



Section	Page
1. Executive Summary	3
2. General Fund Income and Expenditure	6
3. Housing Revenue Income and Expenditure	12
4. Schools Finance	13
5. Capital Plan Expenditure and Financing	15
Appendices:	
Appendix A: Children Young People and Learning	
Appendix B: Community Services	
Appendix C: Finance and Resources	
Appendix D: Chief Executive's Office	
Appendix E: Public Health	
Appendix F: Central Costs	
Appendix G: Housing Revenue Account	
Appendix H: 2013/14 Capital Plan Summary of Variances	
Appendix I: 2013/23 Revised Capital Plan	
Appendix J: CEI Progress report	
Appendix K: In year grant changes	
Appendix L: Glossary of Terms	

Section 1.0 Executive Summary

- 1.1 This is the second report to Cabinet for 2013/14, setting out the Authority's financial position as at the 31 July 2013.
- 1.2 This report includes details of the forecast outturn position to the 31 March 2014, highlighting key strategic issues to be managed by the Authority during the year.

Strategic Management of the Council's Budget

- 1.3 The budget for 2013/14 was approved by full Council at its meeting of 5 March 2013. The net General Fund revenue budget was set at £177.132m, this included CEI savings of £12.240m to be achieved.
- 1.4 The Capital Plan level of expenditure for 2013/14 was approved at £55.849m. Further reprogramming and variations were approved by Cabinet through the budget monitoring and outturn reports (£9.236m on 11 March 2013, £12.365m on 10 June 2013 and £0.873m on 8 July 2013). Also full Council approved an additional allocation of £0.200m for Longbenton Voluntary Aided Schools on 21 March 2013, and £0.607m for Vehicle replacements (£0.600m for 2014/15) on 25 July 2013. This gave a total approved capital plan for 2013/14 of £79.130m.
- 1.5 The current forecast outturn for the General Fund revenue budget reflects in-year pressures of £1.786m after the application of part of the contingencies budget to the areas for which it was identified, where pressures are being forecast. The Directorate and Central teams are working to embed plans that will ensure these pressures are managed and that the budget is brought in on target at the end of the year. This corrective action will be taken into account when forecasting the year end position once it is prudently assessed as being realisable.
- 1.6 The Housing Revenue Account (HRA) is forecasting an underspend of £0.753m for the year.
- 1.7 In the period to 31 July 2013, the level of capital spend posted within the General Ledger was £11.283m, which represents 14.24% of the revised Capital Plan for the year, a slight increase on the comparative spend for 2012/13. After taking account of the required changes in funding arising from the proposed amendments to the Capital Plan and the level of capital receipts received to date, £8.538m of general fund capital receipts still need to be generated in the year.
- 1.8 Cabinet are recommended to approve variations of £0.222m to the 2013-23 Capital Plan to take advantage of the additional grant available in some project areas.

Strategic Issues

- 1.9 As in previous years, over and above the management of the Authority's core budget, there are issues that need to be addressed in year or that give rise to implications which extend beyond the one-year timescale of the annual budget. These issues are summarised below.

Change Improvement and Efficiency Programme

- 1.10 The budget for 2013/14 included savings of £12.240m, from the delivery of projects/actions included as part of the Change, Improvement and Efficiency programme (CEI). The savings are embedded within service budgets and are therefore included within the budget monitoring.
- 1.11 The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration were required to be implemented during 2013/14. It is important that these CEI savings are monitored as part of the overall financial position of the Authority so the bottom line financial position is known. Regular updates of progress on the CEI projects are shared with the Mayor and Cabinet and the Deputy Mayor recently met with the Directors and Heads of Service with regard to those projects identified as red or amber to ensure actions are taken to mitigate the position.
- 1.12 It is important that savings are only considered to be achieved once they are assessed as being realisable. To that end, this report has been prepared on a prudent basis. However, Cabinet should note the level of budget challenges that have been addressed to date through both the CEI programme and by on-going management action. **Appendix J** details the status of each of the specific CEI savings included in this report. The information contained in this Appendix was reported to Overview and Scrutiny 2 September 2013.
- 1.13 In May 2013, the Elected Mayor and Cabinet requested a review of the details within the General Fund budget envelope, with a particular view to the Change, Efficiency and Improvement Programme for 2013/14 to ensure the projects aligned to the newly agreed Council Plan priorities approved by Cabinet on 12 August 2013. The review did not consider any change to the overall budget envelope agreed by full Council on 5 March 2013, proposed changes are set out in a later report to Cabinet 9 September –2013/14 In Year Budget Changes to the General Fund budget.

