Cabinet – 12 March 2018
Agenda Item 5(a)

2017/18 Financial Management Report Annex

INDEX

SECTION 1 - GENERAL FUND SUMMARY

1 General Fund Revenue Forecast

1.1 The Authority's approved net revenue Budget of £152.361m is now forecast to underspend by £0.628m (November, (£0.286m) underspend) after a proposed £0.250m contribution to reserves. This position reflects £18.338m of budget savings as agreed at Council on 16 February 2017. Table 1 below sets out the variation summary across the General Fund.

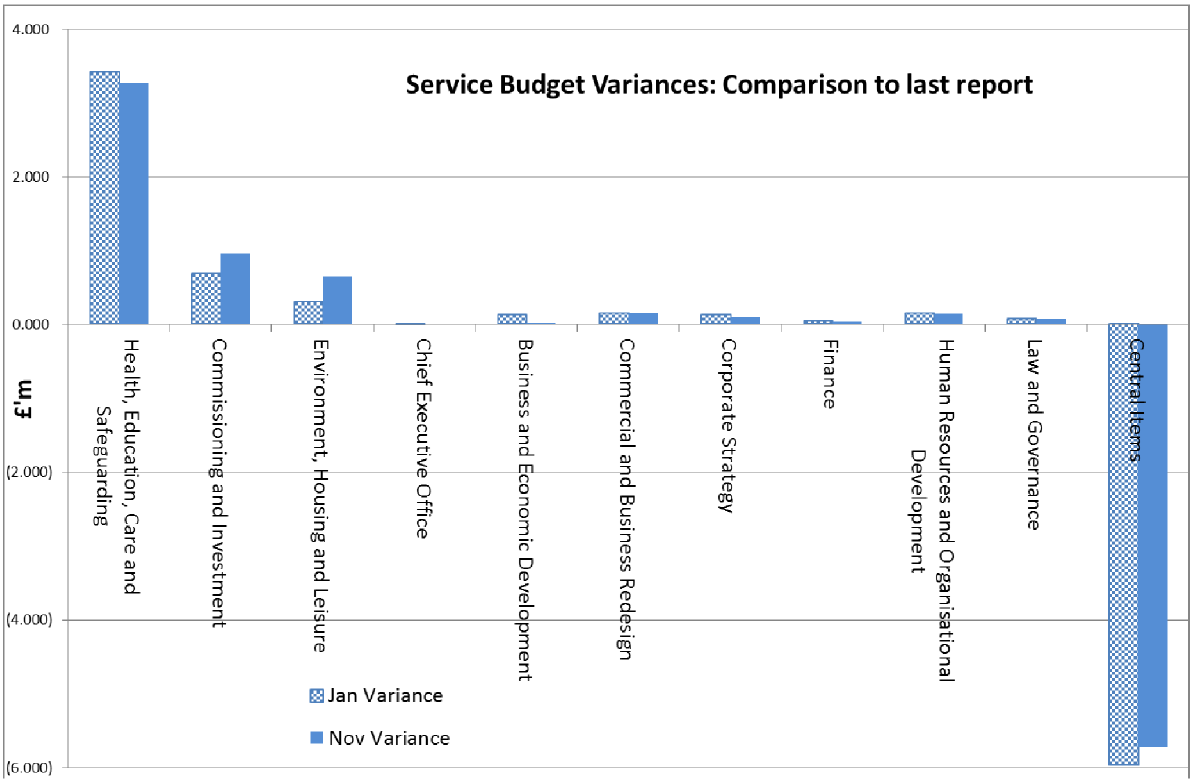
Table 1: 2017/18 General Fund Revenue Forecast Outturn as at 31 January 2018

	Gross Expenditure			Income			Net Expenditure			Forecast Outturn Variance November 2017 £m
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance	
Services	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	
Health, Education, Care and Safeguarding	162.099	172.325	10.226	(89.110)	(95.914)	(6.804)	72.989	76.411	3.422	3.272
Commissioning and Investment	196.216	198.667	2.451	(176.701)	(178.461)	(1.760)	19.515	20.206	0.691	0.970
Environment, Housing and Leisure	73.082	74.971	1.889	(27.862)	(29.445)	(1.583)	45.220	45.526	0.306	0.646
Chief Executive Office	0.576	0.572	(0.004)	(0.440)	(0.440)	0.000	0.136	0.132	(0.004)	0.001
Business and Economic Development	2.506	2.511	0.005	(0.885)	(0.762)	0.123	1.621	1.749	0.128	0.017
Commercial and Business Redesign	7.992	8.355	0.363	(5.480)	(5.693)	(0.213)	2.512	2.662	0.150	0.152
Corporate Strategy	2.351	2.516	0.165	(1.451)	(1.485)	(0.034)	0.900	1.031	0.131	0.106
Finance	80.584	79.961	(0.623)	(79.332)	(78.665)	0.667	1.252	1.296	0.044	0.044
Human Resources and Organisational Development	2.449	2.658	0.209	(2.187)	(2.249)	(0.062)	0.262	0.409	0.147	0.149
Law and Governance	4.232	4.374	0.142	(3.995)	(4.058)	(0.063)	0.237	0.316	0.079	0.079
Central Items	17.107	12.862	(4.245)	(9.390)	(11.117)	(1.727)	7.717	1.745	(5.972)	(5.722)
Contribution to Reserves	0.000	0.000	0.000	0.000	0.250	0.250	0.000	0.250	0.250	0.000
Total Authority	**549.194**	**559.772**	**10.578**	**(396.833)**	**(408.039)**	**(11.206)**	**152.361**	**151.733**	**(0.628)**	**(0.286)**

1.2 Main Variances

The forecast position reported has moved by £0.342m since November. The chart below shows the variances by service against the previous reported position. There are five services showing significant variances since November, which are summarised below and further detailed in section 3 of the report.

Table 2: Variance comparison of January variance position to November



Health, Education & Safeguarding

1.2.1 The forecast overspend is mainly caused by Corporate Parenting and Placements within Children's Services, although there is a small improvement from the November forecast due to a drop in numbers of children in placements. This is offset by a reduction in expected income for both NHS funding and Care Call fees leaving an net increase in pressure of £0.150m. Over-commitments on third party payments within Older People Services and services for clients with a learning disability are covered by the £4.579m of Improved Better Care Fund awarded after the Budget was agreed.

Commissioning and Investment

1.2.2 The main area of pressure remains within Facilities and Fair Access where, in addition to expenditure pressures within the Cleaning and Catering services, there are demand pressures for the Home to School transport service. The position since the last report in November has improved due to the forecast position on Capita-managed services reducing by (£0.253m), as a compensating adjustment for the additional pressure on Capita's managed services in Environment, Housing & Leisure.

Environment, Housing & Leisure

1.2.3 The overspends in Sports & Leisure and Libraries and Community Centres are only partially offset by savings in Fleet/Facilities Management and Waste Strategy. Since November Planning income forecast has reduced by £0.176m, though this is offset in 2017/18 by forecast improvements in costs for waste (£0.350m) and net impact of the fleet service (£0.130m).

Business & Economic Development

1.2.4 The main area of variation as shown in Table 2 relates to staffing pressures of £0.029m and also income pressures at the Swan Hunters site of £0.125m. Three major load out and laydown opportunities, with berthing fees, etc., did not progress in 2017 (over a 12 month period there was the potential for £0.050m income from each of these enquirers). None of these will now be realised in 2017/18.

Central Items

1.2.5 Central items is showing an overall improvement against budget of (£5.972m) including new income due to a proposed dividend from KIER of (£0.250m). Further to the overall final outturn position this dividend will be set aside in a reserve to be used as a contribution to costs associated with bringing the Kier Joint Venture back in house.

SECTION 2 - DELIVERY OF BUDGET SAVINGS PROPOSALS

2.1 The combined budget savings of £18.338m in 2017/18 approved by Council in February 2017 brings the total savings the Authority has had to find in the seven years following the 2010 Comprehensive Spending Review (CSR) to £109.933m.

Table 3: 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
Total Savings	**109.933**

2.2 In tracking progress made against each individual saving proposal (as set out in Table 4 below), £15.622m (85.2% of the £18.338m target) is currently forecast to be delivered in 2017/18 (November £15.287m and 83.4%). The Tables below show the delivery against each plan followed by a summary table by Service. The remaining balance to be secured at 31 January 2018 is forecast at £2.716m (November was £3.071m).

Table 4: Savings Tracker 2017/18 at January 2018

	Budgeted Saving	**January Budget Monitoring Assumed Delivered**	**November Budget Monitoring Assumed Delivered**	**Movement since November 2017**	**Savings to be secured at January 2018**
	£m	**£m**	**£m**	**£m**	**£m**
Business and Economic Development	0.162	0.119	0.154	0.035	0.043
Central	8.780	8.159	8.159	0.000	0.621
Commercial and Business Redesign	0.235	0.235	0.235	0.000	0.000
Commissioning and Investment	1.067	0.820	0.820	0.000	0.247
Corporate Strategy	0.355	0.308	0.338	0.030	0.047
Environment Housing and Leisure	1.578	0.947	0.947	0.000	0.631
Finance	0.191	0.191	0.191	0.000	0.000
Health Education Care and Safeguarding	5.527	4.436	4.043	-0.393	1.091
Human Resources & Organisational development	0.185	0.169	0.162	-0.007	0.016
Law & Governance	0.258	0.238	0.238	0.000	0.020
Total	**18.338**	**15.622**	**15.287**	**-0.335**	**2.716**

A prudent approach is taken to reporting efficiency savings, and they will only be reported in the forecast position when the impact can be seen flowing into the financial ledger system.

2.3 The main areas of variation from business cases are set out below in paragraphs 2.3.1 through to 2.3.4. Cabinet continues to monitor the delivery of budget savings proposals and as part of the 2018/20 Budget and Financial Planning process included growth in the budget for 2018/19 for those savings not now expected to be delivered and provided contingency budget for Childrens and Adults Social Care where demand led pressures can impact on the delivery of efficiencies. The budget adjustment includes £0.900m relating to a gain share saving from the management of Continuing Healthcare (CHC) on behalf of the Clinical Commissioning Group (a 2016/17 proposal). The HECS service is continuing to analyse and understand the data in relation to this work and is working with NHS partners to deliver CHC in a cost effective manner. In addition, the outstanding element of the 2017/18 Pay and Pension savings of £1.00m has been adjusted for in the 2018/19 budget.

