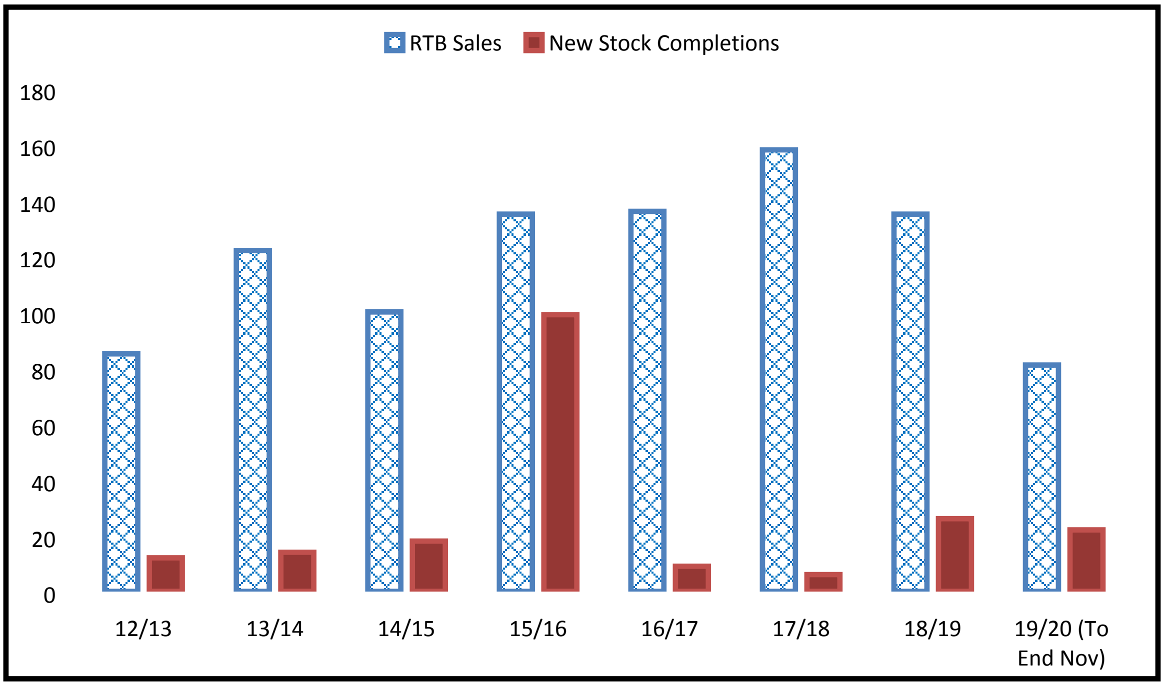


6.10 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 1 April 2019 there were 2,005 tenants of North Tyneside Homes on Universal Credit with arrears totalling £1.163m. At November 2019 there were 2,920 tenants on Universal Credit with related arrears of £1.778m.

Right to Buy (RTB) Trends

6.11 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. Chart 14 below shows the trend in RTB sales since that time.

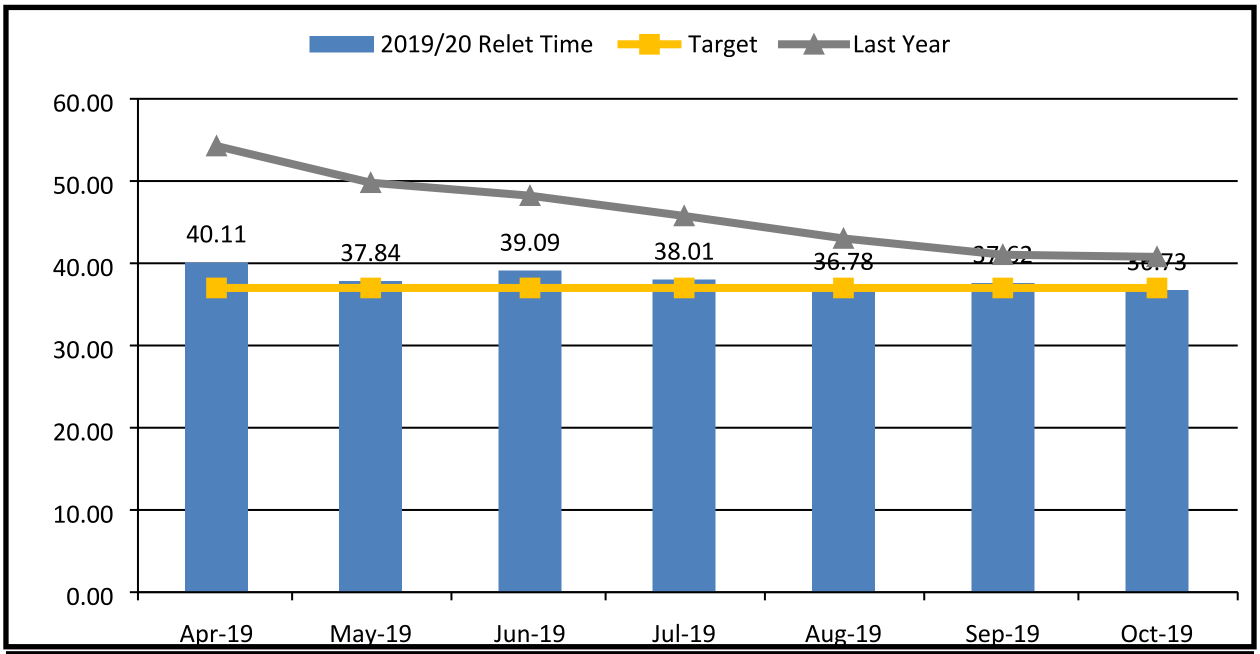
6.12 **Chart 14: Yearly RTB Sales v New Stock Additions**



