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 fifth 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 £2.932m (a pressure of £3.483m was reported in November). The budget includes £6.875m of savings as agreed at Council on 21 February 2019. Table 1 in paragraph 1.8 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 adult and children's social care. Children's Services are forecasting a year end pressure of £5.422m (increased from a forecasted pressure of £4.460m at November) and Adults Services are forecasting a pressure of £1.702m (increased from the £1.346m pressure in November). 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 Facilities and Fair Access and Property within Commissioning and Asset Management. Further details can be found in section 4.3 of this report.

1.5 In Environment, Housing & Leisure (EHL) sufficient evidence is now available on reducing waste volumes in 2019/20 to significantly improve forecasts within this area. As such, remaining pressures within staffing, energy and rates are now forecasted to be offset by underspends relating to waste disposal and the service as a whole is now expected to underspend by £0.302m. This represents an improvement of £0.640m since the reported November position. Further details can be found in section 4.4.

1.6 Central Items are forecasting an underspend of £4.208m, representing an improvement of £0.638m since the last report. Included within this position is £4.527m of contingencies, which, if allocated, would leave a pressure in Central Items of £0.319m.

1.7 The resulting pressure in Central Items would be due to holding the targets for the high-risk cross-cutting savings proposals. These have been partially offset in-year by forecasted underspends generated by management actions around Strain on the Fund and the Authority's Treasury Management Strategy. Growth has been allocated within the 2020-2024 Medium Term Financial Plan to remove the impact of these high-risk savings on future financial years.

1.8 Table: 1 2019/20 General Fund Revenue Forecast Outturn as at 31 January 2020

	Gross Expenditure as at January 2020			Income as at January 2020			Net Expenditure as at January 2020			Nov 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	178.670	192.224	13.554	(110.792)	(117.222)	(6.430)	67.878	75.002	7.124	5.806
Commissioning and Asset Management	207.555	210.987	3.432	(185.298)	(188.405)	(3.107)	22.257	22.582	0.325	0.375
Environment, Housing and Leisure	71.168	73.615	2.447	(29.064)	(31.813)	(2.749)	42.104	41.802	(0.302)	0.338
Regeneration and Economic Development	2.193	2.242	0.049	(1.022)	(1.036)	(0.014)	1.171	1.206	0.035	0.099
Corporate Strategy	1.986	2.147	0.161	(1.587)	(1.816)	(0.229)	0.399	0.331	(0.068)	0.134
Chief Executive	0.406	0.368	(0.038)	(0.486)	(0.496)	(0.010)	(0.080)	(0.128)	(0.048)	(0.038)
Resources	79.877	71.674	(8.203)	(78.338)	(70.232)	8.106	1.539	1.442	(0.097)	0.157
Law and Governance	3.831	4.829	0.998	(3.811)	(4.638)	(0.827)	0.020	0.191	0.171	0.182
Central Items	15.646	12.130	(3.516)	(15.217)	(15.909)	(0.692)	0.429	(3.779)	(4.208)	(3.570)
Support Services	20.013	20.013	0.000	0.000	0.000	0.000	20.013	20.013	0.000	0.000
Total Authority	**581.345**	**590.229**	**8.884**	**(425.615)**	**(431.567)**	**(5.952)**	**155.730**	**158.662**	**2.932**	**3.483**

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. The cumulative position for the Authority over the nine-year period is an achievement rate of 94%.

2.4 In tracking progress made against each individual saving proposal for 2019/20 only, a total of £7.633m, is forecast to be achieved. 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 £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.

2.5 **Table 3: Efficiency Savings by Service at January 2020**

Service	2019/20 Target £m	Projected Delivery £m	Management Actions £m	Still to Achieve £m
Regeneration and Economic Development	0.103	0.103	0.000	0.000
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	0.042	0.000	0.000
Environment, Housing & Leisure	0.886	0.886	0.000	0.000
Health, Education, Care & Safeguarding	3.268	2.650	0.300	0.318
Total	**10.533**	**6.233**	**1.400**	**2.900**

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. The SLT is continuing to work on identifying further activity, actions and plans to further mitigate the residual target in 2019/20. The high-risk nature of these savings was identified early in the financial year and as such growth funding has been allocated for 2020/21 in the 2020-2024 Medium-Term Financial Plan.

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, with benefits achieved in both the General Fund and HRA. A further £0.200m is 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 over ambitious. Long term analysis of the supply chain has consistently demonstrated the Authority has had sustained success in securing value for money. This has had regular external testing. Significant work has been done, particularly to secure savings in the construction supply chain; however, the benefit has fallen mainly to the Housing Revenue Account. The procurement Service returned to the direct management of the Authority on 1st October 2019.

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 £2.650m (81%) of its targets at this stage in the year. Targets yet to be achieved are primarily made up of two schemes. 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. There is a further amount of £0.168m relating to expenditure reductions within Early Help and Vulnerable Families and HECS is working hard to identify permanent measures to achieve this target. 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.

2.14 The agreed 2020/21 Budget will resolve the longstanding issues, and mitigating action taken in 2019/20 should contribute to a balanced position.

SECTION 3 – NEW REVENUE GRANTS

3.1 The following new revenue grants have been received or notified during December 2019 and January 2020.

Table 4: Grants Received or Notified in December 2019 and 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 the masterplan for 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**

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 to review the quarter one, two and three positions with 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 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 of £7.124m against its £67.878m net controllable expenditure budget. This represents a worsening of £1.318m since the November forecast variance of £5.806m. 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 The worsening in position is mainly within Children's Services and breaks down as shown in Table 5 below.

4.2.3 **Table 5: Movement in Children's and Adult Services between November and January 2019/20**

	Variance Jan £m	Variance Nov £m	Movement £m
Children's Services	5.422	4.460	0.962
Adult Services	1.702	1.346	0.356
Total	**7.124**	**5.806**	**1.318**

4.2.4 Within Children's Services there has been an increase in costs mainly relating to placements for children in care of £0.468m resulting from an increased number of children in care and increased costs for our most vulnerable and complex children. Work is underway to understand why these costs could not have been identified earlier. In addition, an adverse movement of £0.603m relates to an accounting error in the form of a double count of the achievement of savings targets, which has also been subject to detailed examination. The worsening of £1.071m has been marginally reduced by the allocation of £0.109m relating to SEND grant funding previously held centrally. Further details are shown in paragraphs 4.2.26 to 4.2.41.

4.2.5 Within Adult Services the movement of £0.356m is mainly in relation to reduced contributions from the North Tyneside Clinical Commissioning Group (NTCCG) in relation to clients with significant health needs but who do not meet the threshold for Continuing Healthcare funding.

4.2.6 **Table 6: Forecast Variation for HECS at January 2020**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m
Corporate Parenting & Placements	16.495	21.605	5.110	3.894
Early Help & Vulnerable Families	1.173	1.141	(0.032)	0.006
Employment & Skills	0.546	0.518	(0.028)	(0.022)
Integrated Disability & Additional Needs Service	2.378	2.831	0.453	0.655
School Improvement	0.088	0.007	(0.081)	(0.073)
Regional Adoption Agency	0.000	0.000	0.000	0.000
Children's Services Sub-total	**20.680**	**26.102**	**5.422**	**4.460**
Wellbeing, Governance & Transformation	2.265	2.310	0.045	0.035
Disability & Mental Health	29.811	29.546	(0.265)	(0.789)
Wellbeing & Assessment	11.747	13.908	2.161	2.206
Integrated Services	2.903	2.617	(0.286)	(0.162)
Business Assurance	0.367	0.414	0.047	0.056
Adult Services Sub-total	**47.093**	**48.795**	**1.702**	**1.346**
Public Health	0.105	0.105	0.000	0.000
Total HECS	**67.878**	**75.002**	**7.124**	**5.806**

Main budget pressures across HECS

4.2.7 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 the NHS for clients with health needs as the NTCCG themselves face continuing budget constraints.

4.2.8 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 was a fall in the overall number of children in care to 298 in November 2019 from 315 at September 2019, the number of children in care has now risen to 321 in January 2020 (see 4.2.30 below). The numbers of care nights provided through more costly external residential placements and supported accommodation have also continued to rise resulting in a further increase of 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.

Adult Services

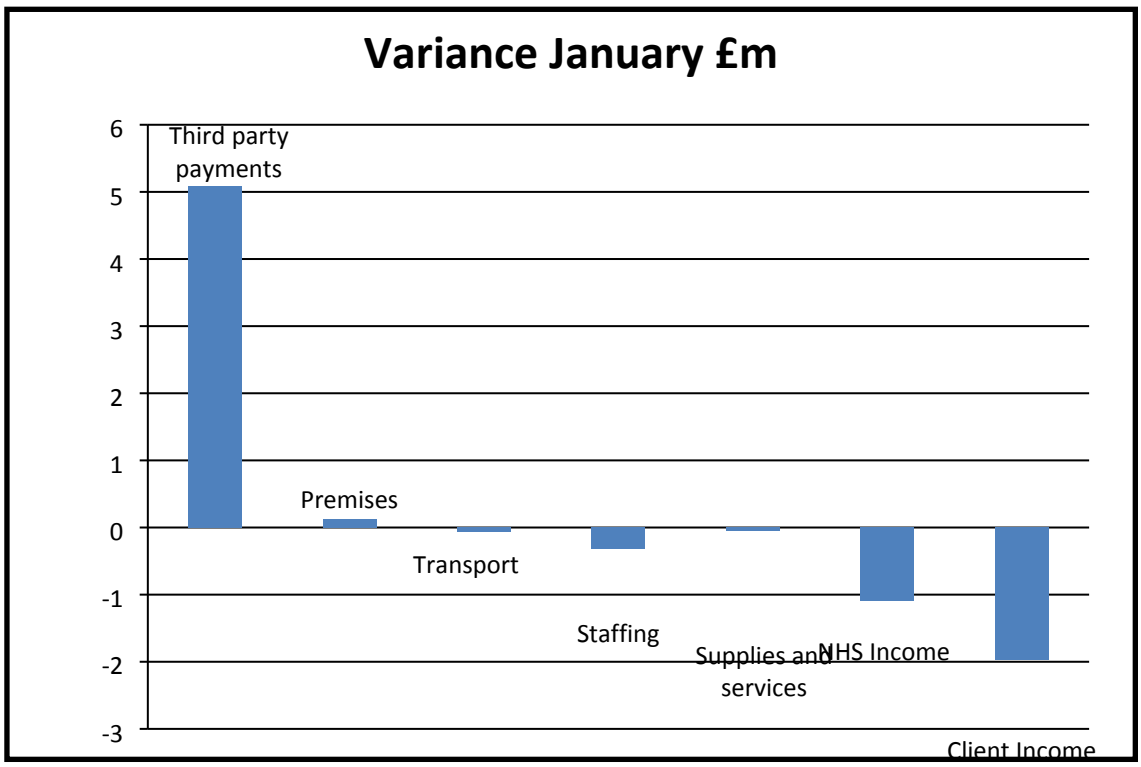
4.2.9 In Adult Services, there is a pressure of £1.702m, which has increased by £0.356m from the reported position in November.