Equal Pay and Equal Value

- 1.14 The draft 2012/13 Annual Financial Report included a provision of £9.080m for equal pay claims; this was the estimated value of the known claims at the year-end that should be included in the Accounts. The Accounts also disclosed further potential costs of equal pay, but as the timing and amount of any such claims was not known, it was included as a contingent liability.
- 1.15 As explained in previous reports, Equal Pay payments can now be financed from capital receipts, in addition to the revenue financing previously allowed. Also, the Department for Communities and Local Government have recently announced

details of a capitalisation process for 2013/14. Further details can be found in paragraph 1.18 below.

- 1.16 As part of the 2012/13 Final Accounts process £1.797m was set aside and is included in the provision above. The £9.080m provision is based on estimated settlements for known claims and is fully funded. Any additional claims above this would need to be funded either from reserves or capital receipts.

Financing of the Capital Plan

- 1.17 As is set out in Section 5 of this Annex, there remains a balance of £8.538m to be generated from General Fund capital receipts if the original budget for financing this year's capital programme is to be met. There is a review of the 2013/14 Capital Plan is ongoing as part of the actions to mitigate this issue.
- 1.18 During 2012/13 the total General Fund capital receipts received was £1.913m, which highlights the challenge in generating £8.725m in the remainder of the year.

Capitalisations

- 1.19 On 25 July 2013, the Department for Communities and Local Government published the guidance for capitalisation in 2013/14, setting out the timetable, process and criteria for local authorities wishing to apply for capitalisation this year. This process includes the costs of Equal Pay as well as restructuring and transformation. There is only £100m available for capitalisation nationally and the criteria is very stringent. Amongst the criteria is an affordability criteria whereby new claims for Equal Pay would need to exceed around £9.6m and for restructuring and transformation costs would need to exceed £4.8m. Only costs above this would qualify to be capitalised. As these thresholds are not likely to be reached it is not intended to make any application for capitalisation in 2013/14.

Welfare Reform

- 1.20 1 April 2013 saw the introduction of a number of changes as part of the wider welfare reforms introduced by Central Government. In recognising the risks associated with the implementation of welfare reform the Council and its' partners have established a number of internal and cross partner working groups that meet regularly to consider and monitor the impact of the reforms across the borough.

The key aspects being monitored include:

- 1.21 **Localised Council Tax Support (LCTS):** The scheme has been in place since April 2013 with 11,500 people affected in North Tyneside. Early indications are that around 70% of those who now have to contribute towards paying their Council tax are keeping their payments up to date with 13% making some of their payments, 17% have made no payments at all. The potential impact of the LCTS together with other welfare reform changes resulted in a reduction on the estimated collection rate from 99.2% for 2012/13 to 98.5% for 2013/14. Collection rates continue to be monitored and will be considered as part of the 2014-15 Budget setting process.
- 1.22 **Local Welfare Provision:** The Local Welfare Provision scheme replaces the previous social fund and community care grants. Since the scheme was introduced

in April 2013, 740 claims have been made to the council with 250 actual awards, with a total of £8500 expenditure since the start of the financial year. A contract has been awarded to Bay Food Bank of £10,000, this contract is expected to provide in the region of 290 food parcels.

- 1.23 The position above reflects' the first quarter of activity for 2013/14. The authority is providing a quality service different to that of the DWP. Nationally the picture being seen is that demand for this support has fallen away. Cabinet Member & partners are working together to determine what more can be done.
- 1.24 **Under Occupancy in Social Housing:** On 1 April 2013 2464 council tenants were affected by the reduction in housing benefit as a result of under occupying their home. 1281 of those tenants were already in rent arrears with a total value of £280,201.
- 1.25 On 12th August 2013 there were 2259 North Tyneside Council tenants affected by the under occupancy regulations. This is a reduction of 205 tenants. This reduction is due to a combination of reasons including; housing benefits (HB) processing of changes in circumstances which mean that households are no longer affected, tenants coming off welfare benefits as a result of getting back into work or training, tenants being re-housed into more suitable accommodation and tenants terminating their tenancies.
- 1.26 Of those 2259 tenants affected 1357 of them are in arrears (which is 60% of all those affected). The total monetary value of the arrears for those affected by under occupancy (and in receipt of HB) was £338,932 on 12th August 2013. This is an increase of £58,731 over a 20 week period.
- 1.27 However, actual arrears are less than first estimated and are similar to last years for the same period. There has been a pro-active approach to claiming Discretionary Housing Payments to support people in financial need as well as a good working relationship with the Benefits Team. Both of these factors are believed to have contributed to the lower than estimated arrears.
- 1.28 The position on arrears is also effected by the back log in Housing Benefit claims being processed, which has led to difficulty for some tenants being certain of their position with regard to their requirement to pay rent. The back log is expected to be cleared by the 9 September 2013 allowing an update to be included in the next financial management report to the end of September 2013.
- 1.29 **Discretionary Housing Payments (DHP):** The total budget for 2013/2014 for DHP is £0.829m, of this budget £0.331m is funded by a grant from the DWP. Current spend is £243,913 (30% of overall funding but almost 75% of DWP funding).
- 1.30 Since 01 April 2013 there have been almost 900 DHP claims of which 630 (70%) awards have been made. These have been used to help people meet shortfalls in rent or help with removal costs.
- 1.31 The Department for Work and Pensions (DWP) has provided additional transitional funding nationally to help Councils support the implementation of Housing Benefit reforms during 2013/14. This funding can be used to provide a range of support such as money advice, help with removal costs, supporting people into work or supporting teams to deal with customers affected by the reforms. The funding for

North Tyneside is £46,044, of this £20,000 is being used to allow the Voluntary Sector to provide further outreach sessions across the borough for residents who need help with debt management and benefit matters.

- 1.32 A recent announcements from the DWP indicated that there is an additional fund of £20million being made available for local authorities to bid for, with details being confirmed over the course of the next few weeks.
- 1.33 **Universal Credit:** The DWP published the Local Support Services Framework in February 2013, which outlined how local Job Centre Plus areas should work with their partners to ensure that the right support services were in place to support claimants as they move to Universal Credit..
- 1.34 Following the recent announcement that national rollout of Universal Credit has slowed and there is now a delayed timeframe for delivery of Local Support Services Framework from the original October 2013 to April 2014.
- 1.35 The Council has developed an approach to respond to the framework which involves
- Mapping existing services
 - Assessing appropriateness of services for Universal Credit
 - Identifying gaps and future need

Council officers are undertaking in depth consultation with key support service providers across the borough until October; approximately 19 discussions have been completed so far.

- 1.36 **Benefit Cap:** To date 30 claims have been capped since the introduction on 15 July 2013. The Council is working with the Working Homes Outreach Team so they can provide one to one support to help families consider employment opportunities and support with discretionary housing payments applications where necessary. So far, 6 people have been helped into employment by the team.

Section 2.0
General Fund Income and Expenditure

- 2.1 This section of the report details the current budget pressures identified by Directorates and the expected year-end outturn following mitigating actions taken to reduce those pressures. Table 1 summarises the position and reflects in year pressures of £1.786m.
- 2.2 The budget monitoring is based on the recorded transactions as at 31 July 2013 and is set out in Table 1 below. Table 1 is supplemented by a summary commentary below, covering the key variances by Directorate. The detailed **Appendices (A - F)** set out variations by Service Area.

Table 1: 2013/14 General Fund Revenue Budget Forecast to 31 March 2014

		Full Year Budget	Forecast Outturn before contingency	Contingency allocation	Forecast Outturn after contingency	Forecast Outturn Variance July 2013	Forecast Outturn Variance May 2013
	Net Expenditure	£m	£m	£m	£m	£m	£m
1	Children, Young People & Learning:						
	Controllable	24.216	25.864	-0.650	25.214	0.998	0.518
	Non-Controllable	10.268	10.268	0.000	10.268	0.000	0.000
		34.484	36.132	-0.650	35.482	0.998	0.518
2	Community Services:						
	Controllable	79.793	83.712	-3.207	80.505	0.712	1.677
	Non-Controllable	11.844	11.844	0.000	11.844	0.000	0.000
		91.637	95.556	-3.207	92.349	0.712	1.677
3	Finance and Resources:						
	Controllable	13.665	13.652	0.000	13.652	-0.013	-0.070
	Non-Controllable	-9.605	-9.605	0.000	-9.605	0.000	0.000
		4.060	4.047	0.000	4.047	-0.013	-0.070
4	Chief Executive's Office:						
	Controllable	13.693	14.265	0.000	14.265	0.572	0.719
	Non-Controllable	-5.039	-5.039	0.000	-5.039	0.000	0.000
		8.654	9.226	0.000	9.226	0.572	0.719
5	Public Health:						
	Controllable	0.000	0.000	0.000	0.000	0.000	0.000
	Non-Controllable	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	0.000	0.000	0.000
	Sub Total - Service-Approved Budget	138.835	144.961	-3.857	141.104	2.269	2.844

Table 1 Continued

		Full Year Budget	Forecast Outturn before contingency	Contingency allocation	Forecast Outturn after contingency	Forecast Outturn Variance July 2013	Forecast Outturn Variance May 2013
		£m	£m	£m	£m	£m	£m
	Non-delegated budgets:						
6	Corporate and Democratic Core	9.838	9.838	0.000	9.838	0.000	0.000
7	Corporate Accounting	3.901	2.300	0.000	2.300	-1.601	-0.706
8	Contingency Budget	5.515	1.658	3.857	5.515	0.000	0.000
9	Levies	13.076	13.076	0.000	13.076	0.000	0.000
10	Utilities	0.000	0.453	0.000	0.453	0.453	0.496
11	Staff Capitalisation	0.000	0.400	0.000	0.400	0.400	0.000
12	Non-controllable	5.967	5.967	0.000	5.967	0.000	0.000
	Sub-total- non delegated budgets	38.297	33.692	3.857	37.549	-0.748	-0.210
	Net Forecast pressure/(surplus) after application of reserves	177.132	178.653	0.000	178.653	1.521	2.634
	Exceptional items						
13	Planning Appeals	0.000	0.265	0.000	0.265	0.265	0.000
	Net Forecast pressure/(surplus) after exceptional items	177.132	178.918	0.000	178.918	1.786	2.634

Directorates

2.3 **Children, Young People and Learning (CYPL)** are currently projecting a pressure at year end of £0.998m. This is an increase from the £0.518m forecast in May. All areas of variance are outlined in **Appendix A** with the main areas of note detailed further in the paragraphs below.

2.4 The demand-led area of Looked after Children remains a key area of management focus. In setting the 2013/14 budget CYPL originally identified a likely pressure of £0.700m in this area for 2013/14. 65% of this, i.e. £0.455m, was added to the Corporate Contingency in 2013/14 in relation to this. The current forecast is £1.183m however the Directorate is committed to containing this pressure as much as possible whilst ensuring the corporate parenting responsibilities of the Authority

are delivered and therefore hope to reduce this to the reported £0.950m. Although overall looked after children numbers continue to grow, the number of expensive Out of Borough placements has been kept to a minimum (23 children out of borough in July).

- 2.5 Early Help and Support service area continue to forecast a pressure of £0.243m as a result of a potential shortfall on the Review of Schools Building CEI project. Whilst the Directorate have identified saving opportunities in relation to the majority of this project (target £0.650m) there is at present a pressure of £0.243m. This project is flagged as an Amber rated CEI project.
- 2.6 Another demand led pressure identified at the time of 2013/14 budget setting is that of Children's Disability Services. When setting the 2013/14 budget CYPL originally identified likely pressure of £0.300m in this area, particularly related to home to school transport. 65% of this, i.e. £0.195m, was added to the Contingency budget in 2013/14 in relation to this. Since the budget was set there has been a reduction in the extended rights for free travel grant (notified by the DfE in July). Home to school transport is now forecasting a pressure of £0.295m however, there are further pressures forecast of £0.063m in the wider children's disability budgets.
- 2.7 The CYPL Directorate Leadership Team remains committed to trying to manage within its 2013/14 budget and continues to meet regularly to identify mitigating actions that might allow them to meet the budget for the year. This includes ensuring all unnecessary expenditure is avoided and all opportunities to make savings, or secure additional income, are achieved.
- 2.8 Overall the **Community Services Directorate** is required to deliver just over £5.800m of savings in 2013/14 and has some significant additional pressures in Cultural Services, Environmental Services and Adult Social Care, which are highlighted in **Appendix B**.
- 2.9 Not all of the contingency identified against Adult Social Care during the 2013/14 budget setting process has been allocated as, although pressures overall in the areas identified exceed the contingency value, the individual areas of contingency provision are being applied discreetly, and no re-allocation of any unused contingency is assumed for the other pressure areas within this service who are forecasting to require more than the provision provided.
- 2.10 Of the £5.800m savings target for 2013/14 we are confident that we have the processes in place to deliver £5.300m of these and these are reflected in our CEI targets as "green" or "amber". The remaining £0.500m represents the "red" savings targets which include the library review, and changes to the operating model for community centres, St Mary's and Shiremoor Adventure Playground within Cultural Services, around £0.125m of the harder to implement Adult Social Care savings (representing just over 3% of the total savings target for Adult Social Care) and £0.050m of pressures on security income due to the loss of a CCTV surveillance contract. In addition we have some residual pressures from 2012/13 especially around transport within Environmental Services and, within Cultural Services. The 2012/13 savings targets around alternative management arrangements for community centres and St Mary's have not yet proved possible. The teams continue to develop plans to reduce and contain these pressures.

- 2.11 The majority of the reported pressure falls within Adult Social Care which is reporting a pressure of £3.502m before the application of contingencies of £3.207m. While all of the action has been taken to realise planned savings, the service continues to experience demand-led costs, particularly in Learning Disabilities and Mental Health Services, which is forecasting an overspend of £3.301m before the application of the contingency of £2.925m. There continues to be pressure on this service as more and more clients present with more complex needs however the position within Learning Disabilities and Mental Health Services has improved since the May report by £0.732m mainly as a result of reduction in the growth assumption for 2013/14 following a review on a case by case basis. In addition the costs for a number of Independent Supported Living packages have been successfully managed down with providers to reduce the number of support hours required and consolidate a small number of costly void places.
- 2.12 Cultural and Customer Services are forecasting a pressure of £0.313m including pressures relating to red and amber CEI targets including £0.130m re the rolling review of library provision. Cabinet have chosen to delay the implementation of this CEI project whilst considering a longer term view of the library offer, the final revenue budget position of the Whitley Bay Customer Service centre is such that the contingency provision is available to meet the shortfall in 2013/14. There are also residual pressures from the operating model savings in 2012/13 which have not as yet proved possible to deliver for community centres and other community assets. Work continues to identify additional contingency plans to bring this pressure down.
- 2.13 Within Environmental Services we are forecasting a pressure of £0.171m, which represents transport cost pressures within the services, mitigated in part by proposals within the transport account to reduce costs by further extending the useful lives of the vehicles. The forecast outturn is based on the assumption that the winter maintenance service will not transfer to Capita during 2013/14, and that any additional bereavement income generated will be ring-fenced to support the capital costs of replacing the cremators and upgrading the Tynemouth crematorium (as agreed by Cabinet 20 May 2013).
- 2.14 The **Finance and Resources Directorate** is currently reporting a forecast surplus of £0.013m. The areas of variance are outlined in **Appendix C**.
- 2.15 Whilst overall a surplus position is forecast, within this position the Directorate is seeking to contain budget pressures associated with the CEI projects for Trading Income Opportunities and Street lighting both of which are currently highlighted as a “Red” rated CEI projects. The pressures associated with these projects are currently offset by staff savings within Finance and the Commercial Services team and a projected under spend on Christmas lighting.
- 2.16 The **Public Health Directorate** came into existence for the first time in 2013/14 following the transfer of responsibilities from the National Health Service on the dissolution of the Primary Care Trust. The budget is ring-fenced and is forecasting to spend within budget overall with a £0.080m under spend within the Public Health team being re-invested within other Public Health Services. To aid understanding of the budgets and their purpose a commentary has been provided for this month’s budget monitoring to indicate the key areas of spend within each budget area. The projected year-end position and variance analysis for July 2013 is attached as **Appendix E** to this report.

- 2.17 The **Chief Executive's Office** is currently reporting in-year pressures of £0.572m. The majority (£0.318m) of the pressures arise in Business & Economic Development (previously known as Regulatory, Development and Regeneration). In addition, there is a pressure of £0.175m relating to a National Non-Domestic Rates (NDR) rebates income target that is not expected to be achieved in the current round of rating revaluations anticipated during 2013/14 and a pressure at the Swan Hunter site (£0.170m) mainly due to the reduction in expected income whilst the regeneration work is underway.
- 2.18 Law and Governance have pressures of £0.125m, reflecting a prudent view of the deliverability of the savings targets. Managers in these areas are working hard to ensure that these savings are delivered. The Chief Executive service has a forecast pressure of £0.075m reflecting that a provision has been made for the appointment of our new full time Chief Executive and that the acting Chief Executive is staying on to provide continuity until the new Chief Executive commences.
- 2.19 Strategic Services are reporting in-year pressures of £0.054. Of this £0.119m relates to Communications mainly around advertising income shortfalls. There is a small compensating saving within Human Resources (£0.051m).
- 2.20 The following table sets out a summary of revenue grants, which Cabinet are requested to approve, that have been awarded since the report to 31 May presented to Cabinet on 8 July 2013. The details of these grant changes are set out in **Appendix K**. All new capital grants are shown in the capital variations section (paragraph 5.6) of this report.