2.3.1 HECS - £5.527m Savings Target, current £1.091m forecast variance

Cared For Safeguarded & Healthy

i. £0.310m of the £1.019m savings remains to be secured within the New Model for Children Budget proposals (November £0.310m. The Service is working hard to fully deliver savings for the start of the 2018/19 financial year.

Fit for Purpose

ii. Pay Award and Pension Increase - £0.316m of savings included in the Budget to reflect the service finding its own element of the pay award are currently not secured (November £0.316m). The Service continues to work towards identifying how they will meet this remaining pressure through a review of working hours, managing vacancies and non-essential spend that should reduce this shortfall.

Great Place

Specialist Housing - £0.175m of the £0.275m Specialist Housing solution remains to be secured partly due to the complexity of the cases involved (November £0.175m). The Mitford Gardens 6-bedded unit for care-leavers is now in use. Work has also commenced on Elm House for new staying close provision for post-16 LAC. An officer working group continues to consider potential housing growth plans to include specialist housing products and services for children and adults with additional needs, Looked After Children and Older People.

Ready for Work & Life

iii. Disability Services - £0.350m (November, £0.350m). To date reviewing the internally provided residential care and respite services and the commissioned services from external suppliers has not yet provided any savings that can be measured directly against budgets. Delivering the savings involves some significant changes for families and working through these with families is taking longer than had been expected.

VFM Tested Social Care

iv The scheme to deliver savings in relation to use of extra care is forecasted to over deliver by £0.060m on its target of £0.100m.

2.3.2 Commissioning & Investment £1.067m saving target, £0.247m forecast variance (no change since November)

Fit for Purpose

£0.055m is yet to be identified relating to a restructure of a post in child protection. The Service is continuing to review its non-essential spend and team structure as the numbers have not come down as far as the Business Case had anticipated.

£0.192m of savings included in the budget to reflect the service finding its own element of the pay award and pension costs (no move since November). The Service continues to work to identify how they will meet the additional costs through a review of working hours, the management of vacancies, stretching sales targets, reviewing appropriate recharging and by reducing non-essential spend.

2.3.3 Environment, Housing & Leisure £1.578m saving, £0.631m variance (no change since November)

Fit for Purpose

£0.531m of savings included in the Budget to reflect the service finding its own element of the pay award and pension costs of which none is currently forecast to be achieved (£0.531m at November). The service continues to work hard to identify how they will meet the additional costs through a review of working hours, the management of vacancies and by reducing non-essential spend though these are unlikely to now impact on 20107/18 outturn.

Great Place

The £0.200m target with regard to the implementation of the new approach to waste introduced at the Recycling Centre from July 2017 has now been achieved (£0.020m at November).

£0.036m of a £0.071m saving relating to Howdon Community Centre is reported as not yet delivered (£0.036m at November). Although the transfer of the lease of Howdon Community Centre has now concluded, it is envisaged that the forecast position will stay the same.

Maximising Resources

£0.064m of a £0.070m savings target relating to bereavement income is reported yet to be secured. Despite the Service implementing a fee increase in October the impact on forecasts has been minimal.

2.3.4 Non Service Budgets and Cross Cutting savings £8.780m savings target, £0.621m forecast variance (£0.621m at November)

Fit for Purpose

A £0.500m saving yet to be delivered is linked to the project in respect of procurement savings (£0.500m at November). A detailed review of the procurement of services and the Authority's spend with suppliers has been completed and options to deliver the target level of saving have been considered. Work by Capita on delivering the changes in procurement has started but, at this stage, it is considered prudent to assume that the savings will not be achieved. Additional actions continue to deliver this saving.

Great Place

A variance of £0.121m was identified in September within a savings target relating to Property Development activities where the Authority is now expected to receive less interest on loans provided to deliver the projects than originally anticipated, the timing of which are driven by the granting of planning permission on the sites. Work has commenced on the property developments at Northumberland Square in North Shields and continues on the sites at The High Point, The Avenue and Wallington Court.

SECTION 3 – SERVICE COMMENTARIES

3.1 As well as the usual budget monitoring process between finance staff and budget managers, meetings have been held with Officers, Cabinet Member for Finance and Resources, the Deputy Mayor and the relevant Cabinet Member to discuss the in-year finance and performance position with each Head of Service and their senior team, and to discuss plans in progress to mitigate any pressures.

3.2 Health, Education, Care & Safeguarding (HECS)

3.2.1 HECS is forecast an over-commitment against its £72.989m net expenditure budget by £3.687m (£3.272m at November). The forecast over-commitment is caused mainly by Corporate Parenting and Placements within Children's Services alongside the timing of delivery of some of the CBF targets.

Table 5: Financial Summary for HECS

	2017/18 Budget £m	January Variance £m	November Variance £m	Movement £m
Adults	49.776	4.844	4.234	610
Improved Better Care Fund (IBCF)	0	-4.579	-4.579	0
Adults after IBCF	49.776	265	-345	610
Children, Young People & Learning	23.192	3.157	3.617	-460
Public Health	21	0	0	0
TOTAL HECS	72.989	3.422	3.272	150

Adult Social Care

3.2.2 The reduction of forecast income and NHS funding leads to a forecast pressure of £0.265m at January, moving from a (£0.345m) underspend at November.

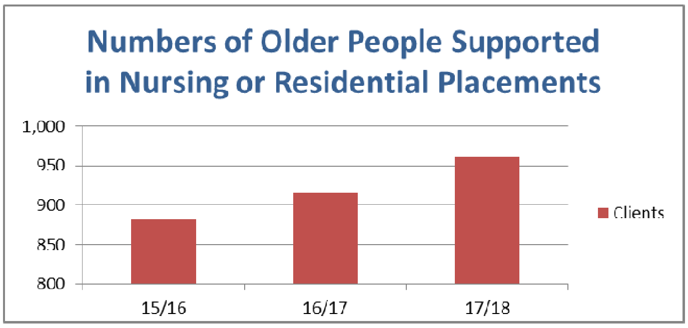
3.2.3 The Improved Better Care Fund (IBCF) of £4.579m is applied to offset the over commitment in client placements costs. The placement cost pressures are being experienced across all client categories but especially within services for older people and services for people with a learning disability.

3.2.4 The Disability & Mental Health service area, which includes all externally commissioned services for adults under 65 years with a learning disability or mental health need, is forecasting a demand pressure of £3.078m and shortfall on NHS funding of £0.943m. Deprivation of Liberty obligations provide a pressure of £0.144m. This is offset by over achieving client contributions of £0.247m. This area is mainly responsible for the worsening position within Adult Social Care since the November report due to a reduction in forecasted income from the NHS.

3.2.5 The Wellbeing and Assessment service area includes all externally commissioned services for adults 65 years and over and for adults under 65 years who have a physical or sensory disability. It also includes the Community Wellbeing & Assessment Teams. This service area is forecasting demand pressures of £1.287m across homecare and residential/nursing care.

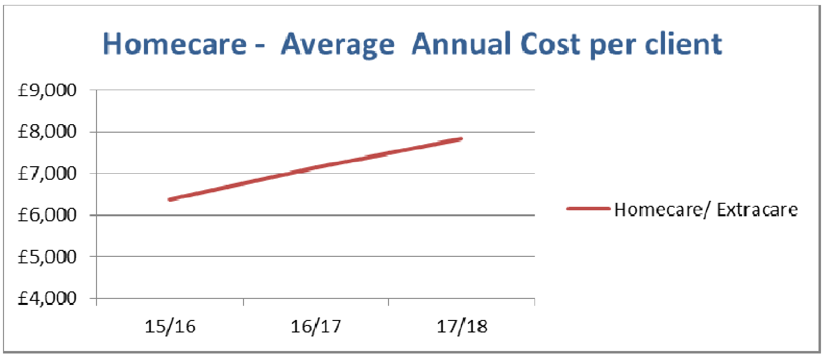
3.2.6 Adult Social Care continues to see demographic growth principally within services for older people and services for people with a learning disability. The table below shows the rise in clients over 65 in nursing and residential placements since 2015/16.

Table 6: Numbers of older people in nursing and residential placements



3.2.7 The numbers of older people receiving homecare services has not shown the same trend although numbers in 2017/18 so far are slightly up (1.6%) on 2016/17. The static profile is likely to be due to the lack of capacity in the homecare market as providers struggle to recruit sufficient carers. This, in turn, is contributing to the additional short term and ultimately long term residential placements shown above. Greater capacity in the homecare market could reduce this cost to the Authority.

3.2.8 **Table 7: Trend in Annual Cost per Older Person of Homecare Services**



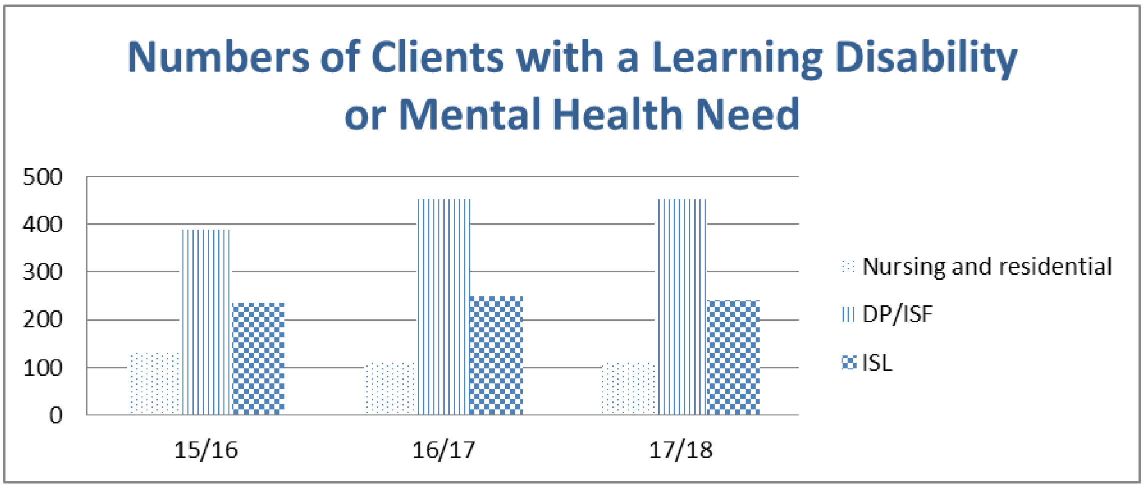
The average cost of a homecare package is however increasing as an aging population with higher levels of need require more intense support. The graph above shows the increase.