4.2.10 The increased pressure relates mainly to a reduction in contributions from NTCCG relating to clients with significant health needs but who do not meet the threshold for Continuing Healthcare funding, reducing the anticipated level of income the Authority is receiving.

4.2.11 There are on-going pressures in third party payments for care provision which is £5.083m above budget levels. There is also a smaller pressure relating to premises costs (£0.127m). These pressures are partially offset by a reduced, although still higher than budgeted, level of contributions from the NHS (£1.097m) and from client contributions (£1.978m). There are underspends against staffing budgets and supplies and services of £0.314m and £0.048m respectively. The demand pressures were foreseen by Cabinet and backed by £1.800m of contingencies held centrally.

4.2.12 The factors behind the overall pressure of £1.702m are represented graphically below:

Chart 1: Breakdown of Budget Variances within Adult Social Care



4.2.13 In common with most local authorities, North Tyneside Council has seen demand for adult social care continue to rise. Whilst we are looking after fewer people,

the complexity of cases is increasing, leading to increase pressure through both cost and hours spent supporting clients.

4.2.14 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 approach that focuses on individual's strengths rather than their weaknesses, encouraging support from friends and families to maximise their independence. This has had the impact of containing the overall size of the population in receipt of services but the average cost of those services has increased due to the increased complexity of the needs of those clients.

4.2.15 Pressures within external payments for care provision total £5.083m above budget. These are analysed into the following service types:

Table 7: Analysis of Adult Services Care Provision Pressure by Service Type

Type of Service	January £m	November £m
Residential and Nursing Care	3.770	3.303
Homecare and Extra Care	1.051	1.150
Other Community-Based Care	0.262	0.386
Total	**5.083**	**4.839**

Residential and Nursing Care

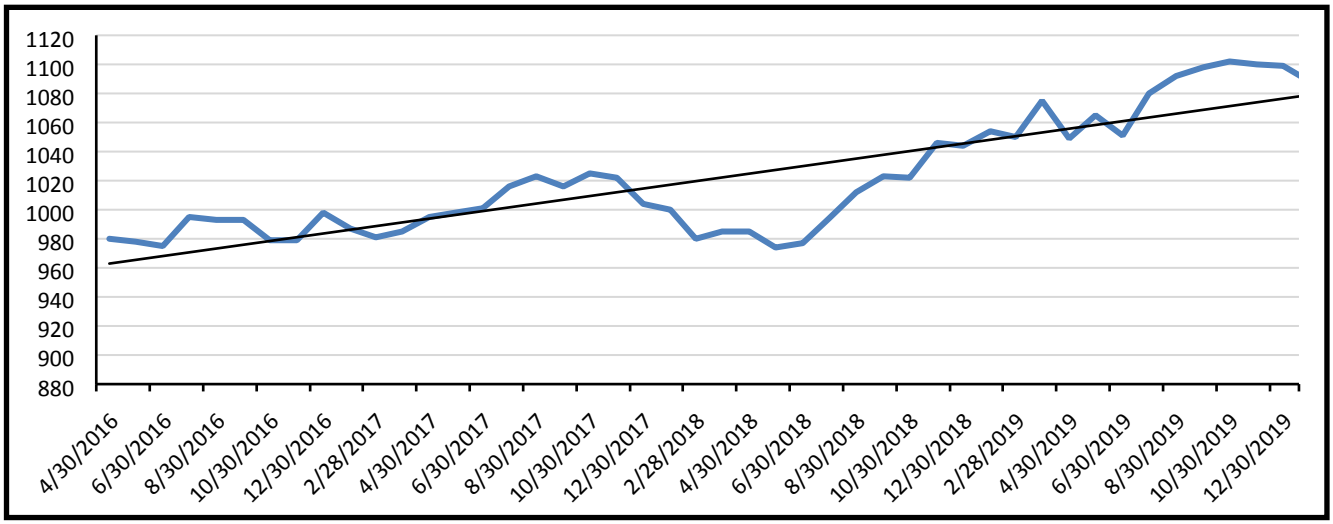
4.2.16 In relation to Residential and Nursing Care, an increase in short-term placements in the later part of 2018/19 saw numbers of placements overall rise to 1,066. Internal processes to monitor the use of short-term placements have been strengthened and numbers of placements had fallen in the first 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.

4.2.17 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.

4.2.18 The numbers of placements overall for residential and nursing care, however, has continued to increase since July peaking in December at 1,100 then falling back slightly to 1,088 at the end of January. The comparative numbers in residential and nursing care in December and January in 2018/19 were 1,044 and 1,054 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 £3.770m (£3.303m in November). 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. The movement in numbers placed in residential and nursing care is shown in Chart 2 below.

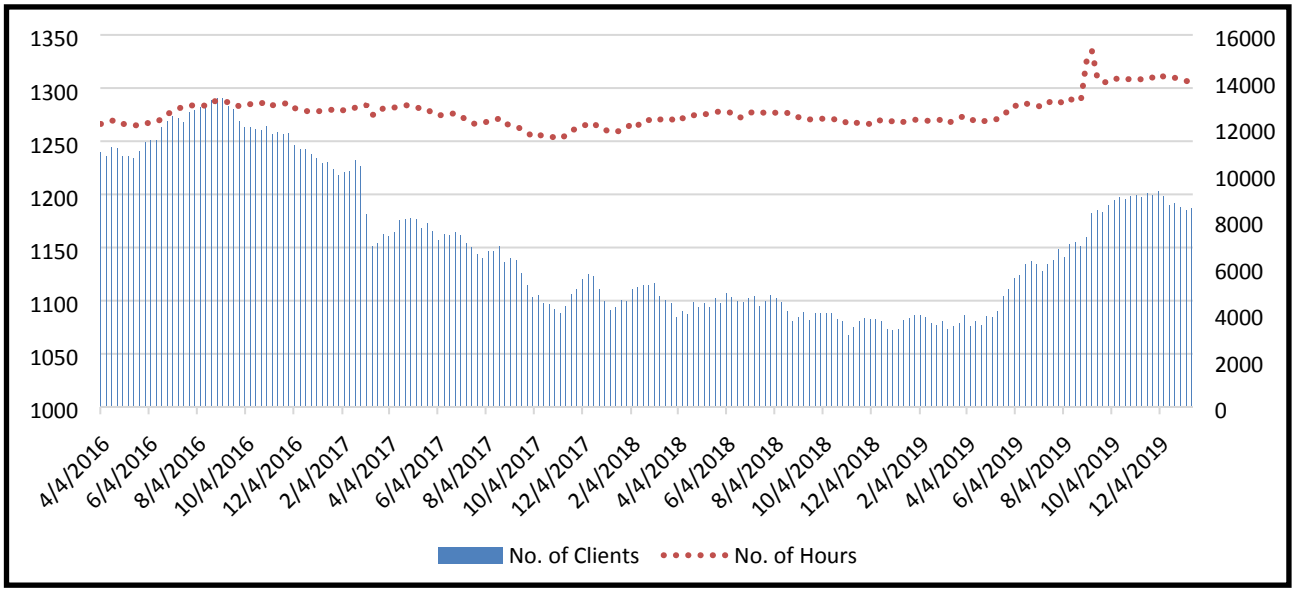
Chart 2: Movement in Numbers of Clients in Residential and Nursing Care



Homecare and Extra Care

4.2.19 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 had risen again to 1,194 but have fallen back slightly in January to 1,187 leading to a reduced forecast variance of £1.051m (November, £1.150m). The movement in client numbers and hours delivered is shown in Chart 3 below:

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

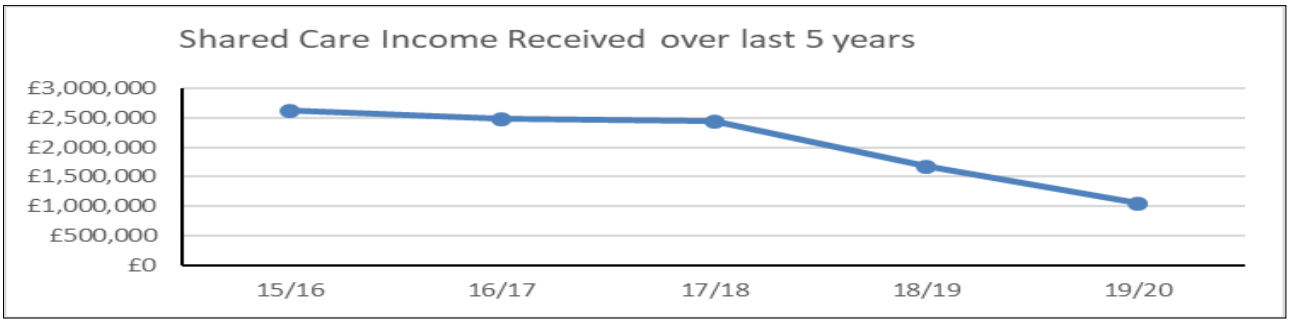


4.2.21 HECS is working hard to continue to re-engineer the customer pathway to ensure that assessments are proportionate and that clients receive the appropriate level of support to meet their needs (to the extent that they are eligible under the Care Act) as cost-effectively as possible. Work is continuing 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>

4.2.22 There has been a net reduction in NTCCG contributions of £0.471m for clients who have a significant health need but who do not meet the threshold for Continuing Healthcare often referred to as 'shared care'. Shared care is not subject to the same statutory guidance as Continuing Healthcare and funding arrangements are agreed on an individual client basis between the Authority and NTCCG. This form of funding has been reducing since 2015/16 as shown in Chart 4 below. Management within HECS are working hard to ensure that clients with significant health needs are appropriately supported by contributions from NHS funding.