Table 2: 2013/14 Revenue Grants awarded since 1 June 2013

Directorate	Amount £m
Children Young People and Learning	0.768
Community Services	0.047
Chief Executive's Office	0.117
Total	0.932

Non Delegated Budgets

- 2.21 After the first four months of 2013/14 there are limited budget variations in relation to the non-delegated budgets with the exception of **Corporate Accounting**. The forecast underspend of £1.601m is in respect of a saving in Minimum Revenue Provision (MRP) of £1.137m as a result of re-programming during 2012/13 and a review of asset lives assumed for 2012/13 spend, expected savings in external interest of £0.797m also largely as a result of re-programming, lower interest rates than anticipated at budget setting time and the continued level of internal borrowing. Pressures of £0.250m relating to savings from the Review of Terms and Conditions and £0.100m from the fall out of grant have been identified.

2.22 This section also includes the **Contingency** budget of £5.515m. The expected usage of this is shown in Table 3 below. This leaves a balance of £1.141m currently unallocated to specific Services but at this stage in the monitoring cycle it has been assumed that this budget will be fully allocated by the year end.

Table 3: 2013/14 Contingency Budget

	Budget £m	Current Allocation £m	Balance still to be allocated £m	Total forecast pressure £m
-				
Care Home Inflation (100%)	0.300	0.282	0.018	0.282
Homecare Inflation (100%)	0.150	0.000	0.150	0.000
Members Allowances (100%)	0.200	0.000	0.200	0.000
Addition to Contingencies for Pay Award (1%)	0.517	0.517	0.000	0.517
Flood Fund	0.250	0.000	0.250	0.000
Looked after Children Placements (65%)	0.455	0.455	0.000	0.950
Children with Disabilities and Complex Needs (65%)	0.195	0.195	0.000	0.295
Learning Disability Service - In Year Growth (65%)	0.975	0.975	0.000	0.975
Learning Disability Service - Underlying Placements Shortfall (65%)	1.625	1.625	0.000	2.004
Mental and Physical Disability Service - Underlying Placements Shortfall (65%)	0.325	0.325	0.000	0.325
Dementia (65%)	0.195	0.000	0.195	0.000
Council Tax Freeze Grant	0.130	0.000	0.130	0.000
Increase in Contingencies for potential shortfall in Business Rates Growth	0.198	0.000	0.198	0.000
Total Contingencies budget 2013/14	5.515	4.374	1.141	5.348

2.23 **Utility Costs** remain a significant issue for the council in respect of potential pressures being faced during 2013/14. Projects are in place to support services as they take action to reduce consumption of both gas and electricity, but rising unit costs continue to negate the impact of those actions.

2.24 **Exceptional items** Current forecasts indicate that the expected cost of employing external consultants for planning appeals where the Planning Committee have refused planning permission against officer advice is predicted to be around

£0.265m. These costs were previously reported within the directorate in May's Budget Monitoring report (£0.345).

<p>Section 3.0 Housing Revenue Account Income and Expenditure</p>
--

- 3.1 This section of the report provides an update on the financial position and projections for the Council's Housing Revenue Account (HRA). The projected year-end position and variance analysis for July 2013 are attached as **Appendix G** to this report.
- 3.2 On the 16 January 2013 the Cabinet approved the HRA budget for 2013/14. This included an average increase in housing rents of 5.81% in line with the requirements of rent restructuring, which aims for rent convergence by 2015/16.
- 3.3 The HRA has started the year with what was £0.578m higher than anticipated opening balances ie £2.200m as opposed to the budgeted figure of £1.622m, and the current expectation is that the in-year position will be £0.175m better than budget.
- 3.4 The only significant variations anticipated in the budget at this stage are in relation to the Authority's HRA debt portfolio, and the impact of Treasury Management decisions and Right to Buy (RTB) sales on related costs. It is currently estimated that an additional £0.058m of interest savings will be achieved, from a combination of some temporary borrowing at low interest rates, and the interest benefit from having additional debt set aside from the extra Right to Buy (RTB) sales in 2012/13. This saving will increase the estimated transfer to the House-building Fund at year-end once the final HRA accounts for 2013/14 have been closed, from £0.717m to £0.775m.
- 3.5 **Impact of Welfare Reform.**
The main changes introduced under the Government's Welfare Reforms in 2012/13 relate to what has become known as the "bedroom tax". This policy currently affects around 2,250 of our tenants on Housing Benefit, of whom approximately 1,350 are in arrears totalling £0.330m. This is an increase of approximately £0.050m from the start of the year, and overall current arrears have increased by around £0.150m to just over £1.430m. There has also been an increase in the amount of former arrears, which has increased to-date in-year by £0.075m. These changes to-date are mitigated by the increased bad debt provision that was made in the budget for this year. The introduction of Universal Credit from October 2013 and the direct payment of benefits to tenants, was expected to have a more significant impact on rent arrears, however, it appears that the implementation may now be delayed by at least a year.
- 3.6 **House-building Fund.**
As agreed by Council on 15 February 2012 a new House-building Fund was set up in 2012/13, to fund the cost of new build housing and environmental works. The initial contribution to this fund came from the £0.065m budget, created as a result of estimated interest savings from the final self-financing settlement figure, which dropped from £129.834m to £128.193m. It was also agreed that any savings from the overall debt portfolio against budget would be added to the fund once the final accounts for the year had been audited, as well as any under spend on the HRA Grounds Maintenance budget. For 2012/13 this resulted in total contributions to the