Services for People with a Learning Disability

3.2.9 Total numbers of clients within services have been relatively static (Table 8) with a small decrease in residential services and Independent Supported Living Services (ISLs) offset by an increase in numbers with a direct payment

(DP) or Individual Service Fund (ISF – this is a fund held by a provider for an individual client to provide services on a more flexible and tailored basis for that client).

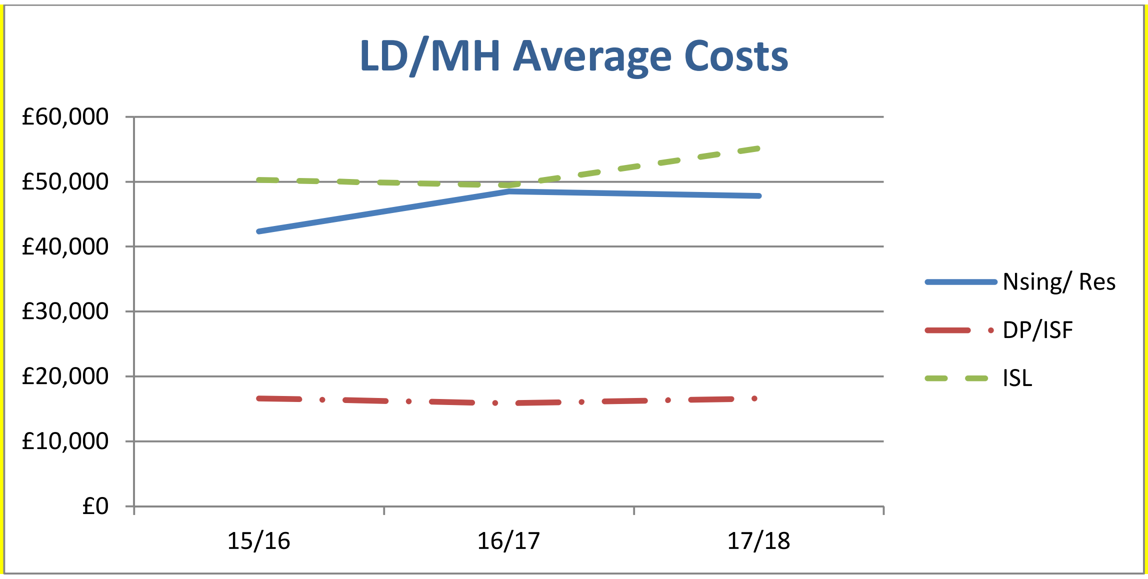
Table 8: Changes in numbers of clients receiving services



3.2.10 Average annual costs per client in for DPs and ISFs have been steady however; there has been an increase in average ISL costs and a decrease in residential care average annual costs. The increase in ISL unit costs is 9.8% since 2015/16 and is explained by increases in care fees due largely to National Living Wage rises. These trends are illustrated in Table 8 below. The reduction in residential care has been due to a change in the client base with some clients moving from residential services to an ISL service.

3.2.11 ISL services commissioned by the Authority for clients with a learning disability are on average more expensive than the residential care services the authority provides. The Valuing People Now policy (2009) was brought in to improve quality of life and promote greater independence for people with learning disabilities. This led to the development of ISL services, which can be more costly than equivalent residential care. The Service is working hard to move to more cost effective models of delivering ISLs with larger services like the 13 bedded Emery Court in Dudley, which offer greater economies of scale.

Table 9: Changes in average annual costs of packages for clients with a Learning Disability or Mental Health Need.



Children's Services

3.2.12 Children's Services are forecasting a pressure of £3.157m (November, £3.617m) against a net budget of £23.191m. Analysis of the variance across the service areas is shown in Table 9 below.

Table 10: Forecast Variation across Children's Services

Service Area	2017/18 Budget £m	January Variance £m	November Variance £m	Movement £m
Corporate Parenting and Placements	16.886	**2.475**	**2.729**	**-254**
Early Help and Vulnerable Families	3.008	**3**	**73**	**-70**
Employment and Skills	598	**164**	**164**	**0**
Integrated Disability and Additional Needs Service	2.170	**588**	**728**	**-140**
School Improvement	529	**-73**	**-77**	**4**
Total Children, Young People & Learning	**23.191**	**3.157**	**3.617**	**-460**

Corporate Parenting and Placements

3.2.13 The forecast pressure in Children's Services remains mainly within Corporate Parenting and Placements with a pressure of £2.475m (£2.729m in November). Although we continue to be a strong performer compared to our regional neighbours and the national picture, the children we are supporting have complex needs that are expensive to meet.

3.2.14 There is a staffing pressure partially relating to the cost of agency staff covering vacant social work posts and the decision to pay a market supplement to social workers. In line with the nationwide picture the authority has found it difficult to recruit experienced social workers and is therefore using agency to meet needs. In addition the overall cost of Social Work Fieldwork has been mitigated by a one off payment from Public Health for related services.

3.2.15 Most of the pressure relates to demand within Looked After Children particularly at the high cost end of placements, of which £0.512m has been estimated as the potential additional cost of moving to a revised model of means testing Special Guardianship Orders. Whilst the overall number of LAC has remained relatively static during this financial year, the placement mix has changed since March 2017

3.3.16 Nationally, there has been an increase in demand for children's residential placements, but with no corresponding increase in provision. Locally, 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 LAs having to use more costly bespoke individual placements, where it is not suitable to place young people in group environments.

3.2.17 Work is ongoing with Housing colleagues to identify any potential housing solutions to meet this relatively recent change in demand. The service continue to review all high cost placements, and the level of support required with a view to reduce the use of external placements as per the New Model for Children Business Case. Detailed planning has already begun in relation to identifying placements to transfer into the newly expanded in-house provision at Elm House and Mitford Gardens, which will subsequently 'free up' provision in the NTC Children's Homes.

Early Help and Vulnerable Families

3.2.18 £0.324m of the over-commitment relates to the necessary delay in implementing the proposals for childcare settings as previously highlighted in Section 2 above. In addition, there is an estimated pressure of circa £0.177m in relation to a staffing requirement in Supporting Families following changes to implementation of 2016/17 proposals. Work progressing in respect of the development of community hubs and the wider council estate is anticipated to support resolution of the pressure. The pressure has been mitigated by drawing down the full allocation of Troubled Families grant income for families already attached to the programme, and generating additional grant funding following achievement of outcomes for families.

Employment & Skills

3.2.19 An historical income pressure remains from when services were funded by specific individual grants, mainly from the Department of Education, and it was appropriate that these grants make a contribution to overheads (£0.164m). The service is working through options to mitigate this pressure.

Integrated Disability and Additional Needs Service

3.2.20 There is an over commitment of £0.588m in this service area. The main issues making up this imbalance are: Staffing £0.553m, Service User Packages £0.299m and income target re short break care selling beds of £0.043m. These pressures are partly offset by additional income generation within Education Psychology of £0.226m and additional income generation from CCG of £0.061m. The movement since November reporting relates primarily to increased income from CCG for transitioning adult placements.

School Improvement

3.2.21 The under spend in the School Improvement Service relates primarily to savings achieved on staffing (£0.198m) and Education ICT contracts/Network Refresh (£0.106m), offset by shortfall of income generation in Education ICT £0.201m and High Borrans £0.030m

3.3 Commissioning & Investment

3.3.1 Commissioning and Investment is forecasting an over-commitment of £0.691m as set out in Table 11 below compared to the November position of £0.970m. The main areas of pressure remains within Facilities and Fair Access where, in addition to expenditure pressures within the Cleaning and Catering services, there are demand pressures for the Home to School transport service.

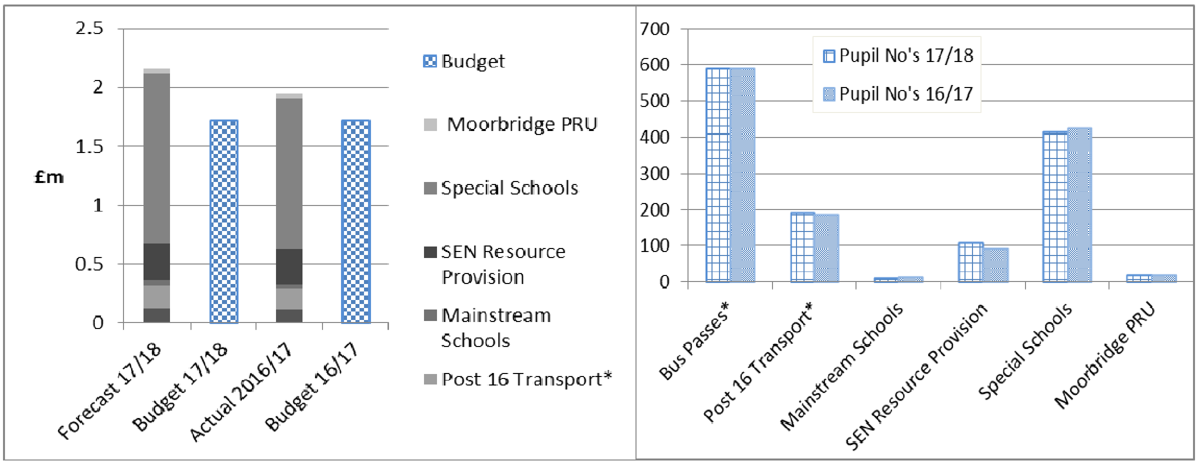
Table 11: Commissioning and Investment forecast variation

	2017/18 Budget £m	Jan Variance £m	Nov Variance £'m	Movement £m's
School Funding & Statutory staff costs	15.245	0.000	0.000	0.000
Commissioning Service	0.539	0.045	0.045	0.000
Child Protection Independent Assurance & Review	0.680	0.070	0.070	0.000
Facilities and Fair Access (including Home to School Transport)	0.507	0.523	534	(0.011)
Strategic Property & Investment	0.388	0.003	0.017	(0.014)
High Needs Special Educational Needs	(0.080)	0.000	0.000	0.000
Property	1.866	0.050	0.284	(0.254)
Management & Support	0.143	0.015	0.020	(0.005)
Internal Audit & Risk	0.002	0.000	0.000	0.000
Procurement	0.000	(0.015)	0.000	(0.015)
Total Commissioning & Investment	**19.290**	**0.691**	**0.970**	**(0.299)**

Home to School Transport

3.3.2 Table 12 below sets out details of the cost and number of pupils accessing home to schools transport service provision during 2016/17 and forecasted to access the service in 2017/18. Although the numbers of pupils are relatively stable year on year, the overspend in this area for the Authority is expected to increase to £0.439m because of pressure on the Designated Schools Grant which is no longer available to contribute towards supporting this service at the previous levels. As can be seen below much of the provision is statutory with the most significant level of expenditure being in respect of special schools. The Authority is using appropriate opportunities to review the level of provision given, particularly when other elements of a child's package are reviewed. The Authority has a panel supporting work on this issue and is drawing on the knowledge of Special School Head teachers.

Table 12: Analysis of Home to School Transport



Property

3.3.3 Although there is an overspend predicted in this managed budget, following the deed of variation with Capita, signed in March 2017, the Authority now has assurance that Capita will deliver the savings and the service within the managed budget envelope overall. This means that the pressure within Property in the Commissioning & Investment service is compensated for by an under spend within the services provided by Capita for the Authority within Environment, Housing & Leisure.

3.4 Environment, Housing & Leisure

3.4.1 Environmental, Housing and Leisure service is reporting a pressure of £0.306m as set out in Table 13 below (November was £0.646m).

Table 13: Forecast Variation in Environment Housing and Leisure

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Move £m
Sport & Leisure	4.446	0.401	0.378	0.023
Arts Tourism & Heritage	1.960	0.106	0.084	0.022
Libraries and Community Centres	6.268	0.395	0.414	(0.019)
Security & Community Safety	0.249	0.081	0.144	(0.063)
Fleet/Facilities Management	0.459	(0.372)	(0.242)	(0.130)
Waste Strategy	11.891	(0.356)	(0.006)	(0.350)
Bereavement	(0.741)	0.117	0.113	0.004
Street Environment	8.772	(0.025	0.043	(0.068)
Head of Service & Resilience	0.287	0.042	0.023	0.019
Street Lighting PFI	4.242	0.0	0.0	0.0
Consumer Prot & Building Control	0.985	0.001	0.005	0.006
Transport & Highways	5.009	(0.275)	(0.321)	0.046
Planning	0.220	0.192	0.016	0.176
General Fund Housing	1.092	0.0	0.005	0.005
TOTAL Environment Housing & Leisure	**45.220**	**0.306**	**0.646**	**(0.340)**

Sport & Leisure

3.4.2 The variance change from the last reporting period reflects increased pay & backfill costs for covering sickness and holidays. (£0.023m). There are premises costs variances of £0.133m relating to energy and rates pressures now included which had historically been reported centrally.

Arts Tourism & Heritage

3.4.3 There continues to be a small £0.046m pressure arising from the Playhouse due to reduced Authority income and operational cost inflation. In addition, previously unforeseen essential repair costs on the Buddle Arts Centre building are identified of £0.037m.

Libraries & Community Centres

3.4.4 The outturn variance reflects forecast cost pressures in the following areas; Building Cleaning of £0.082m & Libraries Telephones/ICT/Computer Costs £0.038m, as well as energy and rates costs £0.069m , PFI Contract Costs £0.149m; Howdon & Shiremoor Community Centres £0.119m; together with minor underspends across the service (£0.062m).

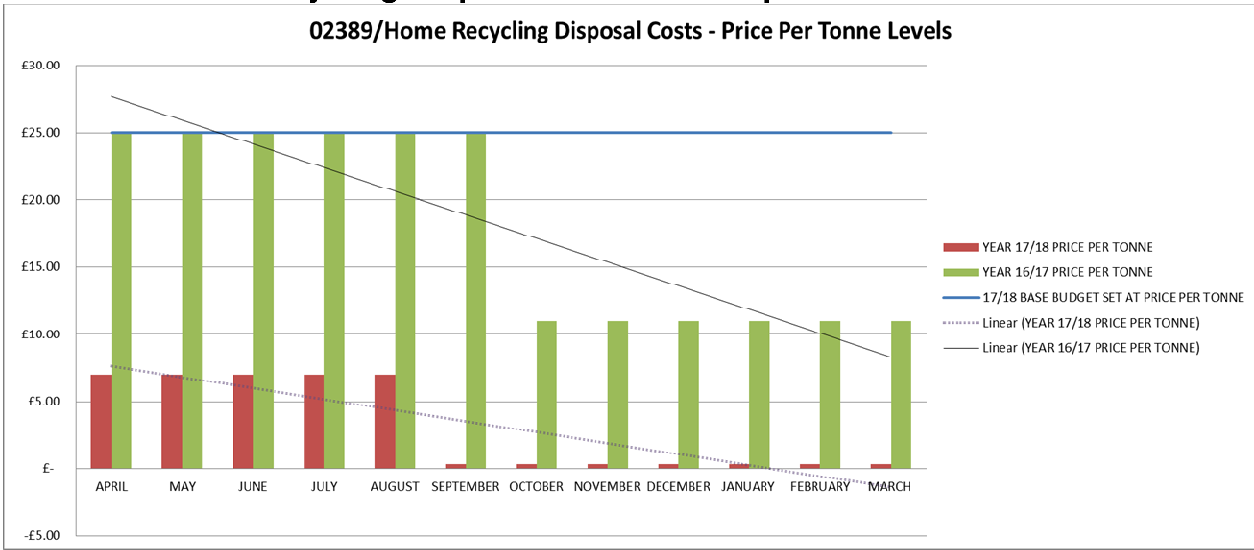
Security & Community Safety

3.4.5 The £0.081m pressure relates in the main to current forecast underachievement of income £0.089m, offset by small savings in costs.

Waste

3.4.6 The service has improved by (£0.350m) since November largely because of a reduction in household recycling costs. The net cost of waste has been improved due to additional funding and reduced contract costs. In addition, the price per tonne for the disposal of household recycling has dropped significantly across the year. When the 2017/18 budget was set it was around £25.00. The price per tonne initially reduced to between £7.00-£10.00 per tonne. It now has dropped to 31p per tonne, as seen in table 14.

Table 14: Home Recycling Disposal Costs – Price per Tonne Levels



3.4.7 The growth of housing across the Borough has put pressure on waste growth but the main area of growth in demand for the Authority was coming from increased waste being presented at the Household Recycling Centre rather than from doorstep collections.

3.4.8 In response to this increase in volume, the Authority has made changes at its Household Waste Recycling Centre (HWRC) in North Shields, to ensure the on-going safety and sustainability of the site. The Authority has introduced a ban on very large vehicles such as ‘Luton’ vans, tippers, minibuses, and long trailers, in response to concerns about site safety and the suspected misuse of the site by commercial operators. In addition a permit scheme for specified vehicles has been introduced.

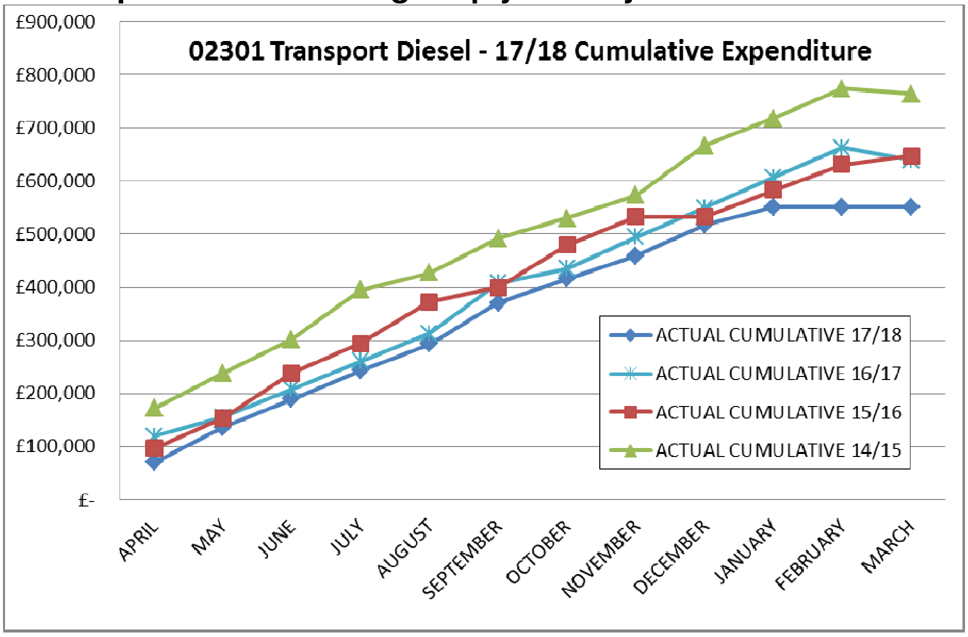
Bereavement

3.4.9 The Bereavement Service fee increases in October 2017 have not led to the expected increased income targets for 2017/18. This is further impacted by increased security costs.

Street Environment and Fleet Service Areas

3.4.10 A forecast underspend can be seen within the Fleet service area due to reduced maintenance costs, as well as lower fuel related expenditure (see Table 15) given more economic vehicles together with other related expenditure following the ongoing capital programme replacement of vehicles. In addition, the service has been successful in increasing the appropriate recharges for fleet usage with external users (schools and Capita).