4.2.23 **Chart 4: Reducing Trend of Shared Care Contributions since 2015/16**



Client Income

4.2.24 Client contribution income has continued its improving trend and is now forecasted to over-recover against budget by £1.978m. 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

4.2.25 There are pressures of £0.127m 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

4.2.26 In Children's Services the £5.422m pressure relates mainly to demand pressures of £5.110m in Corporate Parenting and Placements and £0.453m in Integrated Disability and Additional Needs. These pressures are partially offset by underspends in Early Help and Vulnerable Families, Employment and Skills and School Improvement. The pressures were foreseen by Cabinet and backed by £2.616m of contingencies held centrally. The forecast has increased overall by £0.962m since the last report mainly due to a net additional 23 children (£0.218m), increased costs relating to our most vulnerable children who have very complex needs (£0.468m) and a change in forecasts relating to a double counting of savings target achievement (£0.603m). This has been partially offset by the transfer of SEND grant funding (£0.109m) from Central to Integrated Disability and Additional Needs, and the application of grant funding relating to Partners in Practice work (£0.150m) in addition to a range of other small movements.

Corporate Parenting and Placements

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

Table 8: Analysis of Pressures in Corporate Parenting and Placements

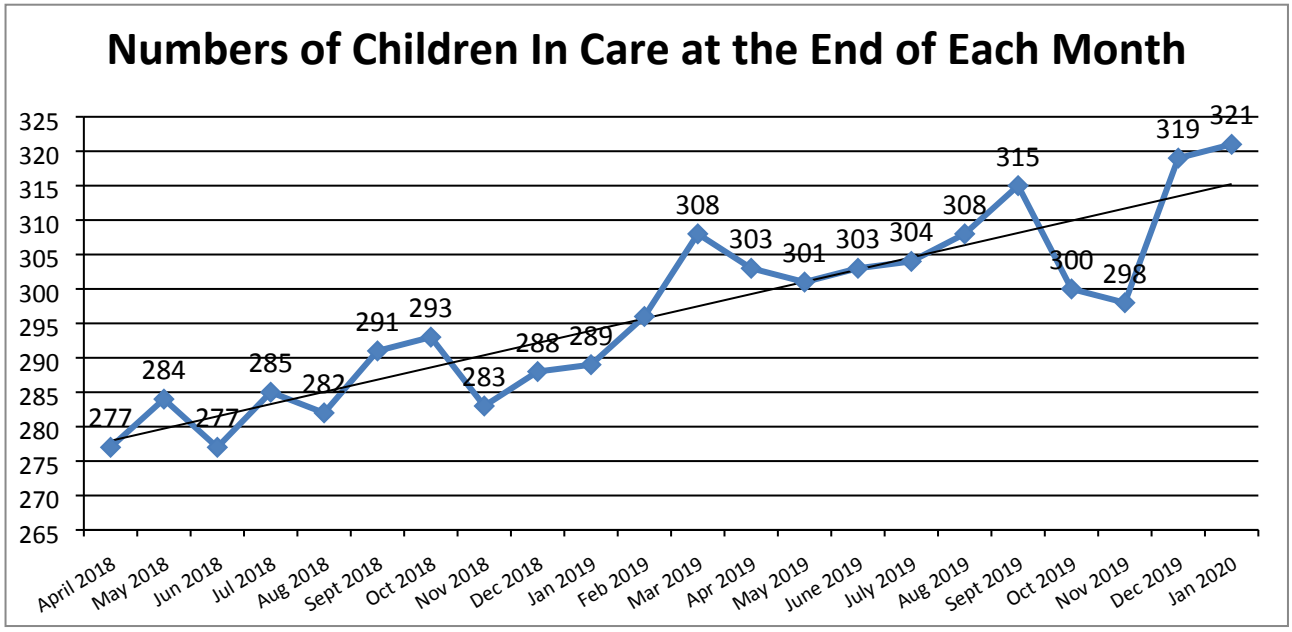
Type of Service	Budget 2019/20 £m	Variance January £m	Variance November £m
Care provision – children in care	9.185	4.089	2.830
Care provision – other children	3.202	0.416	0.541
Management & Legal Fees	(0.120)	0.165	0.141
Social Work	4.184	0.436	0.377
Safeguarding Operations	0.044	0.004	0.005
Total	**16.495**	**5.110**	**3.894**

4.2.28 The increase of £1.216m since the last report relates to children in new external placements (£0.218m) with a further £0.452m relating to extensions and changes in the level of support in existing placements predominantly relating to four children with very complex needs. There is also an increase in the forecast for inhouse fostering costs of £0.143m. An amount of £0.403m relates to a double count of savings targets. This is part of the overall double count of £0.603m.

Care Provision – Children in Care

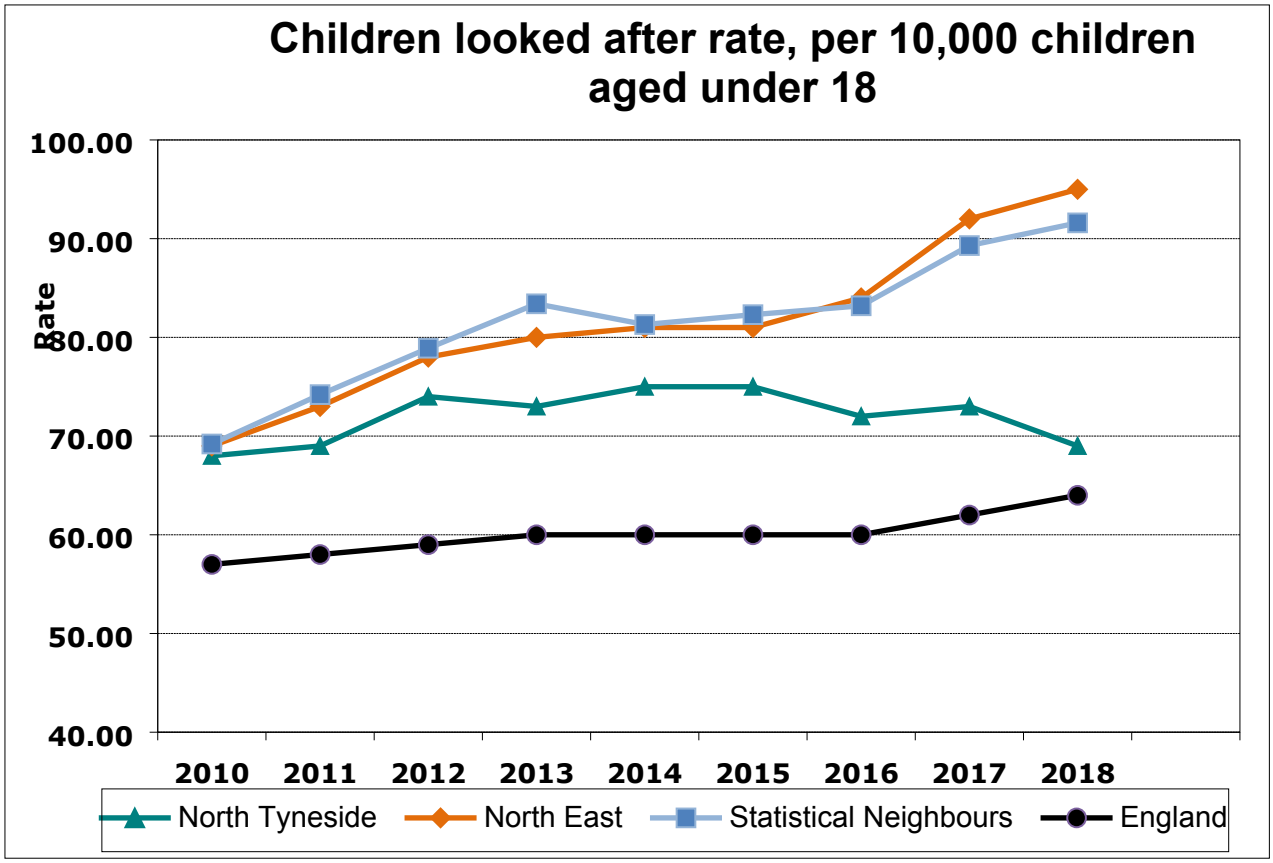
4.2.29 Over recent years, there has been an increase nationally in demand for children's residential placements but with no corresponding increase in central government funded provision. In North Tyneside over the last few years the overall number of children in care has mirrored the increases felt nationally. The Authority has seen a significant increase in the numbers of children in care in 2019/20 (average 307) compared to the numbers seen in 2018/19 (average 284).