Improvements to Average Reletting Periods

6.13 The HRA is expecting increased rentals throughout 2019/20, in part due to the improvements made in reletting empty properties. Chart 15 below shows the average relet time, for the first seven months of 2019/20, has improved since 2018/19, with year to date statistics showing a decrease of almost 18 days since April 18/19 and reduction of 4 days since the same period last year. In addition, 71% of property relets have been completed within the new 37-day target.

6.14 **Chart 15: 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 Battle Hill, on the former Bonchester Court site. Completed May 2019; and,
- The construction of 9 new affordable homes in Battle Hill, 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 have now been completed with handover at the end of August 2019. Reinstatement of the externals and decanting of contractor facilities were completed at the end of September 2019.

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.

Variations to the 2019-2023 Investment Plan

7.7 Variations of £1.840m credit to the Investment Plan and reprogramming of £7.758m have been identified and are included in Tables 22 and 23 below. Further details are provided in paragraph 7.8:

7.7.1 **Table 22: 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
Cabinet 9 Sep 2019	1.300	0	0	0	1.300
Cabinet 25 Nov 2019	0.374	6.132	4.000	0	10.506
Approved Investment Plan	**75.000**	**57.870**	**41.008**	**37.055**	**210.933**
Oct/Nov 2019					
Variations	(1.840)	0	0	0	(1.840)
Reprogramming	(7.758)	7.758	0	0	0
Total Variations	**(9.598)**	**7.758**	**0**	**0**	**(1.840)**
Revised Investment Plan	**65.402**	**65.628**	**41.008**	**37.055**	**209.093**

7.8 Details of the variations and reprogramming are shown below:

(a) **BS026 Asset Planned Maintenance £0.018m**– Section 106 funding has been approved to fund the replacement of heating controls at Hadrian Leisure Centre;

(b) **BS029 Wallsend Customer First Centre (CFC) £0.095m** – A successful bid has been made to the Home Office to undertake some multiagency work with young people and their families in the Wallsend area to prevent anti-social behaviour, the proposal includes creating a base for police colleagues in Wallsend Customer First Centre as part of developing a community hub;

(c) **DV064 Council Property Investment £1.500m /DV066 Investment in North Tyneside Trading Co. £1.500m credit –** Transfer of Council Contribution £1.500m from DV066 to DV064 to develop opportunities to support the ongoing regeneration of North Shields Town Centre. It is expected that these works will take place in 2020/21, therefore it is requested to reprofile £1.457m to 2020/21;

(d) **DV067 Northern Promenade £0.250m reprogramming** – Options are currently being explored for the delivery of future works therefore it is requested to reprogram funding to 2020/21;

(e) **DV068 Southern Promenade £0.550m reprogramming** – The planning application is due to be submitted in December with the commencement of construction due to start in Spring 2020;

(f) **DV070 Forest Hall Regeneration £0.019m credit** – The project is complete. The residual balance of £0.019m is no longer required from feasibility fund and is to be removed from the Investment plan financing;

(g) **ED075 Devolved Formula Capital £0.350m reprogramming** – The project is school led, and funding is available over a three-year period. Reprogramming of £0.350m is requested to be carry forward to 2020/21 to reflect the likely profile of spend;

(h) **ED188 SEND £0.449m** – Works have concluded at Langdale Centre, Longbenton High School and Beacon Hill School. Reverse reprogramming of the SEND grant from 2020/21 is required to align the financing with delivery;

(i) **EV034 Local Transport Plan (LTP) £0.378m credit / EV056 Additional Highways Maintenance £0.378m** – The Department of Transport Incentive funding was initially allocated against the LTP project. The works on road and footpaths have been delivered under the Additional Highways project therefore this financing is to be transferred to match the delivery of works;