Table 15: Transport costs showing drop year on year



Street Lighting PFI

3.4.11 Electricity pressures of £0.100m and unitary charge inflation pressures of £0.257m are being partially mitigated by PFI interest and one-off income for officer time of £0.080m. A review of all PFI models has been undertaken, and the overall pressure on the street lighting PFI budget in year can be managed in year by an appropriate drawdown from the PFI reserve.

Transport & Highways

3.4.12 The underspend is mainly due an over-achievement of income relating to parking (£0.528m) offset partially by increased parking running costs of £0.234m. This service area, along with Consumer Protection and Building Control and Planning within Environment, Housing & Leisure and Property within Commissioning & Investment from the managed budget. Capita, as our Technical Partner, is responsible for delivering savings and a balanced budget in total across these areas.

3.5 Business & Economic Development

3.5.1 The main area of variation as shown in Table 16 relates income pressures at the Swan Hunters site of £0.125m due to three major load out and laydown opportunities which did not progress in 2017. Over a 12 month period there was the potential for up to £0.050m income from each of these enquirers, none of these will now be realised in 2017/18. In addition there are staffing pressures of £0.029m. These are partially offset by savings on supplies and services of (£0.026m).

Table 16: Forecast Variation Business and Economic Development

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £m
Regeneration	0.513	0.145	0.028	0.117
Business & Enterprise	0.933	-0.004	0.003	-0.007
Resources & Performance	0.175	-0.013	-0.014	0.001
Total Business And Economic Development	**1.621**	**0.128**	**0.017**	**0.111**

3.6 Commercial & Business Redesign

3.6.1 The main area of variation as shown in Table 17 below relates to cost pressures arising from a number of new system costs and enhancements largely in the area of automated customer contacts and internet connectivity.

Table 17: Forecast Variation Commercial and Business Redesign

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £m
Head of Commercial & Business Redesign	0.004	0.014	0.014	0.000
ICT Retained Services	0.522	0.000	0.001	-0.001
ICT Client	1.986	0.136	0.137	-0.001
Total Commercial and Business Redesign	**2.512**	**0.150**	**0.152**	**-0.002**

3.7 Corporate Strategy

3.7.1 Corporate Strategy is forecasting an over-commitment of £0.131m as set out in Table 18 below. This is made up of staff cost pressures £0.092m, supplies and services pressures of £0.039m. The service area is looking to part manage these pressures through the year by opportunities to increase income, non-essential spend and vacancy management.

Table 18: Forecast Variation Corporate Strategy

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £m
Corporate Strategy Management	0.133	0.022	0.023	-0.001
Policy, Performance & Research	-0.003	0.002	0.023	-0.021
Community and Voluntary Sector Liaison	0.472	0.039	0.015	0.024
Marketing	0.129	0.057	0.035	0.022
Elected Mayor and Executive Support	-0.030	-0.006	-0.007	0.001
Children's Participation & Advocacy	0.199	0.017	0.017	0.000
Total Corporate Strategy	**0.900**	**0.131**	**0.106**	**0.025**

3.8 Finance

3.8.1 The under spend in the Finance service as set out in Table 19 relates to the pension rebate estimated as due to the Local Authority from Engie under the partnership contract, reduced audit fee and staff savings. Within Revenue & Benefits and Customer Services there is a pressure of £0.293m resulting from a pressure on enforcement income of £0.054m and £0.239m on housing benefit subsidy budgets. The variance is 0.39% of the gross expenditure budget of the Revenue & Benefits Customer Services of £75.866m.

Table 19: Forecast Variation Finance

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £m
Finance Service	-0.021	-0.249	-0.249	0
Revs & Bens & Cust Services	1.273	0.293	0.293	0
Total Finance	**1.252**	**0.044**	**0.044**	**0**

3.9 Human Resources & Organisational Development

3.9.1 The pressure relates to the additional HR staff supporting the Target Operating Model projects. The improvement is due to vacant posts being held.

Table 20: Forecast Variance Human Resources and Organisational Development

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £m
HR & OD and Total	**0.262**	**0.147**	**0.149**	**-0.002**

3.10 Law & Governance

3.10.1 The overall pressures in Law and Governance of £0.079m are analysed in Table 17 below. The main pressures relates to Information Governance where additional staffing costs (£0.059m) are in place to deal with the Authority's response to the General Data Protection Regulation (GDPR), which will apply in the UK from 25 May 2018, and the implementation of data management systems to replace the OpenText systems. The Government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR. There is a salary pressure on the Courier Service of £0.043m. These are partially offset by savings on supplies and services and additional income generation.

Table 21: Forecast Variation Law and Governance

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £'m
Customer, Governance & Registration	-0.091	0.109	0.091	0.018
Democratic & Electoral Services	0.004	-0.052	-0.047	-0.005
Information Governance	0.027	0.085	0.073	0.012
Legal Services	0.004	-0.031	-0.038	0.007
North Tyneside Coroner	0.293	-0.032	0.000	-0.032
Total Law and Gov	**0.237**	**0.079**	**0.079**	**0.000**

3.11 Central Budgets & Contingencies

3.11.1 The 2017/18 forecast outturn set out in Table 18 below reflects savings of circa £3.346m on interest charges and a forecast underspend of £0.333m in relation to MRP. These savings result from 2016/17 Investment Plan reprogramming and the approach to internal borrowing. Cabinet will recall during 2016/17 significant in-year savings were achieved through the application of the Treasury Management Strategy. Additional savings were factored into budget setting for 2017/18 however the approach to Treasury Management is continually reviewed in order to minimise borrowing costs to the Authority and maximise the opportunity to achieve in-year budget savings. That will be dependent on movements in interest rates, which are monitored on a daily basis.

3.11.2 The assumption that £1.426m of contingencies and Service Improvement Fund will not be drawn down continues (these pressures have been forecast within the Service figures reported above). A backdated rates rebate of £0.344m relating to the John Willie Sams Centre has been agreed and additional income generation of £0.293m from S31 Grants for Small Business Rate Relief are shown here, together with a dividend from the Airport of £0.886m and an anticipated dividend of £0.250m from Kier.

3.11.3 Included in Central items is the budgeted saving on Procurement activity of £0.500m which is currently being forecast as a pressure. As highlighted previously a detailed review of the procurement of services and the Authority's spend with suppliers is in progress. Options have been identified and work is now commencing to change how the Authority approaches procuring supplies and services across a number of areas. As the exercise is still in an early stage, it is prudent to assume that the saving will not be achieved but the practical work has started and progress will be kept under careful review. There are also pressures totalling £0.312m relating to the bad debt provision and to payments relating to NECA and the LEP, plus NTC Enterprise zone payment, shortfall on trading company interest and a small backdated VAT adjustment.

3.11.4 Seaton Burn Community High School has transferred as a sponsored academy at the start of January. The school is currently forecasting a deficit of £0.668m. Due to the nature of the transfer of the school the deficit will be met by the General Fund in 2017/18.

3.11.5 A dividend from Kier has been announced, valued at 0.250m that it is proposed is used as a contribution to reserves to be set aside to pay for costs associated with bringing the Joint Venture back in house.

Table 22: Forecast Variation Central Budgets and Contingencies

	2017/18 Budget £m	Jan 2017/18 Variance £m	Nov 2017/18 Variance £m	Movement £m
Corporate & Democratic Core	15.358	-0.574	-0.574	0
Other Central Items – corporate accounting, contingencies and levies	-7.641	-5.184	-5.184	0
KIER dividend		-0.250		-0.250
Total Central Items	**7.717**	**-5.972**	**-5.752**	**-0.250**

3.12 The following table shows additional grants received since November 2017. Cabinet is requested to approve receipt of these grants.

Table 23: 2017/18 Revenue Grants awarded since November 2017

Service	Granting Body	Description	Amount £m
Environment Housing & Leisure	Department for Environment, Food & Rural Affairs	Support for LA Feasibility Study Roadside NO2	0.050
Total			0.050

SECTION 4 - SCHOOLS FINANCE

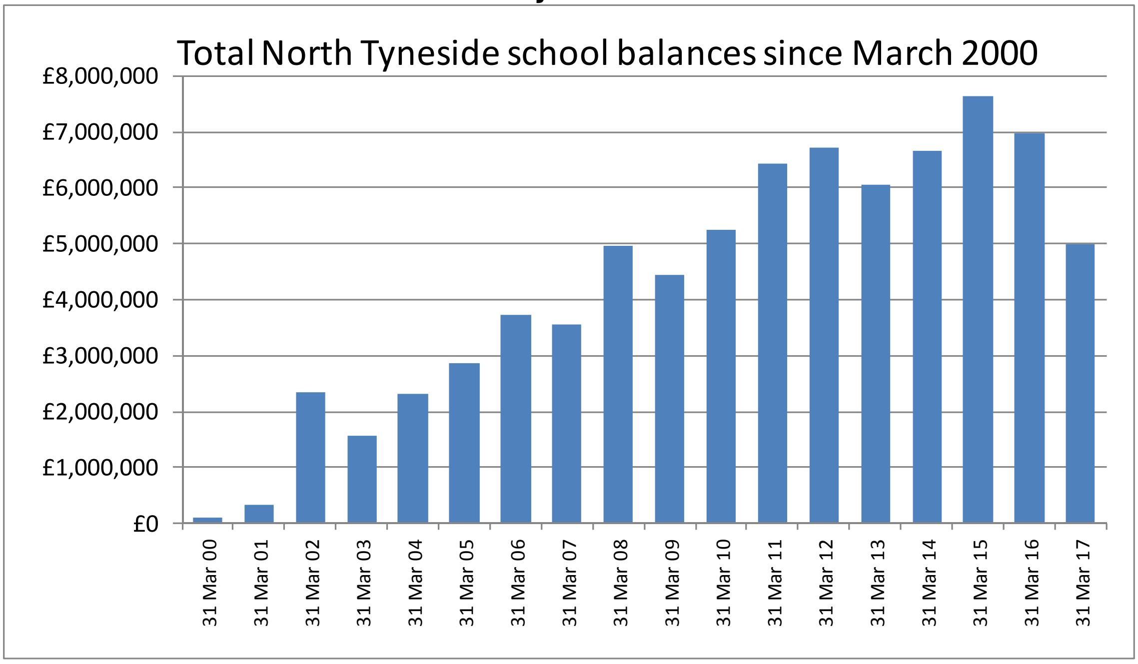
2017/18 School Budgets

4.1 During 2016/17 overall maintained school balances in North Tyneside decreased from £6.982m to £4.986m at 31 March 2017. This was reported in the Authority's Statement of Accounts for 2016/17 and used in National Government Benchmarking.