4.2.30 **Chart 5: Children in Care at the End of Each Month**



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

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



4.2.33 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 65% of the overall placement cost. The average cost of a residential care placement at present is £0.278m; 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. Within 2019/20 there have been 18 children in residential services with a weekly cost in excess of £0.005m. External supported accommodation can also be expensive and there has been a cohort of eight young people with very complex needs being supported for the majority of the year at an average cost of approximately £0.005m per week.

4.2.34 **Table 9: 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 Jan 20	No. of children Nov 19
External Residential Care	2.388	0.278	8.562	8%	24	23
External Fostering	0.191	0.037	11.334	10%	28	25
In-House Fostering Service	0.170	0.020	77.465	68%	220	204
External Supported Accommodation	1.339	0.168	4.467	4%	17	16
Other*	0.001	various	11.618	10%	30	30
Total	**4.089**		**113.446**	**100%**	**319**	**298**

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

4.2.35 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)

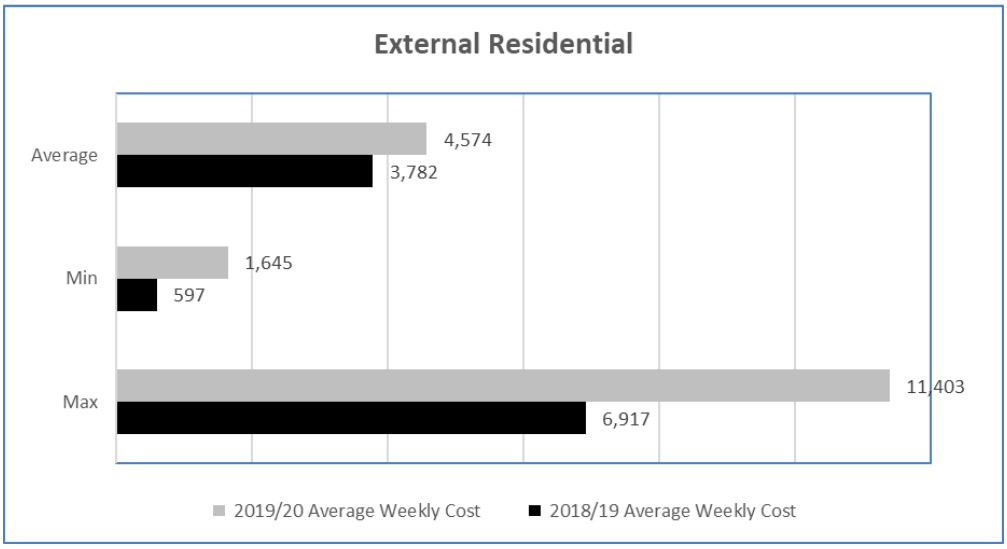
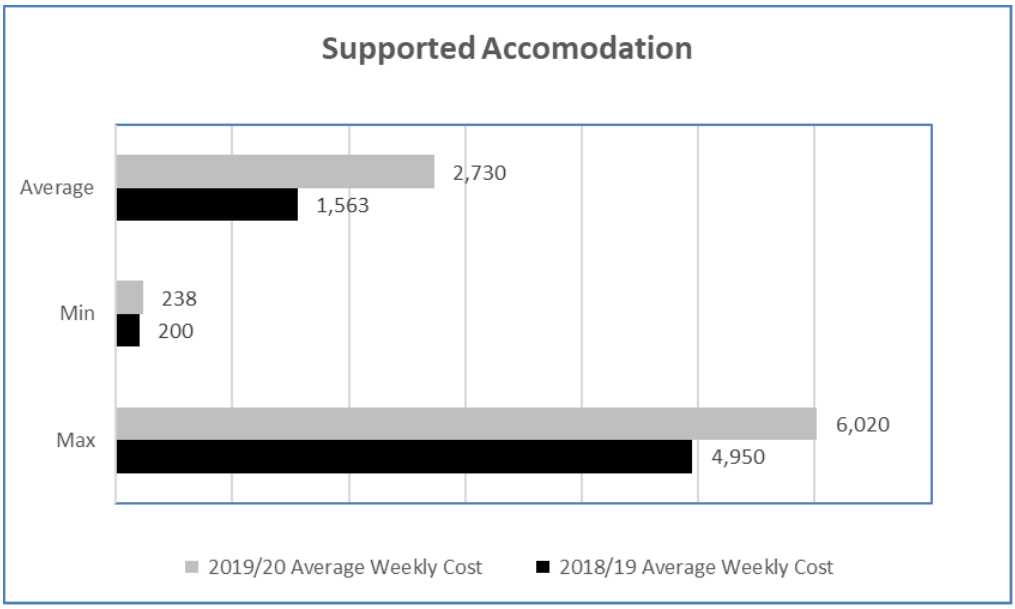


Chart 8: Changes in Average, Minimum and Maximum Weekly Fee Rates Between 2018/19 and 2019/20 for Supported Accommodation (net of health and education contributions)



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

Care Provision – Children not in care

4.2.37 The pressure of £0.416m relating to care provision for children not in the care system relates predominantly to children under a Special Guardianship Order (SGO). Cabinet know that the Authority's policy for supporting children in SGOs was amended in 2018 and that this brought about additional costs. The contingency budget of £2.616m established in Central Items in 2018/19 was, in part, intended to mitigate against these costs.

Management and Legal Fees

4.2.38 There is a pressure in management staffing costs of £0.036m and general operating expenses of £0.129m which includes £0.042m s17 support (financial assistance to children and families with no other recourse to funds) within the overall pressure of £0.165m.

Social Work

4.2.39 Within the overall pressures of £5.110m for Corporate Parenting and Placements, there are staffing pressures of £0.245m. 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). However, at the time of reporting, the success of this work can be judged by the fact that there are no agency staff currently required, caseloads are in line with good practice and their work force stability supports comparatively strong performance in the Service. There is also a total pressure of £0.191m within social work team budgets for child related costs such as professional fees, DNA tests, drug and alcohol testing, asylum seeker support, counselling sessions and costs for other therapeutic interventions.

Integrated Disability and Additional Needs

4.2.40 There is a pressure of £0.453m at January 2020 which is an improvement of £0.202m 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 also staffing pressures of £0.145m in Educational Psychology partly relating to cover arrangements associated with maternity leave. An amount of £0.100m worsening in the position has resulted from a double count in achievement of savings. This has been offset by a contribution from Public Health of £0.150m and a transfer of £0.109m from Central Items in relation to the loss of the Special Educational Needs and Disabilities (SEND) grant and a number of other smaller improvements across the Service. 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 £0.325m as set out in Table 10. This is an improvement of £0.050m compared to the previously reported variance of £0.375m.

4.3.2 **Table 10: Commissioning and Asset Management Forecast Variation**

	Budget £m	Forecast £m	Variance Jan £m	Variance Nov £m
School Funding & statutory staff costs	18.288	18.252	(0.036)	(0.020)
Commissioning Service	0.384	0.384	0.000	0.000
Child Protection independent assurance & review	0.674	0.699	0.025	0.020
Facilities & Fair Access	0.666	0.910	0.244	0.195
Community & Voluntary Sector Liaison	0.439	0.424	(0.015)	(0.015)
Strategic Property & Investment	0.865	0.860	(0.005)	(0.005)
High needs Special Educational Needs	0.000	0.000	0.000	0.000
Property	0.815	0.935	0.120	0.200
Commissioning & Asset Management & support	0.155	0.147	(0.008)	0.000
Procurement	(0.029)	(0.029)	0.000	0.000
Total Commissioning & Asset Management	**22.257**	**22.582**	**0.325**	**0.375**

4.3.3 There are budget pressures relating to Facilities and Fair Access where there are inflationary issues of £0.075m within Catering and £0.075m in Cleaning. In addition, there are pressures within Home to School Transport of £0.150m 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. Surplus income within Facilities and Fair Access is partially offsetting this pressure.

4.3.4 Property is showing pressures of £0.120m, an improvement of £0.080m on the November report. Pressures remain within the repairs and maintenance budget across the Council.

4.3.5 C&AM is continuing to look at additional ways to achieve further efficiencies across the Catering and Cleaning services and within Home to School Transport work is actively progressing on route rationalisation using the new QRoute system.

4.4 **Environment, Housing & Leisure (EHL)**

4.4.1 EHL is forecasting a saving of £0.302m against the £42.135m budget, as set out in Table 11 below, which is an improvement of £0.640m from the forecast at November. This forecast position and improvement is in line with EHL's record of managing pressures in year with other mitigating savings. This monitoring position reflects a £0.696m transfer from reserves to cover Private Finance Initiative (PFI) pressures and £0.289m transfer from the reserves specifically related to pressures from the Kerbside/Home Recycling Disposal Contract renewal.

