

Item 5(a)

2017/18 Financial Management
Report to 31 January 2018

North Tyneside Council Report to Cabinet 12 March 2018

Portfolios: Elected Mayor
Finance and Resources

Cabinet Member: Norma Redfearn
Councillor Ray
Glindon

Report from: Finance

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

Wards affected: All

PART 1

1.1 Executive Summary:

This report is the fifth monitoring report to Cabinet on the 2017/18 financial position. The report continues to be developed such that the format brings together financial and relevant performance information with the intention of explaining the current financial position in the context of the Policy priorities in the Our North Tyneside Plan.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including details of where the Authority continues to manage financial pressures and what management mitigations are in place where issues have been identified;
- An update on the delivery of 2017/18 approved budget savings plans;
- An update on 2017/18 schools budgets;
- An update on delivery of the Capital Investment Plan including details of variations and reprogramming that are recommended for approval;
- An update and overview of current performance against the policy priorities in the 2016-2019 Our North Tyneside Council Plan as context for the financial position; and
- Details of additional grants received by the Authority during December 2017 and January 2018.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) note the forecast budget monitoring position for the General Fund, Housing Revenue Account (HRA) and Schools' Finance as at 31 January 2018 (Annex Sections 1 to 5);
- (b) approve the receipt of £0.050m new revenue grants (Annex Section 3 Table 23);
- (c) note the Authority's Investment Plan spend of £53.626m to 31 January 2018 (Annex Section 6 Table 36) and the financing of the Plan to the end of the year);
- (d) approve variations of £1.360m and re-programming of £5.137m within the 2017 - 2020 Investment Plan (Annex Section 6);

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 27 November 2017.

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 in the new format presented to Members on the Authority's 2017/18 financial position. It provides an update on the expected revenue and capital financial position of the Authority as at 31 March 2018.

General Fund Revenue Account:

The budget for 2017/18 was approved by full Council at its meeting on the 16 February 2017. The net General Fund revenue budget was set at £152.361m. This included £18.338m of savings to be achieved.

The forecast overall outturn position in an estimated surplus of £0.628m, an improvement of over £0.342m since the last report to Cabinet. The forecast includes a £0.250m dividend from the Kier Joint Venture which is proposed to be set aside to fund project costs of bringing the Joint Venture back in house. .

This forecast outturn is after taking into account the impact of the crystallisation of the deficit of Seaton Burn College of circa £0.668m on the transfer to an academy of the 1 January 2018. The inclusion of the Improved Better Care Fund (iBCF) of £4.579m has a significant impact on the outturn position. Aside from the iBCF there has been some marginal underlying improvement in most areas of the risks associated with the delivery of the 2017/18 budget, however there is continued pressure in Health, Education, Care and Safeguarding (HECS) of £3.422m after the allocation of the iBCF (November 2017 £3.272m). Included in this projection is £2.475m of pressures in Corporate Parenting and Placements. The drivers for these pressures within HECS continue from 2017/18 and arise from:

- Continued growth and changes in demand for Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Creating a Brighter Future Programme to the extent that achievement of some savings may be at risk and the impact of growth in demand as set out above;
- On-going issues around agreeing adequate levels of contributions from the North Tyneside Clinical Commissioning Group for clients with health needs and to support social care; and
- The impact of the National Living Wage on our care providers (and the consequential impact on our commissioning costs).

The 2017/18 budget setting process made provision for many of the pressures identified during 2016/17, however, demand pressures have continued into 2017/18. Negotiations with care providers continue for 2017/18 in terms of the National Living Wage and at this point not all savings built into the Creating a Brighter Future Programme can be assumed as being delivered.

A number of working groups have continued to meet with senior officers and Cabinet Members looking in detail at the financial position and progress against the action plans developed since the start of the financial year. Progress continues to be made against these plans and it is expected that the out-turn forecast will continue to improve over the course of the year as planned remedial actions impact on spend and income. The forecast outturn includes the additional funding for Adult Social Care announced as part of the Spring Budget on 8 March 2017. For 2017/18 this amounts to £4.579m, and is shown as a variation due to the timing of the announcement which was after the 2017/18 budget was set.

Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2018 of £5.182m, which is £2.322m higher than budget. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous years' financial performance (£1.339m) which was not known at the time the budget was set, and an in-year estimated overall underspend of £0.784m. Total overall income is currently expected to be higher than budget (£0.390m) due to an improved position on empty properties, service charge projections ahead of budget and increased Temporary Dispersed Accommodation projections. Total expenditure is below budget mainly as a result of a reduction in the required call on general contingencies mainly as a result of an improved position on bad debt and transitional protection.

School Funding:

The Annex to this report includes an update in respect of work in progress with regard to school funding (Annex, Section 4). There are ten schools with deficit approvals for 2017/18.. 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 school places and the associated financial pressures which continue to be compounded by rising employment costs, and it is this issue that continues to drive the deficit position in our schools. All schools requesting deficit approval have met with the Head of Finance and the Director of Children's and Adult Services to ensure all appropriate steps have been taken to improve each school's position prior to formally approving deficit arrangements. Additional

governance arrangements and monitoring meetings have been put in place with the relevant schools. School Improvement, HR and Finance officers continue to meet with Head Teachers and Governing Body representatives to monitor the specific requirements of each individual school's deficit approval.

Investment Plan:

The 2017-2020 Investment Plan, as adjusted for proposed variations, totals £208.066m and is shown in Appendix 1. The Annex to this report also sets out in Section 6 delivery progress to date, planned delivery for 2017/18, reprogramming and other variations identified through the Investment Programme Governance process.

New Revenue Grants:

There have been additional revenue grants received during December 2017 and January 2018 totalling £0.050 the details are which are set out in Annex 1 Section 3.

1.5.2 Performance against Council Plan

The 2016-2019 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set.

The 2016-2019 Our North Tyneside Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the Authority is seeking to deliver as set out below.

Our People will:

- Be listened to, and involved, by responsive, enabling services;
- 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; and,
- Be cared for and safeguarded if they become vulnerable.

Our Places will:

- Be great places to live, and attract others to visit or work here;
- Offer a good choice of quality housing appropriate to need, including affordable homes;
- Provide a clean, green, healthy, attractive and safe environment; and,
- Have an effective transport and physical infrastructure - including our roads, cycle ways, pavements, street lighting, drainage and public transport.

Our Economy will:

- Grow by building on our strengths, including our existing world class companies, and small and growing enterprises; and,
- Have the right skills and conditions to support investment, and create and sustain new good quality jobs and apprenticeships for working age people.

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. The recently published Ofsted report following the review of Children's services put the service as joint 8th nationwide of the 136 authorities inspected under the new regime with a "Good" rating overall and recognition of an excellent focus on seeking the views of children to shape services.

The levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. Although we continue to be a strong performer compared to our regional neighbours, the children we are supporting have complex needs that are expensive to meet.

The Authority is forecasting a pressure of £2.475m in corporate parenting and placements (2016/17 £2.525m). The new model for children has been designed in part to address the financial pressures but nationally the numbers of Looked After Children are the highest since 1985 and numbers have been subject to year-on-year increase for nearly a decade.

In Adult Social Care the focus remains on providing support which allows people to live independent lives by providing preventative services and keeping people living at home for as long as possible. There has been an increase in short term placements to residential care and reablement in-house provision as a result of a lack of capacity in the local domiciliary care market and this is driving some of the cost pressure within Adult Social Care.

1.5.3 Investment Plan

Variations of £1.360m and re-programming of (£5.137m) are proposed in this report as set out in Section 6 of the Annex to this report, the revised Investment Plan stands at £83.870m for 2017/18. To the end of January 2018 £53.626m (63.94%) of spend had been incurred.

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 2018
Appendix 1: 2017-2020 Investment Plan

1.9 Contact officers:

Janice Gillespie - Corporate Finance matters – Tel. (0191) 643 5701
Margaret Keith – Treasury Management matters – Tel. (0191) 643 5747
Cathy Davison - Investment Plan matters- Tel. (0191) 643 5727
Alison Campbell – Senior Business Partner – Tel. (0191) 643 7038
Darrell Campbell - Housing Revenue Account matters – Tel. (0191) 643 7052

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Revenue budget 2017/18
<http://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Budget%20Book%20170427.pdf>
- (b) Investment Plan 2017-20
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567811
- (c) Reserves and Balances Policy
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567815

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 21 March 2018.

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 2017/18 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

- Deputy Chief Executive x
- Head of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy x