

# North Tyneside Council Report to Cabinet 21 January 2019

## Item 5(a)

Title: 2018/19 Financial  
Management Report to 30  
November 2018

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<b>Portfolios:</b> Elected Mayor  Finance and Resources	<b>Cabinet Member:</b> Norma Redfearn  Councillor Ray Glindon
<b>Report from:</b> Finance	
<b>Responsible Officer:</b> Janice Gillespie, Head of Resources	<b>Tel:</b> 643 5701
<b>Wards affected:</b> All	

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## PART 1

### 1.1 Executive Summary:

This report is the fourth monitoring report to Cabinet on the 2018/19 financial position. The report 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. It provides an indication of the potential revenue and capital position of the Authority at 31 March 2019 and reflects known pressures at this time. It is anticipated that the outturn forecast will improve over the course of the financial year as planned remedial actions continue to have an impact.

A number of sessions have already been held with Cabinet Members and senior management to give consideration as to the actions required to manage the financial risk identified for 2018/19, including what additional actions can be taken in line with the Authority's Efficiency Statement and the Creating a Brighter Future Programme. Cabinet have also had sessions with senior management to discuss the pressures and potential remedial actions. Like most local authorities, North Tyneside Council continues to face financial pressures which were reported in the 2017/18 Outturn Report and continue into 2018/19.

The report provides updates on

- 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;
- the delivery of 2018/19 approved budget savings plans;
- 2018/19 schools budgets;
- the delivery of the Capital Investment Plan including details of variations and

- reprogramming that are recommended for approval;
- the current performance against the policy priorities in the 2018-2020 Our North Tyneside Council Plan as context for the financial position; and
- details of additional grants received by the Authority during October and November 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 30 November 2018 (Annex Sections 1 to 5);
- (b) approve the receipt of new revenue grants including £1.979m from the Education and Skills Funding Agency (of which £1.720m will be passported to schools) and £1.031m from the Ministry of Housing, Communities and Local Government relating to the Adults Social Care Winter Funding (Annex Section 3 12.1);
- (c) note the Authority's Investment Plan spend of £39.657m to 30 November 2018 (Annex Section 6) and the financing of the Plan to the end of the year; and
- (d) approve variations of £0.459m and re-programming of £0.417m within the 2018 - 2021 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 5 October 2018.

## **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 fourth monitoring report presented to Members on the Authority's 2018/19 financial position. It provides an update on the expected revenue and capital financial position of the Authority as at 31 March 2019.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including management mitigations where issues have been identified.
- The delivery of 2018/19 approved budget savings plans.
- An update on the Capital Investment Plan, including details of variations and reprogramming, that are recommended for approval.

## 1.5.2 General Fund Revenue Account:

The budget for 2018/19 was approved by full Council at its meeting on the 15 February 2018. The net General Fund revenue budget was set at £154.726m including £10.143m of savings to be achieved.

The forecast overall outturn position in an estimated pressure against the approved net budget of £2.169m, a £1.430m improvement on the figures reported to Cabinet at its meeting of 26 November 2018. The improvement has mainly been achieved through the inclusion of North Tyneside's share of the Levy Account Surplus allocation of £0.726m (recently announced by Central Government as part of the Provisional Finance Settlement on 13<sup>th</sup> December 2018), additional s31 grant funding of £0.345m and a dividend received from Kier North Tyneside of £0.250m. However there still continues to be pressure in Children's Services of £3.697m and Adult Services of £3.142m, partly mitigated by the contingency balances that were created as part of the 2018/19 Budget setting process and are held centrally to reflect the on-going pressures in social care being felt locally and nationally.