4.4.2 **Table 11: Forecast Variation in Environment Housing & Leisure**

	Budget (£m)	Current Forecast (£m)	Current Variance (£m)	November Variance (£m)
Sport & Leisure	3.101	3.288	0.187	0.200
Cultural Services	6.925	6.994	0.069	0.153
Security & Community Safety	0.301	0.329	0.028	(0.007)
Fleet Management	0.808	0.808	0.000	0.036
Waste & Recycling Disposal	7.130	6.549	(0.581)	(0.101)
Waste Management	3.707	3.781	0.074	0.076
Local Environmental Services	7.249	7.198	(0.051)	(0.001)
Head of Service & Resilience	0.102	0.147	0.045	0.047
Street Lighting PFI	4.396	4.396	0.000	0.000
Consumer Protection & Building Control	0.928	0.886	(0.042)	(0.042)
Transport & Highways	6.328	6.331	0.003	0.003
Planning	0.217	0.217	0.000	0.000
General Fund Housing	0.912	0.878	(0.034)	(0.026)
Total	**42.104**	**41.802**	**(0.302)**	**0.338**

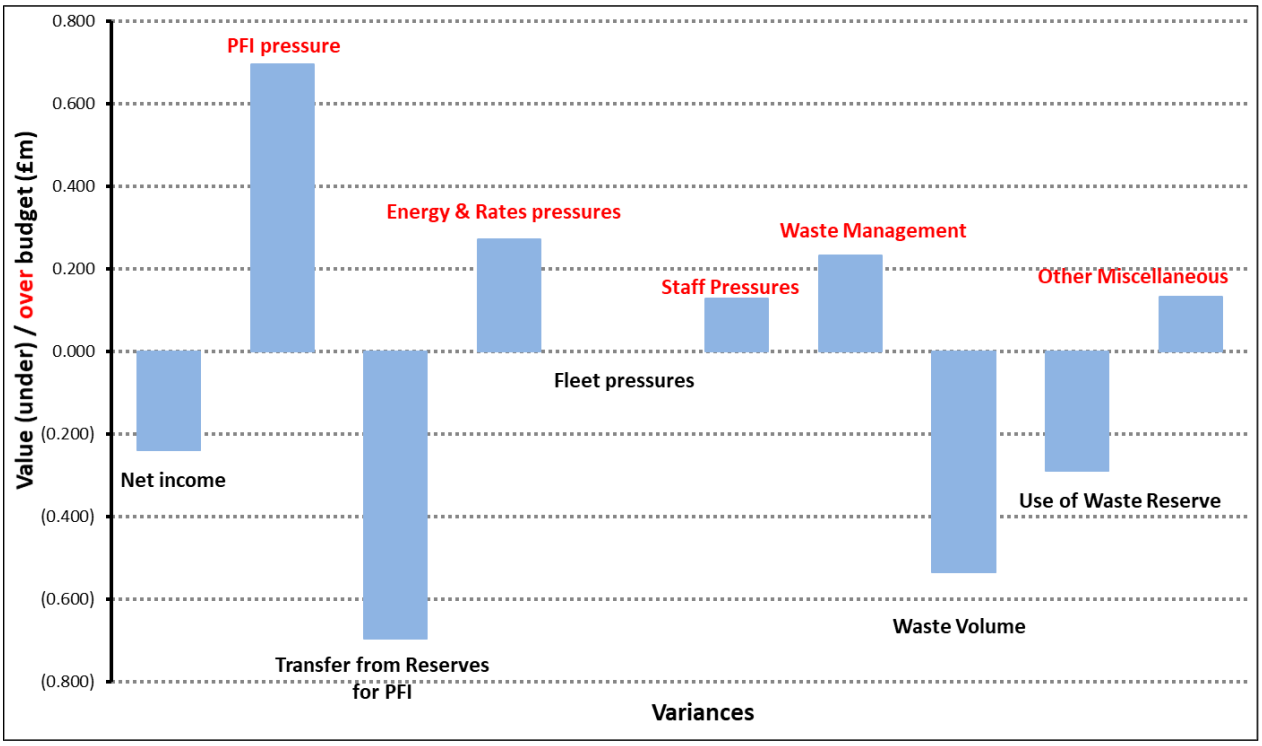
4.4.3 Cabinet will recall from previous reports that EHL had committed to delivering a balanced position. Whilst EHL started the year with identified pressures around energy and staffing costs plus target income pressures, a plan of mitigation was identified which included the following areas:

- Waste volume charges
- Fleet operational costs
- Whitley Bay Playhouse profit-share
- Bereavement income
- Operational costs in Cultural Services and Local Environmental Services

4.4.4 This planned management of pressures has been successful in 2019/20 as in previous years, with mitigating actions and savings now offsetting the pressures and forecasting an overall saving.

4.4.5 The main pressures, identified in 2019/20 are, Street-lighting PFI of £0.696m, pressures on energy and rates across the service areas of £0.272m and operational waste collection pressures of £0.074m. In addition, there are net staffing pressures across the EHL service of £0.127m. There are also smaller pressures associated with income generation shortfalls and other miscellaneous operational spend. The pressures are shown in Chart 9 below.

4.4.6 **Chart 9: 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

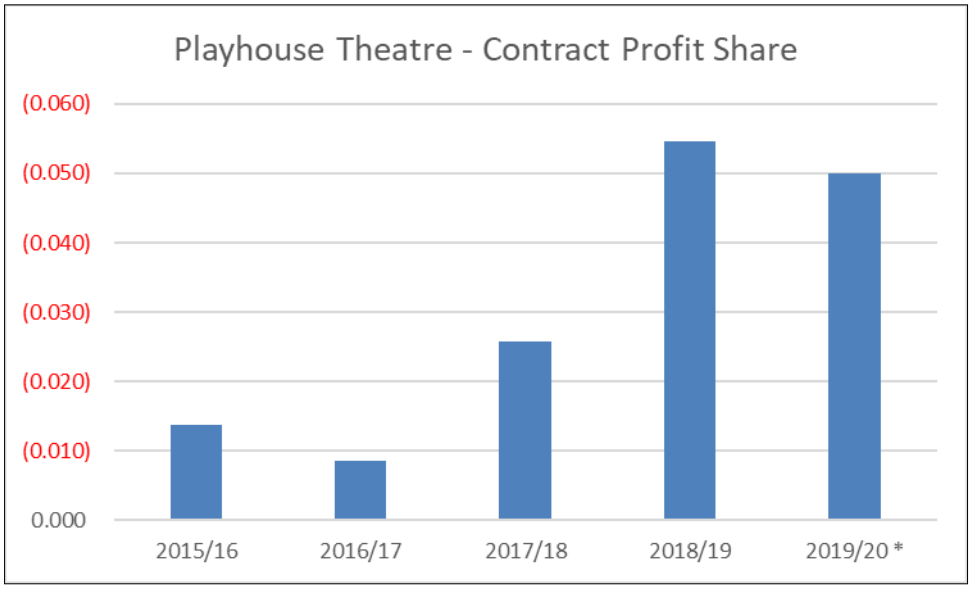
4.4.8 Sport and Leisure is predicting a pressure of £0.187m, reflecting a £0.013m improvement since November. Whilst income budget targets around indoor gym memberships and associated activities have increased by £0.600m compared to 2018/19, EHL is still forecasting a (£0.174m) improvement against these revised targets. The improved income is offsetting historical pressures within Sport and Leisure around staffing and energy and rates costs.

Cultural Services

4.4.9 Cultural Services within North Tyneside are showing a forecast pressure of £0.069m, which includes historical pressures due to energy and rates costs and income shortfalls due to changing patterns of consumer behaviour.

4.4.10 Cultural Services pressures are partially mitigated by the expected profit share from The Playhouse (2019/10 value still awaiting confirmation), along with continued close management of operational expenditure.

4.4.11 Chart 10: Playhouse Profit Shares for previous 5 years



Security and Community Safety

4.4.12 Cabinet will recall from previous reports that this service area has reviewed and realigned both structure and finances to increase its overall viability. Following this review, it is forecasting a small pressure of £0.028m at January 2020.

Fleet Management

4.4.13 Fleet Management is now forecasting a balanced budget, despite absorbing a cost burden of £0.310m in relation to meeting the increased capital financing costs for newly purchased vehicles.

4.4.14 This service area has been prudently forecasting other costs, such as vehicle maintenance and other operational expenditure, however an improvement of (£0.036m) is now reported in operational costs since November. The reduced maintenance spend is now offsetting the impact of the additional capital costs.

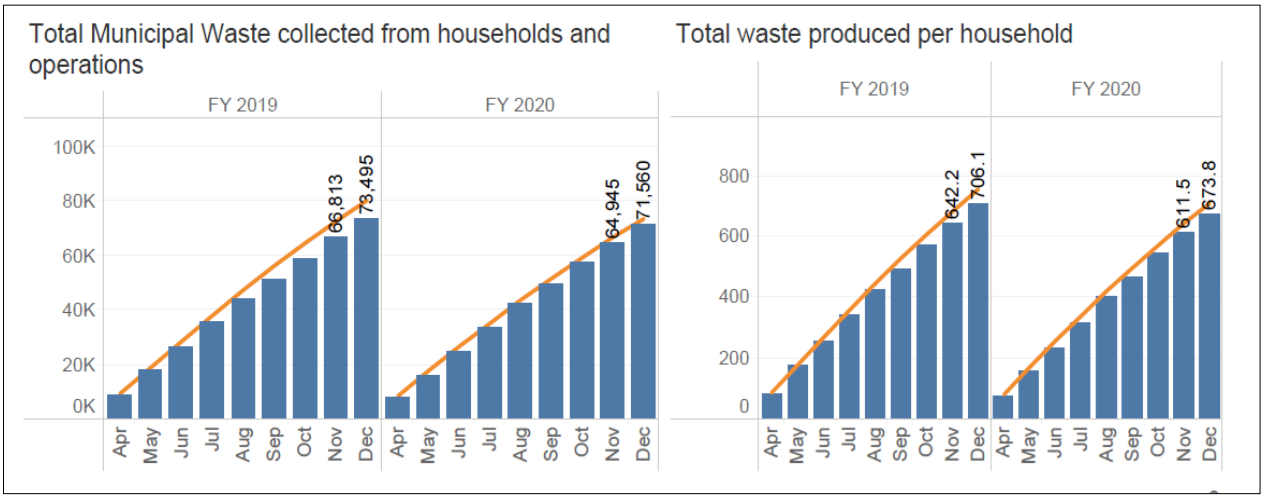
Waste Management including Recycling and Disposal

4.4.15 The Waste Management service is absorbing the known cost pressures related to providing larger bins at no extra cost to residents. Operational expenditure increases are also forecast linked to coping with additional routes for new housing developments across North Tyneside, which accounts for other pressures totalling £0.074m.

