

North Tyneside Council

Report to Cabinet

30 March 2020

Title: 2019/20 Financial Management Report to 31 January 2020

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Councillor Ray Glindon
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Report from Service Area: Resources

Responsible Officer: Janice Gillespie, Head of Resources **Tel:** 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

This report is the fifth monitoring report to Cabinet on the 2019/20 financial position and explains the situation as at 31 January 2020. 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 before the impact of mitigating actions which are already well under way.

Like most Councils, the report explains where the Authority continues to manage 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 £2.932m, an improvement of £0.551m from November. A range of mitigating actions have been identified by officers, working with the Elected Mayor and Cabinet, in order to reduce the current pressure in the General Fund. Further actions are under way to ensure the outturn position is improved and a balanced outturn achieved. This includes stronger performance on some operational efficiencies, the recently declared Newcastle Airport dividend and the levy account surplus are examples.

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 been held by the Senior Leadership Team, working closely with the Elected Mayor and

Cabinet to give 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 £2.931m overall pressure outlined above, which represent the residual balances of the challenging cross-cutting savings targets. These items were recognised as high risk and as such growth has been allocated into the 2020-2024 Medium-Term Financial Plan.

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

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

1.2 Recommendations:

It is recommended that Cabinet:

- (a) notes the forecast budget monitoring position for the General Fund, Schools' Finance and Housing Revenue Account (HRA) as at 31 January 2020 (Annex sections 1, 5 and 6);
- (b) notes the Authority's Investment Plan spend of £42.201m to 31 January 2020 and the financing of the Plan to the end of the year (Annex Section 7);
- (c) approves variations of £3.353m and reprogramming of £1.875m within the 2019 – 2023 Investment Plan (Annex Section 7); and
- (d) approves the receipt of £0.305m of new Revenue grants (£0.305m relating to the General Fund) and £0.232m of Capital grants.

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 28 February 2020.

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 fifth monitoring report presented to Members on the Authority's 2019/20 financial position. It provides the latest 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 £2.932m against an approved net budget of £155.730m. This is driven mainly by the continued pressures in Children's Services of £5.422m and Adult Services of £1.702m. These are partly mitigated by the contingencies 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 £5.110m of pressures in Corporate Parenting and Placements and £2.163m 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 unfunded impact of the National Living Wage and the consequential impact on our commissioning costs for 2019/20.

Significant work has been done by the officer team, with the Elected Mayor and Cabinet to mitigate this position and the agreed 2020/21 Budget resolves some historic high risk savings targets.

New Revenue Grants:

The following new Revenue grants have been received during the period December 2019 – January 2020:

Service	Grant Provider	Grant	Purpose	2019/20 value £m
Environment Housing and Leisure	Department for Environment Food and Rural Affairs	Export Health Certificate Support Fund	To reduce delays for carrying out health checks on exports of fish.	0.025
Environment Housing and Leisure	Food Standards Agency	EU Exit Planning Funding	To support preparatory activities relating to EU exit in relation to food and animal feed.	0.012
Regeneration and Economic Development	North of Tyne Combined Authority	North of Tyne Investment Fund	To promote the economic growth and regeneration of North Shields.	0.200
Health, Education, Care and Safeguarding	Registered Nursing Homes Association	Adult Social Care Data and Cyber Security Programme	To support a programme around assistive technology and associated data ownership issues.	0.033
Public Health	Police and Crime Commissioner for Northumbria	Northumbria Violence Reduction Unit Intervention Fund	To support interventions, engagement activity and award grants aimed at reducing violence.	0.035
Total				0.305

School Funding:

Schools are required to submit their rolling three year budget plan by 31 May each year. The original total planned deficit for 2019/20 was £5.045m; this position was initially revised to a planned forecast deficit of £4.661m. During monitoring period 1, October 2019, this had reduced by £0.470m to £4.191m. January's monitoring period 2 saw a further reduction of £0.266m leaving a revised deficit of £3.925m. A total improvement of £0.726m has been achieved so far in 2019/20.

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. Nine schools had approved deficits in 2018/19, of which five of these schools continued to be in a deficit position for that start of 2019/20. In addition to the five schools that continued to be in deficit, a further six schools were new to deficit at the start of 2019/20. A total of eleven schools therefore started 2019/20 in a deficit position. Subsequently, during 2019/20 a further four schools are now forecasting deficits.