Included in this projection is £3.440m of pressures in Corporate Parenting and Placements, £2.780m in Wellbeing and Assessment and £1.135m in Disability & Mental Health. These areas are being reported across England as pressure points with people living longer with more complex needs and the number of children being assessed for entry to the care system increasing dramatically. Within the Authority the drivers for these pressures continue from 2017/18 and arise from:

- Continued pressure in Adult and Children's Social Care Services due to increased life expectancy meaning people with learning and physical disabilities are living longer and often with multiple complex issues. Although the service manages demand as effectively as possible to ensure that the most intensive services are targeted at those with the greatest need, this can only contain, or at best slightly reduce, the overall size of the population in receipt of the services. However, the average cost of these services has risen due to the increased average complexity of the needs of those clients;
- Ongoing negotiations with the North Tyneside Clinical Commissioning Group to agree adequate levels of contributions for clients with health needs and to support social care;
- Negotiations with care providers to assess the impact of the National Living Wage and the consequential impact on our commissioning costs are at an early stage for 2018/19; and
- The timing of delivery of some aspects of the Creating a Brighter Future Programme to the extent that achievement of some savings may not occur until 2019/20. We are currently seeing £7.177m of the savings (64%) targets being delivered and this continues to improve.

Service areas have continued to develop further actions to mitigate identified financial pressures. It is anticipated that the outturn forecast will continue to improve over the course of the financial year as planned remedial actions impact on both expenditure and income.

A new grant of £1.031m announced in October 2018 to address NHS winter pressures is not yet shown within the position pending discussion with Cabinet

members and the Authority's NHS partners regarding its use. This will then be considered by the Mayor and Cabinet.

### **1.5.3 Housing Revenue Account (HRA):**

The HRA is forecast to have year-end balances at 31 March 2019 of £6.203m, which is £3.533m higher than budget. The higher than forecast balances are partly as a result of higher opening balances due to the impact of the previous year's financial performance (£1.443m) but there is also an in-year estimated underspend of (£2.090m), against an in-year budget of £1.970m, due to additional income of (£0.950m) and a reduction in forecast expenditure of £1.140m, mainly due to the progress of the Construction Options Project (£0.758m).

Universal Credit was fully implemented across North Tyneside on 2 May 2018. As of 26 November 2018, 1,391 North Tyneside Homes tenants have moved on to Universal Credit and a team is working proactively with tenants to minimise arrears. This position continues to be closely monitored as the year progresses to identify any adverse impacts on the budget position.

### **1.5.4 School Funding:**

Schools receive 2 monitoring visits by the Schools Finance Team during the financial year. The first set of monitoring for the 2018/19 year was completed in October 2018 and the results show an overall improved position against budget plans of 0.936m. The October monitoring results are however, still forecasting a significant overall deficit position. We are anticipating a further improvement at the second budget monitoring visits in January 2019 but the level of balances is still a cause for concern.

Cabinet will recall that the High Needs block outturn in 2017/18 was a pressure of £0.430m. This pressure has continued in 2018/19 with a forecasted in year outturn variance of £0.600m and therefore a total cumulative pressure of just over £1m. Cabinet should note that the High Needs block forms part of the Dedicated Schools Grant (DSG) which is ringfenced and does not form part of the General Fund.

The pressures in North Tyneside are in line with the national and regional picture. A recent freedom of information request indicated that for 2017/18, a total of 100 Local Authorities reported pressures in High Need out of 117 responding authorities. These pressures totalled £206m. The pressures in North Tyneside have come about due to additional places required in special schools, out of Borough placements and in relation to top up payments.

Schools Forum met on 19 December 2018 to consider its response to a consultation with all schools completed during November 2018 on key decisions relating to the application of the local formula for distributing funding to schools in 2019/20. This consultation also sought views on a potential transfer to support the High Needs Block.

### **1.5.5 Investment Plan:**

To the end of November 2018 spend of £39.657m had been incurred which represents 48.01% of the revised plan and over 50% for General Fund schemes.

The 2018-2021 Investment Plan, as adjusted for proposed reprogramming, totals £164.840m (£82.603m 2018/19) and is detailed in the Annex report, table 6.10.1. Section 6 of the Annex to this report also sets delivery progress to date, planned delivery for 2018/19, reprofiling of £0.417m from 2018/19 into 2019/20 and variations of £0.459m (£0.390m in 2018/19).