4.4.16 The proportion of household refuse, recycling and composting continues to show improvement since the introduction of alternate weekly collections. At the end of December, the total amount of municipal waste collected, including household and waste from operations, is better than the profiled target and has reduced by more than 1,900 tonnes compared to the same period last year. 71,500 tonnes of household waste have been collected to date this financial year. The reduction in waste going to landfill and the reduced amount of associated costs incurred is resulting in a significant cost underspend being forecast of (£0.536m)

against the Waste Disposal Contract costs. The chart below shows the change in waste volume, both in total waste collected and in waste produced per household, over the last two years.

4.4.17 Chart 11: Improvement of Waste Volumes Year on Year



Local Environmental Services

4.4.18 Local Environmental Services is predicting a (£0.051m) underspend. This reflects reduced Grounds Maintenance costs which mitigates pressures associated with operational costs across Outdoor Parks. In addition, higher income from Seafront Properties are forecast.

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 (CP&BC)

4.4.20 CP&BC is predicting a surplus of £0.042m. Within this position is an estimated £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. The overall position assumes that this pressure will be mitigated in-year.

4.5 **Regeneration and Economic Development**

4.5.1 Regeneration and Economic Development is forecasting a pressure of £0.035m at January 2020 as summarised in Table 12 below.

4.5.2 **Table 12: Forecast Variation for Regeneration and Economic Development**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m
Business & Enterprise	0.754	0.689	(0.065)	(0.015)
Regeneration	0.309	0.388	0.079	0.099
Resources & Performance	0.108	0.129	0.021	0.015
Total	**1.171**	**1.206**	**0.035**	**0.099**

4.5.3 The pressures result from a forecast shortfall against budget for berthing fee income of £0.103m 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.

4.5.4 The favourable variance movement since the last reported position of £0.099m reflects a forecast reduction in operational expenditure mainly in Business & Enterprise.

4.6 **Corporate Strategy**

4.6.1 Corporate Strategy is forecasting a saving of (£0.068m) as set out in Table 13 below and is a £0.202m improvement from November. This reflects an improvement due to a realignment of budget from Central Items against staffing pressures.

4.6.2 **Table 13: Forecast Variation Corporate Strategy**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m
Children's Participation & Advocacy	0.243	0.209	(0.034)	0.020
Corporate Strategy Management	(0.001)	0.008	0.009	0.029
Elected Mayor & Executive Support	0.012	(0.000)	(0.012)	0.003
Marketing	0.163	0.209	0.046	0.087
Policy, Performance & Research	(0.018)	(0.095)	(0.077)	(0.005)
Total	**0.399**	**0.331**	**(0.068)**	**0.134**

4.7 **Resources and Chief Executive Office**

4.7.1 The forecast surplus of (£0.145m) within Resources and Chief Executive Office is an improvement of £0.264m from November. The movement mainly relates to recharging Chief Executive costs to North of Tyne Combined Authority, an improvement in HR due to a contribution from central funds against staffing pressures and an improvement in Finance due to additional income received through the NTC ENGIE Partnership.

4.7.2 **Table 14: Forecast Variation Resources**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m
Chief Executive	(0.080)	(0.128)	(0.048)	(0.038)
ICT Retained Services	1.890	2.571	0.681	0.611
Finance Service	(0.328)	(1.163)	(0.835)	(0.559)
Human Resources & Organisational Development	(0.023)	0.034	0.057	0.105
Total	**1.459**	**1.314**	**(0.145)**	**0.119**

4.7.3 Within ICT Retained Services the main pressures relate to continuing staffing pressures associated with the Customer Journey project of £0.168m. There is an on-going pressure of £0.378m relating to the Out-systems software development and hosting platform for the production of custom applications. The remaining pressure relates to newly adopted systems.

4.7.4 Also within ICT Retained Services are budget pressures within Digital Strategy of £0.102m, 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) staffing 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, which is partially offset by central allocation of funds.

4.7.6 Within Finance (including Revenues and Benefits), There has been a pressure throughout the year due to reduced Housing Benefit overpayment income. In the last few months this pressure has reduced due to increased Housing Benefit overpayments being created by targeted reviews of high risk areas and subsequently recovered. The forecast bad debt provision has also reduced for 2019/20 due to historic and current Housing Benefit overpayments now being recovered from ongoing DWP benefits where possible, which reduces the in-year provision requirement to £0.972m below budget.

4.7.7 There are also pressures on bank charges £0.037m and the Engie contract payment for splitting of the Northgate database £0.044m. These are offset by a forecast surplus of £0.050m for enforcement income and £0.721m payment from

Engie for pension payments in-line with the relevant contract clause, income from Swift and income from bank charges.

4.8 **Law and Governance**

4.8.1 Law and Governance is forecasting a pressure of £0.171m, which is an improvement of £0.011m since November.

4.8.2 **Table 15: Forecast Variation for Law and Governance**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m
Customer, Governance and Registration	(0.075)	(0.072)	0.003	0.005
Democratic & Electoral Services	(0.064)	(0.039)	0.025	0.049
Information Governance	0.000	0.040	0.040	0.024
Legal Services	(0.134)	(0.032)	0.102	0.082
North Tyneside Coroner	0.293	0.294	0.001	0.022
Total	**0.020**	**0.191**	**0.171**	**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 January 2020 set out in Table 16 below reflects an underspend of (£4.208m) on central budgets, including contingency budgets relating to pressures in adult and children's social care of £4.416m. This is an improvement of £0.638m resulting from the release of reserves relating to fund the cost of the insourcing of Construction and Maintenance for the General Fund *of* (£0.250m), a contribution to insurance costs from the construction service (£0.200m) and increased savings on strain on the fund costs (£0.050m) following further review.

4.9.2 **Table 16: Forecast Variation Central Budgets and Contingencies**

	Budget £m	Forecast Jan £m	Variance Jan £m	Variance Nov £m
Corporate & Democratic Core	9.545	9.545	0.000	0.000
Other Central Items	(9.116)	(13.324)	(4.208)	(3.570)
Total Central Items	**0.429**	**(3.779)**	**(4.208)**	**(3.570)**

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 (£1.334m). 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 £0.900m for Strain on the Fund costs, increased from £0.850m at November. There are contingency budgets of £4.526m including the £4.416m held against pressures in social care. There is a construction service contribution to insurance costs of £0.200m, unused construction and maintenance reserves of £0.250m and a total of £0.313m 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. In addition, there are contributions to Norham High School £0.110m and budget movements to fund staffing pressures £0.221m.

SECTION 5 - SCHOOLS FINANCE

Update on the Overall School Position from Second Monitoring

5.1 Cabinet will recall that in 2018/19 it was reported that schools had a year-end outturn of £1.599m, against a budgeted deficit of £4.715m. The first monitoring of 2019/20 reported a £4.191m deficit against a budgeted deficit of £4.661m, which was an improvement against budget of £0.470m.

5.2 The second set of budget monitoring for the financial year has recently been completed. Initial forecast results across all school phases (as shown in table 17 below) now reflect a forecast deficit of £3.935m, which is an improvement since the first monitoring of £0.256m. This also reflects an overall improvement against budget of £0.726m.

5.3 **Table 17: Second Monitoring Results for Schools - 2019/20**

Phase	Outturn 2018/19 £m	Budget Plan 2019/20 £m	Monitoring 1 2019/20 £m	Monitoring 2 2019/20 £m	Variance To Budget £m
Nursery	0.009	0.002	0.029	0.097	0.095
First	0.654	0.412	0.433	0.433	0.021
Primary	3.134	2.346	2.317	2.314	(0.032)
Middle	0.380	0.369	0.346	0.256	(0.113)
Secondary	(3.658)	(8.028)	(7.817)	(7.647)	0.382
Special / PRU	1.080	0.238	0.501	0.612	0.373
Total	**1.599**	**(4.661)**	**(4.191)**	**(3.935)**	**0.726**

5.4 The improvement in forecast outturns for schools includes four additional schools which are now forecasting unauthorised deficits over £5,000 in 2019/20. These schools are currently showing a forecast that is collectively £0.195m worse than budget at the second monitoring, as shown in table 18.

5.5 **Table 18: Emerging Deficit Schools in 2019/20**

School	Budget Plan 2019/20 £m	Monitoring 1 2019/20 £m	Monitoring 2 2019/20 £m	Variance To Budget £m
Benton Dene Primary	0.090	0.030	(0.046)	(0.136)
Burradon Primary	0.013	(0.015)	(0.016)	(0.029)
Greenfields Primary	0.007	(0.050)	(0.017)	(0.024)
St Mary's RC Primary N/S	(0.005)	(0.009)	(0.010)	(0.005)
Total	**0.106**	**(0.044)**	**(0.089)**	**(0.195)**

5.6 As previously reported to Cabinet, there were eleven schools with deficits identified at budget setting (five continuing from 2018/19 and six new at the start of 2019/20) and their current forecasted positions are shown in Table 19 below. A number of these schools are showing improvements reflecting plans put in place to mitigate their deficit positions, showing an overall £0.270m improvement against budget and a favourable swing of £0.151m since the first monitoring. The schools still showing adverse variances are working to mitigate the causes of further unforeseen pressures.