fund for 2012/13 of £1.019m. Of this sum, £0.823m has been committed towards the costs of the Station Road and Byrness Court new build schemes, due for completion in 2013/14. For 2013/14 it is currently estimated that a total additional contribution of £0.775m will be made to the fund at year-end as explained above, which will fund spend in future years.

Section 4.0 Schools Finance
--

2013/14 School budgets

- 4.1 Since the last update to Cabinet we have given deficit approval to the 4 schools who requested deficit approval for 2013/14 budgets. This is an improvement on the 7 schools were granted deficit approval in 2012/13.
The 4 schools are:
- Longbenton Community College
 - Norham High
 - St Bartholomews RC Primary
 - Monkhouse Primary
- 4.2 The Finance team, supported by School Improvement and the North Tyneside Schools Forum, will continue working with these schools, providing both challenge and support to each of their budget plans, in order to ensure their position improves as much as possible by the end of the year.

Progress in relation to 2014/15 School funding

- 4.3 Following consultation conducted by the Department for Education (DfE) earlier this year (published in the document Review of 2013/14 School Funding Arrangements) the DfE outlined its proposed changes to school funding from 2014/15 on 5th June 2013 in the paper "School funding reform: findings from the review of 2013 to 2014 - arrangements and changes for 2014 to 2015".
- 4.4 The impact of prescribed changes to the **mainstream funding formula** for 2014/15 are minimal for North Tyneside in that our current formula meets most of the new 2014/15 requirements. It should be noted however this tightening of the framework continues the transition towards a national school funding formula.
- 4.5 CYPL and Finance officers met with North Tyneside Schools Forum on 3 July and discussed the detail in this paper and agreed a sub group should meet to address the possible changes for 2014/15. This sub group met on 17 July and asked that Schools Forum receive further information at its next meeting on 25 September in respect of the following areas for possible adjustment in 2014/15:
- Maintain Basic entitlement values at 2013/14 values and identify how the shift in pupil numbers between secondary and primary impacts upon overall funds available;
 - Undertake further modelling on deprivation to ensure the current formula is targeting deprivation in the way we would expect;
 - Understand how relevant the issue of pupil mobility is for North Tyneside and whether a new factor should be employed, and;
 - Consider options regarding the lump sum – one suggestion being it should be slightly higher for secondary than for primary
- 4.6 There are no changes required at this stage to **Early years funding** in the DfE/ Education Funding Agency (EFA) papers and it is currently proposed that the funding formula in North Tyneside for 2014/15 remains unchanged from 2013/14.

- 4.7 Operational guidance for 2014/15 relating to **High Needs SEN** (Special Educational needs) funding was issued on 18 July by the EFA. This includes:
- the £6,000 threshold (regarding element 2 – low cost high incidence SEN) will become a mandatory requirement in 2014-15;
 - Specific criteria needs to be decided by Local Authorities and Schools Forums in advance in respect of determining additional funding allocations to support schools with disproportionate numbers of high need pupils;
 - Local Authorities have been asked to review of the number of High need SEN places they want to commission in 2014/15 for 5-25 year olds with high needs. These include places in maintained schools resourced provisions and special schools, as well as external and independent providers;
 - Returns, which may be from individual Authorities or as part of a regional or sub regional network, are required by 23rd December 2013;
 - There is a strong expectation that planned places will not increase or decrease. If returns show a planned increase or decrease in numbers then the EFA are requesting these come with an evidenced business case for such a change, and;
 - EFA state they are not planning significant changes to the overall high needs funding system beyond 2014/15, but will need to keep the arrangements under review as the national funding formula for schools is developed. The key change they currently envisage is that place-led funding in special schools and academies, special units in mainstream schools and academies, post-16 high needs provision, and alternative provision in PRUs (Pupil Referral Units) and academies, will be adjusted automatically on the basis of school and Post 16 provider census data. Submissions from Local authorities and institutions would be exceptional.
- 4.8 The key dates which must be met in setting 2014/15 school budgets are shown in the table below Updates to Cabinet will be provided throughout this timeframe.