The revised Investment plan stands at £82.603m for 2018/19

### 1.5.6 New Revenue Grants:

There have been additional revenue grants received during October and November 2018 totalling £3.010m the details are which are set out below.

Grant Paying Body	Name of Grant	Purpose of Grant	2018/19 Allocation (£000)
Education and Skills Funding Agency	School Improvement Monitoring and Brokering Grant	Allows Local Authorities to monitor performance of maintained schools, broker school improvement provision and intervene as appropriate.	259
Education and Skills Funding Agency	PE and Sport (Academic Year - September to August)	Funding passported to schools to improve the provision of PE and sport to help develop pupils' healthy lifestyles.	1,128
Ministry for Housing Communities and Local Government	Adult Social Care Winter Funding	To ease NHS winter pressures.	1,031
Education and Skills Funding Agency	Teachers Pay Grant September 2018 to March 2019	Funding for schools to support the teacher pay award that came into effect on the 1 September 2018.	592
		<b>GENERAL FUND REVENUE</b>	<b>3,010</b>

The £1.031m grant announced in October 2018 to address NHS winter pressures is not yet shown within the position, pending discussion with Cabinet members and the Authority's NHS partners regarding its use.

### 1.5.7 Performance against Council Plan

The 2018-2020 Our North Tyneside Plan (Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget are set. The 2018-2020 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 so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence.

- Be cared for, protected and supported if they become vulnerable.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

#### **Our Places will:**

- Be great places to live by focusing on what is important to local people.
- Be a thriving place for choice of visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.
- Offer a good choice of quality housing appropriate to need, including affordable homes.
- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, cycle ways, pavements, street lighting, drainage and public transport.
- Continue to regenerate Wallsend and Whitley Bay while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.

#### **Our Economy will:**

- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly by ensuring the right skills and conditions are in place to support investment, and create and sustain and sustain new high quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

The Authority has plans in place to deliver all elements of the Council Plan and performance against these plans is carefully monitored. The area under most financial pressure is Health Education Care and Safeguarding.

In 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 is 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.