Table 19: Existing Deficit Schools in 2019/20

School	Budget Plan 2019/20 £m	Monitoring 1 2019/20 £m	Monitoring 2 2019/20 £m	Variance To Budget £m
Fordley Comm Primary	(0.014)	(0.014)	(0.030)	(0.016)
Forest Hall Primary	(0.014)	(0.019)	(0.021)	(0.007)
Holystone Primary	(0.053)	(0.047)	(0.053)	0.000
Ivy Road Primary	(0.288)	(0.289)	(0.286)	0.002
St Aidan's R C Primary	(0.027)	(0.018)	(0.017)	0.010
St Bartholomew's C of E	(0.018)	(0.006)	(0.005)	0.013
Marden High	(0.513)	(0.530)	(0.529)	(0.016)
Monkseaton High	(4.420)	(4.388)	(4.368)	0.052
Norham High	(2.299)	(2.256)	(2.239)	0.060
Longbenton High	(2.195)	(2.193)	(2.145)	0.050
Beacon Hill	(0.210)	(0.172)	(0.088)	0.122
Total	**(10.051)**	**(9.932)**	**(9.781)**	**0.270**

5.7 Additional governance arrangements and monitoring meetings have been put in place with the four schools which have emerging deficits in 2019/20, along with planned meetings set up for the eleven existing deficit schools. School Improvement, HR and Finance officers will continue to meet with Head Teachers and Governing Body representatives for all schools in deficit to monitor the specific requirements of each individual school's deficit and recovery plans to support bringing them back into balance.

High Needs Block

5.8 The High Needs block ended 2018/19 with a pressure of £0.920m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ring-fenced and does not form part of the General Fund. This overall pressure in the High Needs block is in line with the national and regional picture and Members will be aware of the high level of interest in special needs provision and associated funding issues in the national media.

5.9 The forecast at January 2020 for the High Needs block has worsened since the last report with an anticipated in-year pressure of £3.886m (November, £3.733m) 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 20 below.

5.10 **Table 20: Breakdown of High Needs In Year Pressures at January 2020**

Provision	Budget £m	Provisional Outturn Variance £m	Comment
Special schools and PRU	11.398	2.007	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	0.858	Pressures in pre 16 top-ups
Out of Borough	1.225	0.979	Increased numbers of external school places due to higher numbers of children with more complex needs
Commissioned services	3.977	0.042	
Subtotal	**20.121**	**3.886**	

SECTION 6 - HOUSING REVENUE ACCOUNT

6.1 The forecast set out in Table 21 below is based on the results to January. This reflects the previously reported improvements following the end of the Kier Joint Venture. As this is the first year of running with this new service, EHL and Cabinet Members were prudent in budgeting for the impact, whilst expecting a more efficient service against planned benefits realisation.

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

	FULL YEAR - 2019/20			Variance Nov 2019 £m
		Forecast Outturn		
	Full Year Budget £m	Forecast Actual £m	Jan 2020 Variance £m	
INCOME				
Rental Income	(58.697)	(59.533)	(0.836)	(0.642)
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)	**(67.551)**	**(0.836)**	**(0.642)**
EXPENDITURE				
Capital Charges - Net Effect	12.110	12.110	0.000	0.000
HRA Management Costs	12.014	9.975	(2.039)	(1.725)
PFI Contract Costs	9.641	10.079	0.438	0.000
Repairs	11.981	11.470	(0.511)	(0.482)
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	1.315	0.315	0.229
Pension Fund Deficit Funding	0.855	0.855	0.000	0.000
	69.046	**67.249**	**(1.797)**	**(1.978)**
	2.331	**(0.302)**	**(2.633)**	**(2.620)**
BALANCES BROUGHT FORWARD	**(6.202)**	**(7.303)**	**(1.101)**	**(1.101)**
BALANCES TO CARRY FORWARD	**(3.871)**	**(7.605)**	**(3.734)**	**(3.721)**

6.3 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 £2.210m saving identified previously includes £1.500m which is a permanent saving to the base budget and has been built into the HRA 30-year business plan going forward. These include savings on repairs delivery (£0.500m) combined with savings achieved from the creation of the in-house Construction Service, which has absorbed the former Housing Property Services client team into its structure (£1.000m). In addition, in-year savings are forecast to be achieved via an

underspend in the project team budget (£0.710m), which completed its work in December 2019.

6.4 Since the last report to Cabinet the position has improved by £0.013m. This is mainly due to a further improvement in rental income and Council Tax for empty homes (£0.446m). The continuing position around rental arrears has resulted in the need to increase the forecast for the in-year contribution to the bad debt provision by a further £0.085m. Across the service there have been further savings (£0.091m) in supplies and services and vacancies, which will now not be filled until 2020/21. In addition the Service are proposing to make an additional contribution to the North Tyneside Living PFI Reserve of circa £0.400m at year-end to help restore the position on the Reserve following previous uses of the reserve to fund the purchase of new fleet for the in-house Construction service, and settle outstanding compensation claims with the PFI Contractor who delivered the construction phase of the North Tyneside Living project.

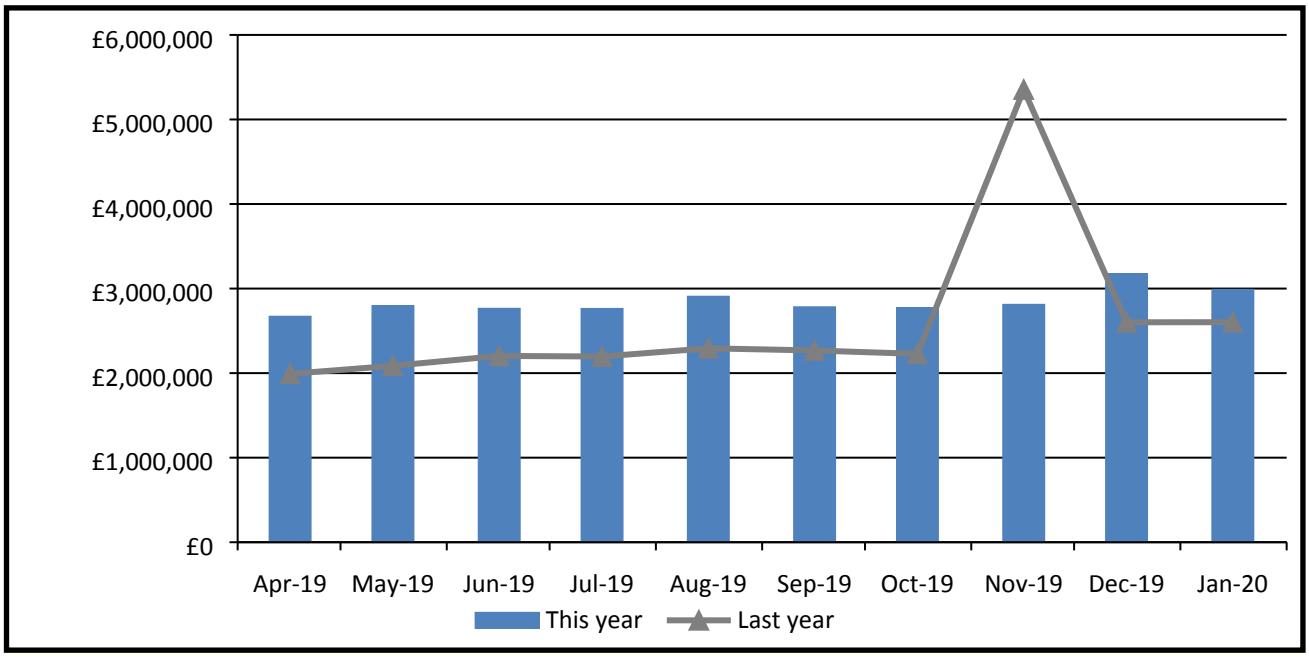
6.5 Rental Income continues to perform ahead of budget (£0.581m) due to sustained improvement in empty homes position across both general needs and sheltered accommodation; service charge income is currently forecasted above budget (£0.100m) due to a reduction in furniture pack income. HRA Shops and Temporary Accommodation continues to perform above budget (£0.130m) due to lease renewals and demand for temporary accommodation. Garage rental income also slightly better than budget (£0.025m).

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 £0.315m more than the budgeted level.

Rent Arrears

6.7 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 £0.388m higher than this period last year. Chart 12 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 levels have been closely monitored as the year progressed 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 against forecast in 2019/20. This is mainly in relation to changes caused by Universal Credit.

6.8 **Chart 12: Rent Arrears in 2019/20 compared to 2018/19**

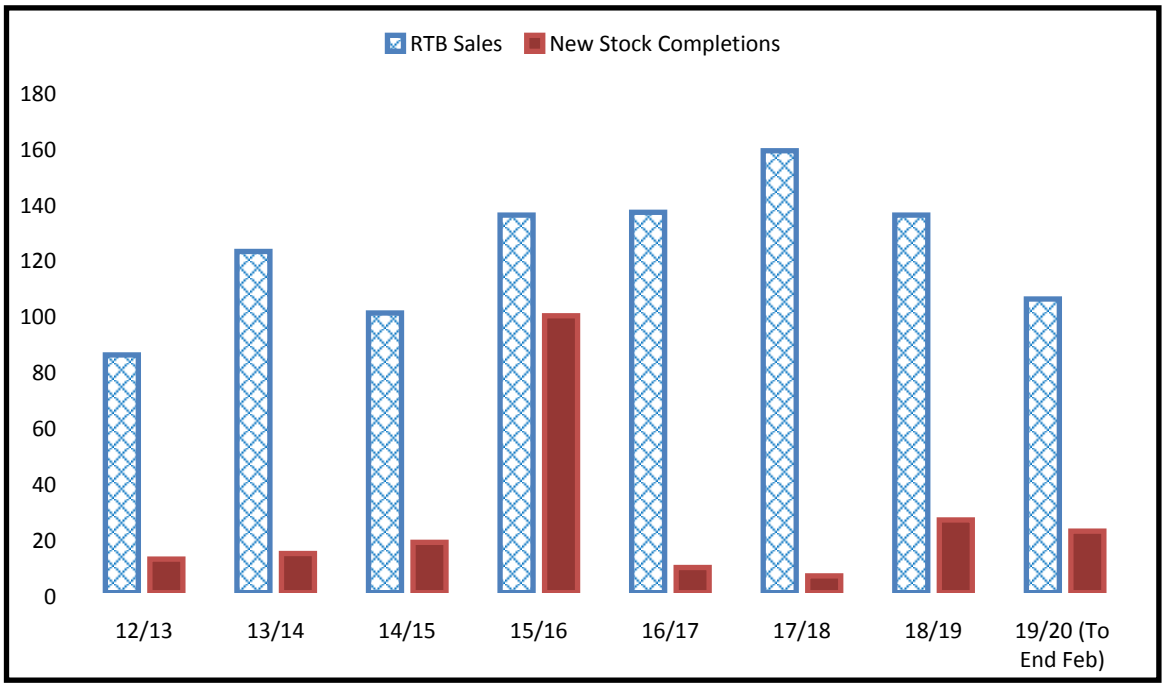


6.9 Universal Credit was fully implemented across North Tyneside on 2 May 2018. The Authority continues to work with residents to provide ICT support to help them make applications and to provide personal budget support to help residents manage their household finances. At 1 April 2019 there were 2,005 tenants of North Tyneside Homes on Universal Credit with arrears totalling £1.163m. At February 2020 there were 3,031 tenants on Universal Credit with related arrears of £2.018m.