4.2 It should be noted that total maintained school balances do not include those of academies in the borough. The balances reported nationally include committed balances, i.e. amounts schools show as committed to spend on specific projects. The actual balances for forward planning purposes are normally lower, as they include elements that the schools plan to spend in future periods.

4.3 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. As expected the end of 2016/17 saw the second year of balances decreasing following a long term trend of rising balances in North Tyneside, and Table 24 below sets out the long term trend of the position of North Tyneside Schools. In 2016/17, North Tyneside school balances at March 2017 represented 3.3% of total school income in that year. This is significantly lower than the national figure of 6.4%.

Table 24: The trend of total North Tyneside school balances.



4.4 Cabinet should note that the overall position at the 31 March 2017 was significantly different to that predicted at the start of the year when schools submitted their budget plans. In the May 2016 budget submissions for the 2016/17 committed balances were forecast to be in an overall deficit position of £0.282m. This compares with an uncommitted balance of £4.986m at 31 March 2017, so the actual outturn balance was significantly higher. Schools have been reminded of the need to forecast as accurately as possible so that decisions are taken in the light of accurate budget projections. Cabinet will be aware that schools retain a high degree of autonomy when setting budgets, unless they are in a deficit position. Therefore, whilst Elected Members and officers are able to advise schools on the adequacy of balances, they cannot intervene.

4.5 In June 2017, ten schools indicated that they needed the Authority's approval to set a deficit budget. This compares to eight schools in 2016/17 being managed under the deficit approval process. It should be noted that out of the ten schools requesting deficit approvals eight are secondary schools, as those schools continue to have surplus school places. 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.

4.6 Budget monitoring has been conducted with all schools during the Autumn term with particular attention given to the ten schools requesting deficit approval. The overall forecasted position improved by £0.878m from a total deficit of £2.896 to a deficit of £2.018m. The forecasts for the ten schools with deficit approvals improved by £0.227m. Table 25 below sets out the deficits approved and the Autumn term monitoring position. At the time of writing, the monitoring visits for the Spring term are nearing completion and early indications are that forecasts are generally continuing to improve.

Table 25 Schools with deficit approval for 2017/18

School	Deficit Approval Granted 2017/18 £m	Autumn Term Monitoring Position £m
Fordley Community Primary	-0.081	-0.042
Ivy Road Primary	-0.137	-0.150
Marden Bridge Middle	-0.027	-0.021
Monkseaton Middle	-0.034	-0.027
Marden High	-0.478	-0.467
Norham High	-1.224	-1.154
Longbenton High	-1.026	-1.040
Monkseaton High	-2.586	-2.523
Seaton Burn Community College	-0.668	-0.668
Whitley Bay High	-0.618	-0.561
Total	**-6.880**	**-6.653**

4.7 The deficit position is largely driven by surplus capacity. A programme of work is in progress with schools to consider further actions required to address the longer term approach to financial planning for schools in North Tyneside. The programme is focussing on three new work streams and is also consolidating work on two existing projects. The workstreams are:-

- Financial review and analysis;
- Planning and modelling;
- Tools for Schools;
- Keeping Children and Young People in School
- Closing the Gap.

A progress report will be given to Schools Forum in March 2018.

National Funding Formula and Setting School Budgets for 2018/19

4.8 On 14 September 2017 the Department for Education (DfE) published the response to the Stage 2 national funding formula consultation and confirmed the final formulae. From 2018/19 the Dedicated Schools Grant (DSG), which provides the allocations for each block, will comprise of four blocks: schools, high needs, early years and the new central school services block. Each of the four blocks has their own funding formula.

4.9 In 2018/19 & 2019/20 the local authority will receive its funding based on the DfE national funding formula and during this transition period local authorities will continue to set a local formula to distribute funding and distribute individual schools budgets.

4.10 A consultation exercise with all schools held in November/December 2017 indicated that there was a desire to retain the current North Tyneside formula for as long as possible to allow schools to prepare for the National Funding Formula in 2020/21. This view was discussed and endorsed at Schools Forum on 15 November 2017.

4.11 The funding settlement for the DSG was received on 19 December 2017 and a proposal for its allocation was submitted to Schools Forum on 10 January. The settlement showed an overall funding increase of 2.7% against an increase in pupil numbers of 1%. Table 26 below shows the overall DSG allocation.

Table 26: North Tyneside Overall DSG Allocation for 2018/19

	2018-19 schools block units of funding (£s)	Schools Block	CSS Block	Early Years Block	High Needs Block	Total DSG 2018/19
		£m	£m	£m	£m	£m
Primary per pupil rate (£):	**3,769.62**					
Secondary per pupil rate (£):	**5,272.53**					
Block value		£116.594	£2.314	£13.115	£19.977	£152.000
Deduction for direct funding of high needs places by ESFA					-£0.674	-£0.674
IT SIMS Capital		£0.068	-£0.068			£0.000
Total Settlement		**£116.662**	**£2.246**	**£13.115**	**£19.303**	**£151.326**

4.12 Following Schools Forum in January 2018, schools block allocations to individual schools were calculated and submitted to the DfE. Mainstream schools received information on their budget share on 31 January 2018.

SECTION 5 - HOUSING REVENUE ACCOUNT

Forecast Outturn

5.1 The forecast set out in Table 27 below based on the results to January 2018 reflects balance or under spends across all cost areas except HRA Management costs where there is a pressure £0.123m. The early pressures on rental income existed largely because of higher levels of empty homes than forecast, particularly in Sheltered Housing, but it is now forecasted to exceed original budget as empty homes continue to be filled, leading to a net underspend of (£0.029m). In addition, the income from temporary dispersed accommodation is projected to be above budget (£0.071m), whilst service charge income (including furniture packs) is now also significantly better than budget (£0.125m). All of the £0.873m of savings identified in the 2017/18 budget approved by Cabinet are on target to be delivered in full.

Table 27: Forecast Variance Housing Revenue Account

	FULL YEAR - 2017/18				
		January Forecast Outturn			
	Full Year Budget £m	Forecast £m	Variance £m	November Variance £m	Movement £m
INCOME					
Rental Income	-59.689	-60.070	**-0.381**	-0.225	-0.156
Other Rental Income, Shops etc.	-0.255	-0.254	**0.001**	0.001	0.000
Interest on Balances	-0.030	-0.040	**-0.010**	-0.010	0.000
PFI Credits	-7.693	-7.693	**0.000**	0.000	0.000
	-67.667	**-68.057**	**-0.390**	-0.234	-0.156
EXPENDITURE					
Capital Charges - Net Effect	13.848	13.827	**-0.021**	-0.026	0.005
HRA Management Costs	10.197	10.028	**-0.169**	0.123	-0.292
PFI Contract Costs	9.551	9.551	**0.000**	0.000	0.000
Repairs	11.481	11.477	**-0.004**	-0.004	0.000
Revenue Support to Capital Programme	6.771	6.771	**0.000**	0.000	0.000
Contribution to Major Repairs Reserve – Depreciation	15.650	15.650	**0.000**	0.000	0.000
Contingencies, Bad debt Provision & Transitional Protection Payments	1.080	0.682	**-0.398**	-0.300	-0.098
Pension Fund Deficit Funding	0.855	0.855	**0.000**	0.000	0.000
	69.432	68.840	-0.592	-0.206	-0.386
	1.766	**0.784**	**-0.983**	-0.440	-0.543
BALANCES BROUGHT FORWARD	**-4.627**	**-5.966**	**-1.339**	-1.339	0.000
BALANCES TO CARRY FORWARD	**-2.861**	**-5.182**	**-2.322**	-1.779	-0.543

5.2 **Empty homes**

In terms of the impact of empty homes on the financial picture to date, rates are actually below 16/17 levels overall so far this year and as the year has moved on the empty home rates have improve significantly following the completion of the North Tyneside Living Schemes, to such an extent that income forecasts are now exceeding budget projections. Tables 28-30 illustrate the movement in stock levels for 17/18 compared to 16/17.