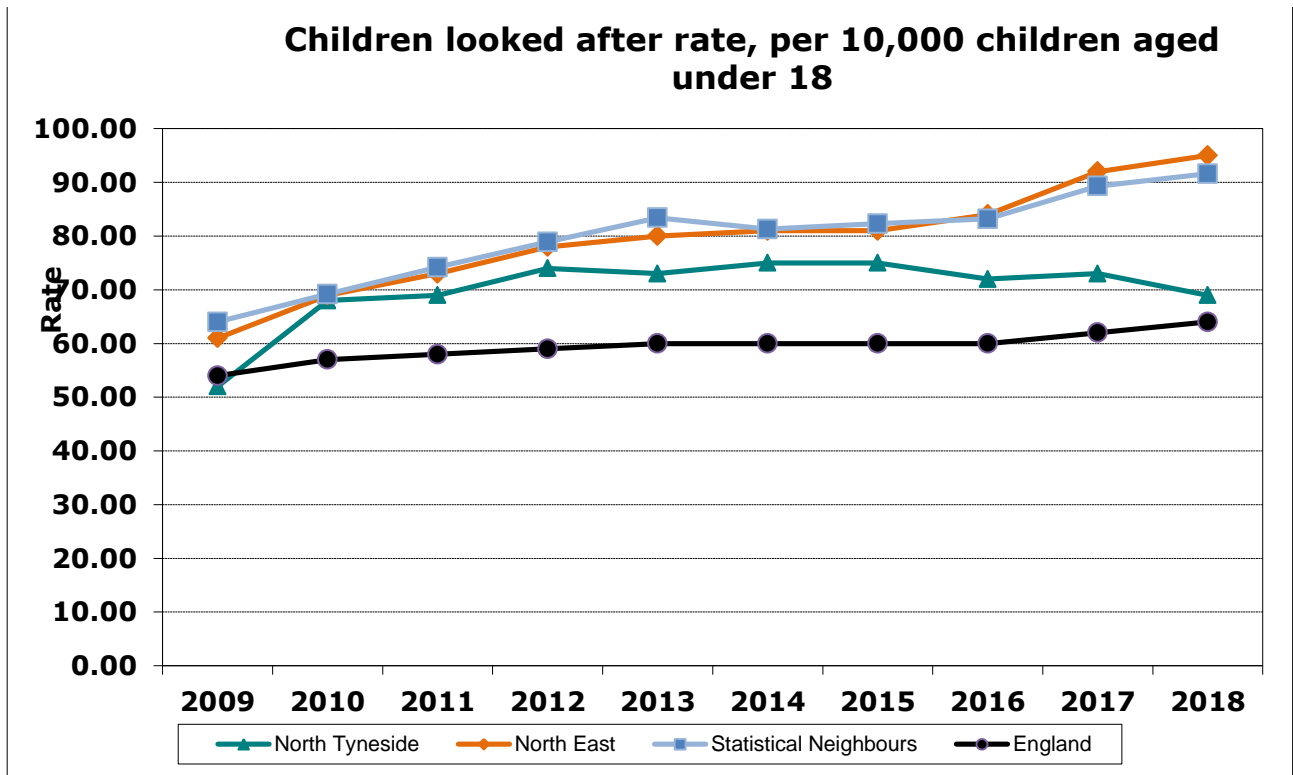
Need increases with age. According to National Audit Office using data from Health Survey England 2016, people aged 80 were twice as likely to need help with activities of daily living as those aged between 65 and 69. According to the Office for National statistics in 1997, around one in every six people (15.9%) were aged 65 years and over, increasing to one in every five people (18.2%) in 2017 and is projected to reach around one in every four people (24%) by 2037.

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. Department for Education figures show that the number of children in care nationally is rising at its fastest rate in five years. Nationally there were 72,670 children in care in

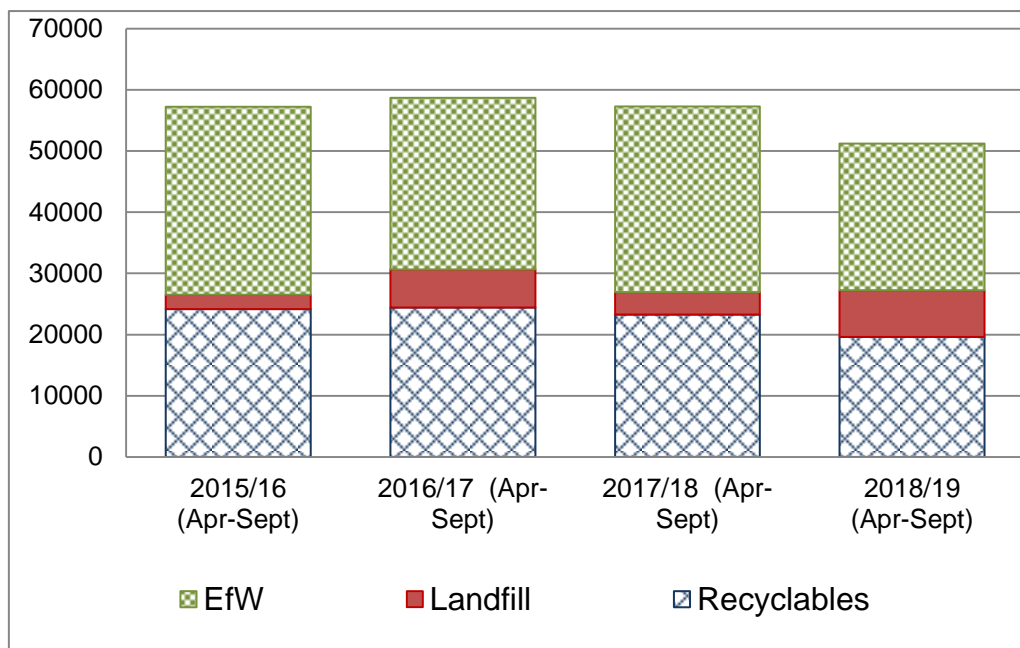
the 12 months to the end of March 2017, compared with 70,440 the year before and 69,480 in 2015. In addition, the proportion of children in care had at that point risen to the highest level on record.