(j) **EV076 Operational Depot Accommodation Review £2.000m reprogramming -** to reflect project delivery;

(k) **GEN03 Contingencies £3.000m reprogramming –** This funding is for the provision for unforeseen items that may arise during the year. At this stage it is not expected that the full provision will be required therefore it is requested that £3.000m is carried forward to 2020/21**;**

(l) **HS015 Refurbishment / Decent Homes Improvements £0.900m credit –** As outlined in the "Construction Project – Delivery and Benefits Realised" report to 25 November Cabinet meeting there are a number of savings to be realised including capital savings on the delivery of the Refurbishment / Decent Homes programme. For 2019/20 £1.400m of savings have been identified. Set against this, significant structural works to some properties have recently been identified with an estimated cost of £0.500m at this stage. Therefore, £0.900m will be removed from the 2019/20 Investment Plan;

(m) **HS044 HRA New Build £0.600m reprogramming –** Two projects have been completed this financial year with several projects in flight. A review of the delivery of those projects has resulted in a further £0.600m to be reprogrammed into 2020/21; and,

(n) **HS050 Construction Options Project £1.034m credit –** The project has been completed and the budget is to be reduced to reflect the actual level of expenditure.

7.9 The impact of the changes detailed above on capital financing is shown in Table 21 below.

7.9.1 **Table 23: Impact of variations on Capital financing**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Approved Investment Plan – Cabinet 25 Nov 2019	**75.000**	**57.870**	**41.008**	**37.055**	**210.933**
Council Contribution	(6.707)	6.707	0	0	0
Grants and Contributions	(0.338)	0.451	0	0	0.113
Revenue Contributions	(0.019)	0	0	0	(0.019)
HRA Contribution from reserves	(0.244)	0	0	0	(0.244)
HRA House Building Fund	(0.600)	0.600	0	0	0
HRA Capital Receipts	(1.690)	0	0	0	(1.690)
Total Financing Variations	**(9.598)**	**7.758**	**0**	**0**	**(1.840)**
Revised Investment Plan	**65.402**	**65.628**	**41.008**	**37.055**	**209.093**

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 £1.109m capital receipts have been received in 2019/20. This includes a capital receipts of £0.712m which is a repayment of a capital loan. The receipts position is shown in Table 24 below. The 2020/21 draft budget proposals agreed by Cabinet on 25 November 2019 include a proposal to use the £1.100m capital receipts brought forward at 1 April 2019 as part of the financing of the 2020/21 Investment Plan.

7.10.1 **Table 24: Capital Receipt Requirement – General Fund**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Requirement reported to 21 February 2019 Council	0	0	0	0	0
Receipts Brought Forward	(1.100)	0	0	0	(1.100)
Total Receipts received 2019/20	(1.109)	0	0	0	(1.109)
Receipts used to repay capital loans	0.712	0	0	0	0.712
Net Useable Receipts	**(0.397)**	**0**	**0**	**0**	**(0.397)**
Surplus Receipts	**(1.497)**	**0.000**	**0.000**	**0.000**	**(1.497)**

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 and the reduction of £1.690m to reflect the completion on the Construction Options Project, gives a requirement of £0.452m. To date, £4.440m receipts have been received in 2019/20 of which £0.937m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £10.302m to be carried forward to fund future years.

7.11.1 Table 25: 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	0	0	(0.348)
Reprogramming 2019/20	(1.796)	1.796	0	0	0
Variation 2019/20	(1.690)	0	0		(1.690)
Revised Requirement	**0.452**	**5.481**	**3.748**	**2.019**	**11.700**
Receipts Brought Forward	(7.251)	(10.302)	(4.821)	(1.073)	(7.251)
Receipts Received 2019/20	(4.440)	0.000	0.000	0.000	(4.440)
Receipts Pooled Central Government	0.937	0.000	0.000	0.000	0.937
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(10.302)**	**(4.821)**	**(1.073)**	**0.946**	**0.946**

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 30 November 2019

7.12 Actual expenditure, for 2019/20, in the General Ledger was £30.546m, 46.70% of the total revised Investment Plan at 30 November 2019. This is after adjusting for £0.248m of retentions relating to 2018/19 expenditure.

7.12.1 Table 26: Total Investment Plan Budget & Expenditure to 30 November 2019

	2019/20 Revised Investment Plan £m	Actual Spend to 30 Nov 2019 £m	Spend as % of revised Investment Plan %
General Fund	41.972	20.320	48.41%
Housing	23.430	10.226	43.64%
TOTAL	**65.402**	**30.546**	**46.70%**