Table 28: All stock Empty homes debit as percentage of total debit

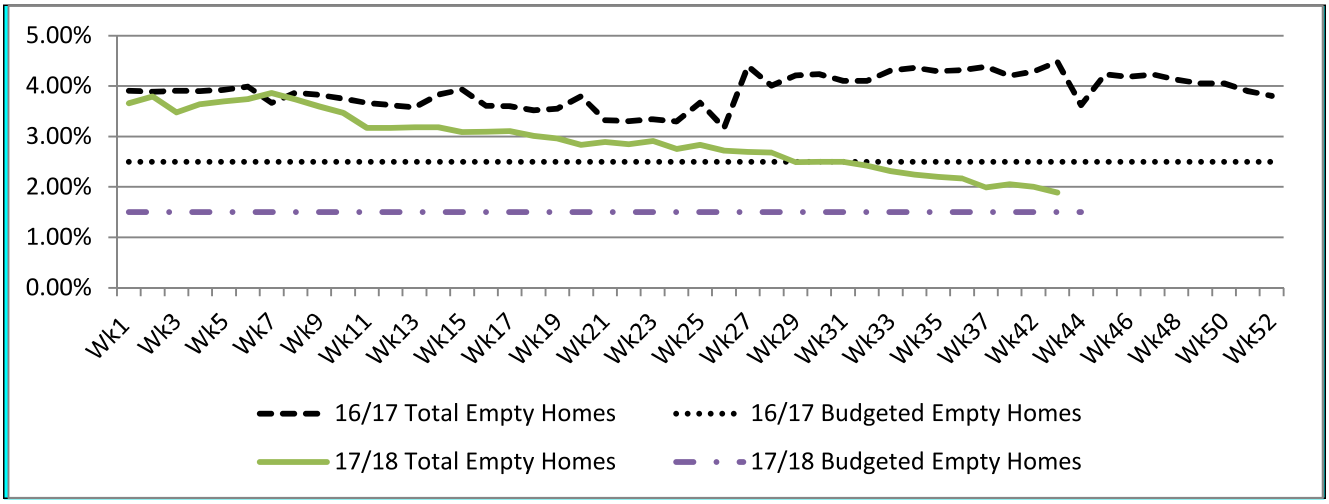


Table 29: General Stock Empty homes debit as percentage of total debit

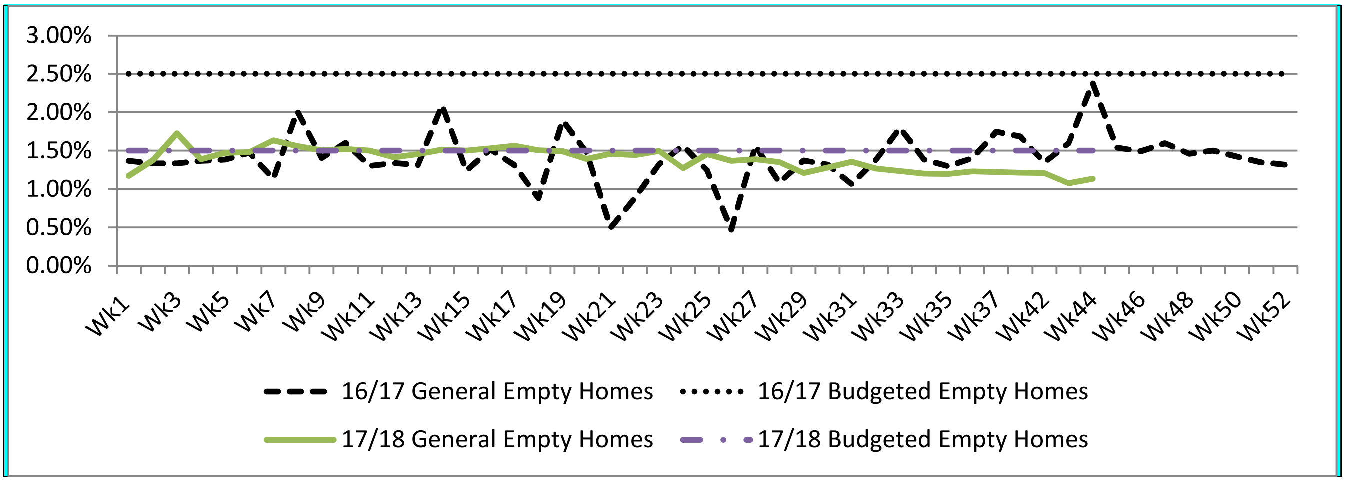
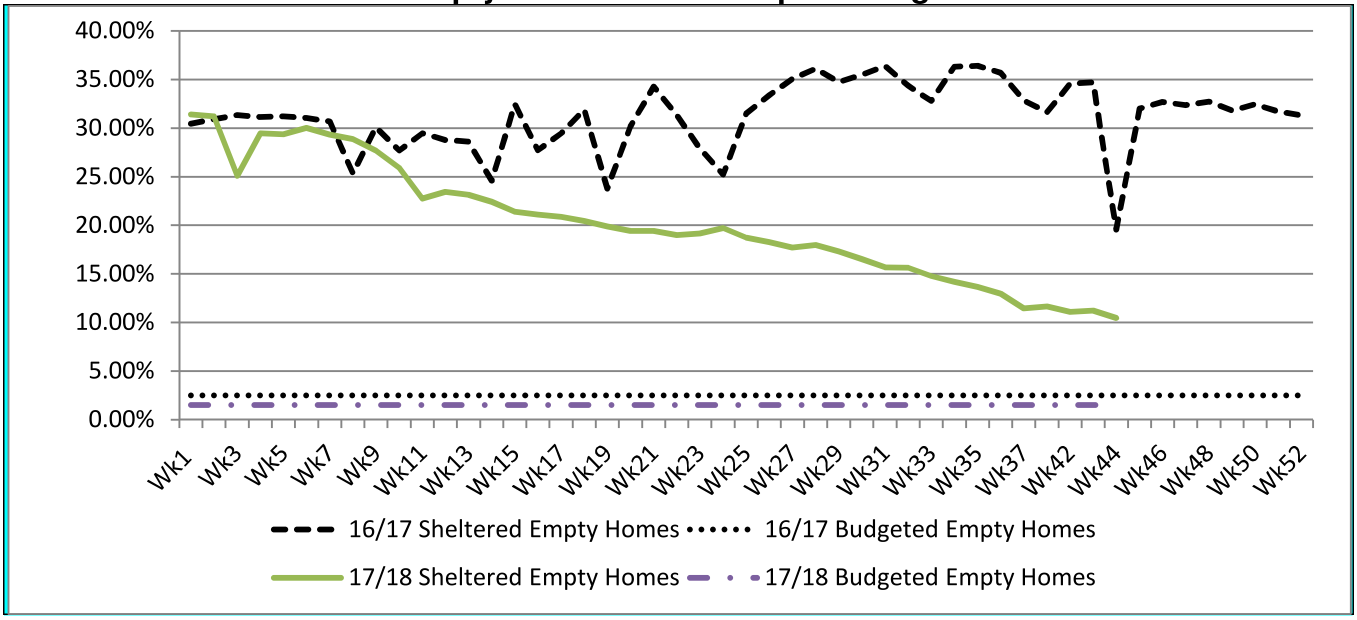


Table 30: Sheltered Stock Empty homes – debit as percentage of total debit



5.3 The net forecast underspend of £0.169m in HRA Management costs includes a pressure from the impact of Council tax payable on higher level of empty homes (£0.235m), additional water rates commission income negotiated (£0.166m) and staff vacancies (£0.319m), plus potential pressures around broadband costs for sheltered accommodation (£0.059m) and the anticipated in-year costs relating to the Construction Options Project (£0.205m).

5.4 The £0.398m projected underspend on Contingencies, Bad debt provision and transitional protection payments includes an expected reduction in costs for transitional protection as a result of higher than budgeted empty homes in sheltered accommodation (£0.080m). There is a predicted reduction in bad debt provision (£0.230m) required based on a lower level of arrears than expected which will be monitored closely as the wider roll out of Universal Credit continues. The go-live on full-service Universal Credit in North Tyneside was 19 February 2018, but this has now been delayed until May 2018 so the impact for 2017/18 is expected to be minimal. Currently only around 2,000 North Tyneside residents are on Universal Credit, many of whom were not previously entitled to Housing Benefit. At the end of January 2018 there were 236 Authority tenants claiming universal credit, of these 190 (81%) are in arrears, with average current arrears per tenant of £555, compared to average current tenant arrears of circa £357. This is a trend that has been seen across those authorities who are live with full service and remains a risk for the HRA in future years.

Right to Buy (RTB) Trends

5.5 The impact of RTB is critical to long-term planning for the HRA. Prior to the introduction of self-financing back in 2012, average RTB sales had dropped to around 25 per annum, mainly due to the capped discount (£22,000) 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 £75,000 and then subsequently annual inflation was added to the maximum. The table below shows the trend in RTB sales since that time, and the financial impact this has had on revenue to the HRA.

Table 31 – RTB Trends and Financial Impact

	Sales assumed by self-financing	Actual RTB Sales	Additional RTB Sales above budget assumptions	Estimated lost rent per annum (£000)	Capital Receipts (£000)
2012-13	**40**	**85**	**45**	**315**	**3,477**
2013-14	**47**	**122**	**75**	**457**	**4,957**
2014-15	**53**	**100**	**47**	**397**	**3,938**
2015-16	**55**	**135**	**80**	**577**	**5,548**
2016-17	**55**	**136**	**81**	**557**	**5,632**
2017-18 (Apr-Dec)	**42**	**101**	**59**	**402**	**4,802**
	292	**679**	**387**	**2,705**	**28,354**

5.6 In the period (2012-2017) we have built just over 130 new homes through the HRA, which has helped mitigate a portion of the revenue loss from the 578 sales in the same period, but in essence the HRA has lost £2.3m in rental income from the annual rent over this period.

5.7 In terms of the total Capital Receipts from the sales of these properties over the last 5 years (£23.552m), the Authority has been required to pay a proportion over to Government (£8.326m) but is allowed to keep a proportion to cover administration costs (£0.753m). The Authority can also retain some proceeds to cover the additional debt burden from the extra sales (£8.507m), plus the Local Authority share of the “pooled” assumption (£3.425m). Any sum left over is called the “retained” receipt (£2.570m) and this must be used purely for new build housing, under the “one-for-one” policy. As can be seen from the figures above the Authority has sold an “additional” 387 properties in 5 years and has only replaced circa 130 to-date, so the policy intention of “one-for-one” replacement is currently not being achieved in North Tyneside.

SECTION 6 - INVESTMENT PLAN

Review of Investment Plan - Position Statement

6.1 The Authority's Investment Plan represents the capital investment in projects across all service areas. The vast majority of the 50+ projects are currently on line to deliver on time and on budget. Some of the key highlights of the Investment Plan due to be delivered during 2017/18 are summarised below:

Affordable Homes New Build and Conversion Works

6.2 There are currently 3 projects that will complete during 2017/18, namely:

- The construction of 6 new affordable units in Seaton Burn on the old Chapelville sheltered unit site was completed in November 2017;
- The construction of 20 new affordable units in Dudley, on the former Dudley & Weetslade Club site. Work is due for completion in March 2018; and,
- The conversion of Perth Gardens into 7 new affordable units. Work is due for completion in March 2018.

In addition to the above there will be a number of other schemes progressed through the design, planning and procurement process during 2017/18 that will subsequently complete in future financial years.