Cabinet will recall that the High Needs Block, of the Dedicated Schools Grant, ended 2018/19 with a pressure of £0.920m. Initial forecasts for 2019/20 indicated a similar level of pressure within the year of £0.952m. However, as at January 2020, the anticipated pressure is now £3.886m reflecting the rise in demand for special school places within the Authority and a general increase in the complexity of childrens needs 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 740. This compares to a total of 664 places at the beginning of 2018/19. The Authority are developing a cross-partnership, multi-agency approach to addressing the pressures within High Needs. An officer led review of Special Educational Needs and Disabilities (SEND) aged 0-25 is underway. The review will consider the potential system wide changes to be considered in the context of the Authority's SEND arrangements and our approach to inclusion in North Tyneside.

Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2020 of £7.605m, which are £3.734m higher than budget which was set at £3.871m. The higher than forecast balances are 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 (£2.633m), against an in-year budget of £2.331m, due to additional income of (£0.836m) combined with reduction to expenditure of (£1.797m) which is linked to savings identified following the end of the Kier JV from April 2019, previously reported to Cabinet in November 2019.

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of the end of January 2020, 3,031 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. Whilst arrears have increased, this position is being closely monitored to identify any adverse impacts on the budget position.

Investment Plan:

The 2019-2023 Investment Plan, as adjusted for proposed variations and reprogramming, totals £212.446m (£65.182m 2019/20) and is detailed in Table 21 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 2020-2024 Our North Tyneside Plan (Council Plan) was agreed by full Council on 20 February 2020 and sets out the overall vision and policy context within which the Financial Plan and Budget are set. The Financial Plan and Budget relating to the 2019/20 financial year was set under the previous 2018-2020 Our North Tyneside Plan, with the three key themes, Our People, Our Places and Our Economy consistent in both. For each theme 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, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.
- Benefit from the council's housing stock being decent and well managed, as well as maximising the potential use of housing such as through extra care schemes.
- Recognise the climate emergency by further reducing the Borough's overall carbon footprint. This will include reducing the council's carbon footprint, along with encouraging and enabling everyone to reduce their carbon footprint.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated as part of our 15 year 'Ambition for North Tyneside' plan. This will include the continued development of Killingworth Lake, creation of a Master Plan for North Shields, the delivery of plans for Segedunum and the Swans site in Wallsend, as well as further work to build on the success of the regeneration at the coast.
- Be a thriving place of choice for visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Benefit from the delivery of our ambitious vision, which we created with partners in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- 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, linked to the unfunded policy decision on the National Living Wage by the Government. In addition, the number of adults supported in placements within Residential and Nursing Care and Homecare and Extra Care have risen during 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.

However, 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 289 in January 2019 to 321 in January 2020 (as per Chart 4 in 4.2.25 of the Annex). This is the highest number the Authority has seen during 2019/20, and November 2019 is the only month to date during the year to date that the reported number has been below 300. There are a wide range of levels of care provided, with more complex cases now being faced. Increasing demand and complexity continue to drive financial pressure in 2019/20 and the Authority is forecasting a pressure of £5.110m in Corporate Parenting and Placements. Where children have left the system, this has tended to be within In-House Fostering where package costs are lower than the complex cases being treated through External Residential Care or External Supported Accommodation.

1.5.3 Investment Plan

The Investment Programme Board have carried out a review of the Investment Plan which has resulted in proposals for variations of £3.353m and reprogramming of £1.875m of which more details are set out in Section 7 of the Annex to this report. The revised Investment Plan stands at £65.182m for 2019/20 and to the end of January 2020 spend of £42.201m had been incurred which represents 64.74% of the revised plan.

1.6 **Decision options:**

The following decision options are available for consideration by Cabinet:

Option 1

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

Options 2

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

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

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

1.8 Appendices:

Annex: Financial Management Report to 31 January 2020
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 – Corporate Finance matters – 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>

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 31 March 2020.

2.2 Legal

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

2.3 Consultation/community engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation / Engagement

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

2.4 Human rights

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

2.5 Equalities and diversity

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

2.6 Risk management

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

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

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