The Authority is forecasting a pressure of £3.440m in Corporate Parenting and Placements (2017/18, £3.817m). The new model for children has been designed in part to address these financial pressures and more details are set out in sections 2 and 3 of the Annex to this report.

**Chart: Comparative Performance in Rates of LAC per 10,000 Children under 18**



**Overall Waste Tonnage – Apr to Sept for 2015/16 to 2018/19**



Municipal waste sent to landfill is high at the end of September at 14.92%, due to the Energy from Waste Plant being closed for maintenance during May, June and August. The Authority has a contract to send 55k tonnes to EfW and so far has sent 22.3k for processing. There was no waste sent to landfill at all during September and performance is expected to improve month on month for the remainder of the year. The waste figures are starting to demonstrate the beneficial impact of the new arrangements for alternative weekly collections, along with the changes introduced at the HWRC in 2017/18 reducing the overall tonnage of non recycled waste.

### **1.5.8 Implications for 2019/20 and Following Years**

#### **The Hudson Report**

A review was commissioned in April by the former Secretary of State, in response to issues in relation to the Department's operation of the business rates retention system. A wide range of recommendations have been made in the Hudson report and the Government have confirmed that they will be accepting all of the recommendations made.

The recommendation that has received most publicity has been that in future the Provisional Local Government Settlement should be published on or around the 5th of December each year and that the Final Settlement should be announced no later than the end of January. In responding to this recommendation, the Government had confirmed its intention to aim for the Provisional Settlement for 2019/20 to be published on 6th December 2018 but this was delayed till after the debate on Brexit. The Provisional Settlement was received on 13 December 2018.

This is an important report not only because it gives the financial position of the mid-point of this financial year, but also it informs the starting point for the financial planning process which is underway for 2019/20 and following years. As such Cabinet need to be aware of the main implications of the report for those future years' budgets. The main issues identified in 2018/19 that will need to be considered in forward planning are as follows:

- Living Wage: we continue to see significant pressure with regard to Social Care budgets arising from additional costs that contracted providers are seeking from the authority;
- CBF programme; consideration needs to be given to the impact of any CBF savings that will be carried forward;
- Demand led pressures in areas such as Looked After Children and Adult Social Care; and,
- Whilst currently there is no planned use of reserves, consideration needs to be given to the potential impact of a call on the Strategic Reserve should there be no improvement in the General Fund revenue position for this financial year.

### **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 30 November 2018  
Appendix 1: 2018-2021 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  
Claire Emmerson – Senior Manager Financial Strategy  
and Planning – Tel. (0191) 643 8109  
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 2018/19  
<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/NTC%20Revenue%20Budget%20201819.pdf>
- (b) Investment Plan 2018-21  
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/1a.%20Copy%20of%20Appendix%20A%28i%29%20Strategic%20Investment%20Plan.pdf>
- (c) Reserves and Balances Policy (Appendix G)  
<https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/cab%20report%20for%2024%2001%202018%20%20item%204.pdf>

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 22 Jan 2019.

## **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 2018/19 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

## **2.4 Human rights**

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

## **2.5 Equalities and diversity**

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

## **2.6 Risk management**

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

## **2.7 Crime and disorder**

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

## **2.8 Environment and sustainability**

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

**PART 3 - SIGN OFF**

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