Right to Buy (RTB) Trends

6.10 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 13 below shows the trend in RTB sales since that time.

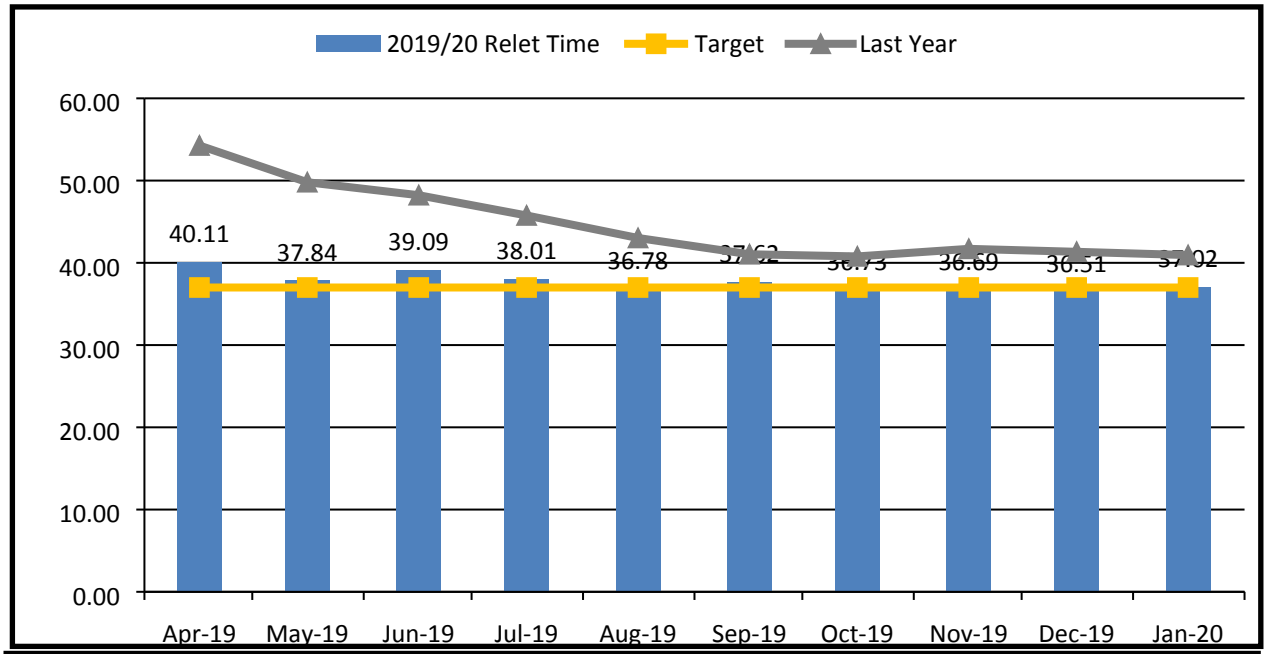
6.11 **Chart 13: Yearly RTB Sales v New Stock Additions**



Improvements to Average Reletting Periods

6.12 The HRA has experienced increased rentals throughout 2019/20, in part due to the improvements made in reletting empty properties. Chart 14 below shows the average relet time, for the first ten months of 2019/20, has improved since 2018/19, with year to date statistics showing a decrease of almost 17 days since April 18/19 and reduction of 4 days since the same period last year. In addition, 67% of property relets have been completed within the new 37-day target.

6.13 **Chart 14: 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 was 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;
- 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 £3.353m (2019/20 £1.655m) to the Investment Plan and reprogramming of £1.875m 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 - 2023 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
Cabinet 20 Jan 2020	(9.598)	7.758	0	0	(1.840)
Approved Investment Plan	**65.402**	**65.628**	**41.008**	**37.055**	**209.093**
Dec 19/Jan 20					
Variations	1.655	1.698	0	0	3.353
Reprogramming	(1.875)	1.875	0	0	0
Total Variations	**(0.220)**	**3.573**	**0**	**0**	**3.353**
Revised Investment Plan	**65.182**	**69.201**	**41.008**	**37.055**	**212.446**

7.8 Details of the variations and reprogramming are shown below:

(a) **CO080 Burradon Recreation Ground £0.521m (2019/20 £0.100m)**– This is a new project that will make improvements to outdoor and indoor sports facilities at Burradon Recreation Ground including provision of a mini soccer artificial grass pitch and grass pitch improvements. Improvements to changing facilities and a new irrigation system for the Bowling Green;

(b) **DV064 Council Property Investment £0.354m reprogramming** – The reprogramming relates to the demolition of the former Backworth Primary School which is now expected to be completed in 2020/21;

(c) **DV066 Investment in North Tyneside Trading Co. £0.600m reprogramming and £1.406m variation –** Due to the timing of sales within Aurora Properties (Sale) Limited, the company have been able to internally fund their construction projects. Therefore, the funds available to be invested in the company are to be reprogrammed to 2020/21. Also £1.406m of Section 106 funding is to be added for 2020/21 to support the affordable homes programme;

(d) **ED189 School Nursery Capital Fund £0.232m** – The Authority's bid for funding for the creation of new nursery places for 2, 3 and 4 year olds was successful. Percy Main Primary School and New York Primary School have been awarded £0.130m and £0.077m respectively. As part of the award New York Primary School are required to match fund the project in the sum of £0.025m which will be met from the schools devolved formula capital grant;

(e) **EV034 Local Transport Plan £0.155m** – This variation is the reflect the drawdown of legacy Section 106 funding £0.127m received for highways works and also to reflect the external funding available for Public Transport Schemes £0.028m;

(f) **HS051 Private Sector Empty Homes £0.400m reprogramming** – Reprogramming of £0.400m is requested to align with the delivery of key projects in 2020/21;

(g) **HS015 HRA Refurbishment /Decent Homes Improvements £0.521m reprogramming** – procurement requirements for the new PVCu Window and Doors scheme and subsequent procurement of an alternative framework provider has resulted in the delivery of the schemes being reprogrammed to 2020/21; and,

(h) **HS041 Housing PFI £1.400m** – Negotiations have concluded with the Housing PFI contractor and a settlement has been agreed. To be funded by available reserves.

7.9 The impact of the changes detailed above on capital financing is shown in table 23 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 20 Jan 2020	**65.402**	**65.628**	**41.008**	**37.055**	**209.093**
Council Contribution	(1.204)	1.204	0	0	0
Grants and Contributions	0.105	1.848	0	0	1.953
HRA Contribution from reserves	1.400	0	0	0	1.400
HRA House Building Fund	(0.521)	0.521	0	0	0
Total Financing Variations	**(0.220)**	**3.573**	**0**	**0**	**3.353**
Revised Investment Plan	**65.182**	**69.201**	**41.008**	**37.055**	**212.446**

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 £1.295m capital receipts have been received in 2019/20. This includes a capital receipt of £0.712m which is a repayment of a capital loan. The receipts position is shown in table 24 below. The 2020/21 budget agreed by Full Council on 20 February 2020 include the 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	(1.295)	0	0	0	(1.295)
Receipts used to repay capital loans	0.712	0	0	0	0.712
Net Useable Receipts	**(0.583)**	**0**	**0**	**0**	**(0.583)**
Surplus Receipts	**(1.683)**	**0.000**	**0.000**	**0.000**	**(1.683)**

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 and variations previously reported to Cabinet, gives a revised requirement of £0.452m. To date, £5.193m receipts have been received in 2019/20 of which £1.405m has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £10.587m 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)	(10.587)	(5.106)	(1.358)	(7.251)
Receipts Received 2019/20	(5.193)	0.000	0.000	0.000	(5.193)
Receipts Pooled Central Government	1.405	0.000	0.000	0.000	1.405
(Surplus)/ Balance To be generated to fund future years (subject to further pooling)	**(10.587)**	**(5.106)**	**(1.358)**	**0.661**	**0.661**

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2019/20.

Investment Plan Monitoring Position to 31 January 2020

7.12 Actual expenditure for 2019/20, in the General Ledger, was £42.201m, 64.74% of the total revised Investment Plan at 31 January 2020. This is after adjusting for £0.079m of retentions relating to 2018/19 expenditure.

7.12.1 Table 26: Total Investment Plan Budget & Expenditure to 31 January 2020

	2019/20 Revised Investment Plan £m	Actual Spend to 31 Jan 2020 £m	Spend as % of revised Investment Plan %
General Fund	40.873	26.605	65.09%
Housing	24.309	15.596	64.16%
TOTAL	**65.182**	**42.201**	**64.74%**