Housing Investment Work

6.3 The Housing Capital delivery programme will see the following works delivered across the Borough during 2017/18:

- Kitchens and bathrooms to 605 homes;
- Heating upgrades to 600 homes;
- Boundary improvements to 830 homes;
- External decoration to 1,906 homes;
- Roof replacements to 292 homes;
- External Brickwork Repairs to 367 homes;
- Insulation / Structural works to 24 Non-traditional homes ; and,
- Infrastructure Projects to 7 locations.

Education Investment Works

6.4 The delivery of the Investment in schools will see the following works delivered over 2017/18:

- Delivery of an initial 26 priority condition related projects across the school estate;
- Priority Schools Building Programme (Off Balance Sheet) ;
    - o The projects at both Whitehouse Primary School, Longbenton High School and Marden High School are now fully completed;
    - o The external works for John Spence High School were completed by the end of December 2017 and the contract has now moved to the external defects liability period; and,

- Cullercoats Primary School – this project is being delivered as part of PSBP2. The preferred solution is to be a refurbishment programme rather than a new build. Detailed discussions are ongoing with the Education Funding Agency (EFA) their appointed contractor and the school to finalise the scope of works. It is anticipated that the final agreed solution would be confirmed early 2018 with works commencing on site Spring/Summer 2018.

Highways and Infrastructure Works

6.5 The main Highways, Infrastructure works include:

- Delivery of the LTP including the annual resurfacing programme and integrated transport projects;
- Construction of the final phase of A1058 Coast Road major scheme (Norham Road Bridge);
- Central Promenade Reconstruction Scheme - construction work commenced on site in February 2017;
- A1056 Weetslade major highways scheme was completed in July 2017;
- Construction of the North Bank of the Tyne highway improvements from October 2017; and
- Major drainage improvements at Monkseaton and Shiremoor.

Regeneration Works

6.6 Regeneration Works for 2017/18 include:

- Works are progressing well with the restoration of the Spanish City Dome in accordance with the delivery plan with target date for completion late Spring 2018. Works to reinstate the western wing are continuing to progress;
- Hotel and restaurant adjacent to the Dome opened in July 2017;
- The public realm works on Northern Promenade are nearing completion; and,
- Swans – the next phase of works will cover feasibility works including upgrade of the Swans Quay and load out facilities plus further demolition works and Centre for innovation Phase 2 refurbishment.

Variations to the 2017-20 Investment Plan

6.7 As part of the regular investment programme monitoring £5.137m reprogramming within the plan and variations of £1.360m variations have been identified.

Table 32 details the changes to the approved 3-year Investment Plan, as agreed at Council on 16 February 2017.

Table 32: 2017 - 20 Investment Plan changes identified

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Approved Investment Plan – Council 16 February 2017	**106.952**	**48.888**	**30.833**	**186.673**
Previously Approved Reprogramming				
Cabinet 12 June 2017	12.980	0	0	12.980
Cabinet 10 July 2017	(21.929)	21.926	0.517	0.514
Cabinet 11 September 2017	1.316	(0.008)	0	1.308
Cabinet 13 November 2017	(9.317)	8.846	0	(0.471)
Cabinet 15 January 2018	(2.016)	2.130	0.144	0
Approved Investment Plan – Cabinet 15 January 2018	**87.986**	**85.256**	**33.464**	**206.706**
December/January				
Variations	1.021	0.339	0	1.360
Reprogramming	(5.137)	(0.053)	5.190	0
Total Variations	**(4.116)**	**0.286**	**5.190**	**1.360**
Revised Investment Plan	**83.870**	**85.542**	**38.654**	**208.066**

6.8 The details of the main variations £1.360m are shown below:

(a) **HS004 Disabled Facilities Grant (DFG) £0.129m** – In the Autumn budget, the Chancellor announced an additional £42 million capital funding for the DFG. North Tyneside has received an allocation of £0.129m;

(b) **EV085 England Coast Path (St Mary's) £0.025m** – Natural England has offered £0.025m grant after considering a grant application to establish a stretch of path as part of the wider England Coast Path (South Bents to Amble);

(c) **EV086 Clean Bus Technology Fund £1.206m** – As part of the £3.3m fund North Tyneside has been granted £1.206m. The scheme will see 191 buses operating on 20 routes in Newcastle, Gateshead and North Tyneside fitted with new engine technology which significantly reduces levels of pollutants. The funding is split over 2017/18 £0.867m and 2018/19 £0.339m; and,

(d) Following Cabinet's decision to retain the Killingworth Site as the preferred depot solution, the **Operational Depot Accommodation Review (EV076)** budget been reduced by £2.394m in 2018/19. This budget has been transferred to **GEN03 Contingencies**.

6.9 Reprogramming of £5.137m has been identified. The details are shown below:

(a) **DV054 Coastal Regeneration £1.163m** – Issues discovered with the Spanish City Dome Eastern Wing has resulted in additional applications for planning and listed building consent to demolish and rebuild the wing. This has delayed the completion date until mid-June;

(b) **EV082 North Bank of Tyne Infrastructure £1.300m** — The phasing of the work schedule has been amended to align with other major projects on the network to minimise the impact across the network. Based on the current programme and planned activity through to the end of 2017/18 there is a requirement to reprogramme £1.300m to 2018/19 to complete the project;

(c) **EV080 Coast Road Cycle Scheme £0.141m**— Access to the section within Silverlink cannot be completed until access is gained. Work is being carried out with Sisk Lagan to identify a timeframe to complete the works; this is likely to be in 2018/19. It is proposed to reprogramme £0.141m into 2018/19 to help support the completion of the project;

(d) **EV055 Surface Water Improvement £0.500m —** Due to the delays in obtaining land agreements, construction of the Briar Vale project will now extend into next financial year and there for there is a requirement to reprogramme £0.500m to 2018/19;

(e) **EV073 Coast Road Junction Improvements (Norham Road Bridge) £0.802m** — Due to the delays in the programme due to the sequencing of the backfilling of the abutment walls, the completion date has now been extended from Spring 2018 to Summer 2018, therefore reprogramming of £0.802m is required;

(f) **DV058 Swan Hunters Redevelopment £0.861m** – Application for further funding from the North East Local Enterprise Partnership and the need to establishing a compliant State Aid position has resulted in reprogramming;

(g) **DV066 Investment in North Tyneside Trading Company £0.370m** – Reprogramming is required to reflect the updated spend profile for the work on the Wallington Court and Northumberland Square sites; and,

(h) **EV076 Operational Depot Accommodation Review £5.190m (2018/19)** – Following Cabinet's decision to retain the Killingworth Site as the preferred depot solution the budget has been reprogrammed to reflect the new timeframe which was presented in the proposed 2018-21 Investment Plan. The overall budget has been reduced by £2.394m (See 6.8c above) and £5.190m has been reprogrammed to future years.

6.10 The impact of the changes detailed above on capital financing is shown in Table 33 below.

Table 33: Impact of variations on Capital financing

	2017/18 £m	**2018/19 £m**	**2019/20 £m**	**Total £m**
Approved Investment Plan – Cabinet 15 January 2018	**87.986**	**85.256**	**33.464**	**206.706**
Council Contribution	(1.750)	(3.440)	5.190	0
Grants and Contributions	(2.366)	3.726	0	1.360
Total Financing Variations	**(4.116)**	**0.286**	**5.190**	**1.360**
Revised Investment Plan	**83.870**	**85.542**	**38.654**	**208.066**

Capital Receipts – General Fund

6.11 There were no General Fund Capital Receipts brought forward at 1 April 2017. All receipts received in 2016/17 were applied to finance capital expenditure.

The capital receipts requirement for 2017/18 approved by Council on 16 February 2017 was £Nil (£0.760m for 2017-20). Due to reprogramming from 2016/17 £0.110m receipts are now required for 2017/18 (£0.870m 2017-20). To date £1.074m of capital receipts have been received in 2017/18, therefore the 2017-20 requirement has been met. The surplus balance of receipts (£0.204m) will be used to either replace unsupported borrowing within the Investment Plan or to repay debt. The receipts position is shown in Table 34 below.

Table 34: Capital Receipt Requirement – General Fund

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Requirement reported to 16 February 2017 Council	0.000	0.380	0.380	0.760
Reprogramming from 2016/17	0.110	0	0	0.110
Revised Requirement	**0.110**	**0.380**	**0.380**	**0.870**
Useable Receipts Received 2017/18	(0.110)	(0.380)	(0.584)	(1.074)
Surplus Balance	**0.000**	**0.000**	**(0.204)**	**(0.204)**

Capital receipts – Housing Revenue Account

6.12 Housing Capital Receipts brought forward at 1 April 2017 were £5.501m. The Housing receipts are committed against projects included in the 2017-20 Investment Plan. The approved Capital Receipt requirement for 2017/18 was £0.663m. This, together with the reprogramming reported to 12 June 2017 Cabinet, gives a requirement of £1.809m. To date, £5.898m receipts have been received in 2017/18 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 £8.185m to be carried forward to fund future years.

Table 35: Capital Receipt Requirement - Housing Revenue Account

	2017/18 £m	2018/19 £m	2019/20 £m	2017-20 £m
Requirement reported to 16 February 2017 Council	0.663	2.847	2.805	6.315
Reprogramming from 2016/17	1.146	0	0	1.146
Revised Requirement	**1.809**	**2.847**	**2.805**	**7.461**
Receipts Brought Forward	(5.501)	(8.185)	(5.338)	
Receipts Received 2017/18	(5.898)	0	0	
Receipts Pooled Central Government	1.405	0	0	
Surplus Balance to fund future years (subject to further pooling)	**(8.185)**	**(5.338)**	**(2.533)**	

The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2017/18.

Investment Plan Monitoring Position to 31 January 2018

6.13 Actual expenditure in the General Ledger was £53.626m, 63.94% (November £41.085m and 46.69%) of the total revised Investment Plan at 31 January 2018. The expenditure is 75.46% of the profiled budget at end of January.

Table 36: Total Investment Plan Budget & Expenditure to 31 January 2018

	2017/18 Revised Investment Plan £m	Actual Spend to 31 January 2018 £m	Spend as % of revised Investment Plan %
General Fund	58.891	38.081	64.66
Housing	24.979	15.545	62.23
TOTAL	**83.870**	**53.626**	**63.94**