Date	Action
25 September 2013	North Tyneside Schools Forum consider formula changes for 2014/15 and agree centrally retained budgets
27 September to 17 October 2013	Wider School consultation on proposed 2014/15 changes
23 October 2013	North Tyneside Schools Forum meeting agree changes for 2014/15 and discuss de-delegated items
31 October 2013	Local authorities submit provisional Schools Budget pro forma to the EFA
27 November 2013	Schools census database closed
10 December 2013	EFA issue pupil data and formula factors to Local Authorities
18 December 2013	EFA confirms School block DSG allocations for 2014/15 (prior to recoupment of funding for academies)
23 December 2013	Local authorities submit 2014 to 2015 academic year High need SEN place numbers and submissions
21 January 2014	Local authorities submit final data for Schools Budget pro forma
28 February 2014	Local authorities confirm budget to maintained schools
By 31 March 2014	EFA calculate allocations of place funding for institutions and DSG high needs block funding for Local authorities

Section 5.0 Capital Plan Expenditure and Financing

Review of Capital Plan - Position Statement

5.1 The Authority's Capital Plan represents the capital investment in projects across all service areas. This report summarises activities up to 31 July 2013.

Capital Plan Delivery

5.2 Some of the key progress areas to note to 31 July 2013 are as follows:

- 30 Schools Capital Maintenance projects have been ordered and works have started on site;
- Works have started on site for the new Longbenton Voluntary Aided Schools;
- Refurbishment work on the Norham Early Years Centre has commenced;
- Within Northumberland Park, the Medieval garden has been completed and opened with a medieval picnic event;
- Howdon Skate park was completed on the 18 July, Richardson Dees Park Playsite was completed on 27 July and Tall Trees Playsite Improvement works were completed on 2 July 2013;
- Additional highways maintenance work has been programmed and included in the Annual Service Plan. Orders for works have been placed with surfacing contractors;
- Public realm improvements in Cullercoats Bay have been completed. A new kiosk, with public toilets has been installed in Whitley Park. The stage 1 Heritage Lottery Fund bid has been submitted for Tynemouth Volunteer Life Brigade;
- The grant assisted restoration of the new Old Low Light building has been completed. The Clifford's Fort Public Realm improvements have commenced. The Coastal Communities Fund grant has been approved to establish a Heritage Centre in the Old Low Light with 'The Net';
- Funding for the Customer First Centre in the Forum Shopping Centre has been approved and work is now underway. Demolition of Hedley Place has commenced and new housing on Park House Housing Office site has commenced;
- The North Shields Customer First Centre was completed and opened on 24 June 2013; and,
- At the end of July, 67 Private Sector loans have been approved via the regionally procured lender, Five Lamps (a social enterprise).

Variations to the 2013/14 Capital Plan

- 5.3 The 2013-2023 Capital Plan was approved by Council on 5 March 2013. The total approved budget was £387.302m (£115.864m General Fund and £271.438m Housing). Reprogramming of £8.226m and variations of £1.010m that were identified as part of December/January 2013 budget monitoring were approved by Cabinet on 11 March 2013. Further reprogramming of £12.365m was approved as part of the 2012/13 Provisional Outturn report to Cabinet on 10 June 2013. Also on 14 March Council agreed additional funding of £0.200m for Longbenton Voluntary Aided Schools. During April and May 2012 budget monitoring identified variations of £2.584m approved by Cabinet on 8 July 2013. On 25 July Council agreed additional funding £1.207m (£0.607m 2013/14 and £0.600m 2014/15) for vehicle replacement.
- 5.4 As part of the regular capital monitoring process during June and July 2013, reprogramming of £0.095m and variations of £0.222m have been identified. Table 4 details the changes to the approved 10-year Capital Plan, as agreed at Council on 5 March 2013.

Table 4: 2013 - 2023 Capital Plan changes identified

	2013/14 £m	2014/15 £m	2015/16 £m	2016/23 £m	Total £m
Approved Capital Plan – Council 5 March 2013	55.849	49.667	35.761	246.025	387.302
Reprogramming and other variations previously approved by Cabinet and Council	23.281	2.311	0	0	25.592
Approved Capital Plan – Council 25 July 2013	79.130	51.978	35.761	246.025	412.894
June/July Reprogramming	-0.095	0.095	0	0	0
June/July Variations	0.222		0	0	0.222
Revised Capital Plan	79.257	52.073	35.761	246.025	413.116

- 5.5 The variations and reprogramming have been identified as part of the regular capital monitoring process and it is these variations that Cabinet is recommended to approve at this meeting. The variations on the individual schemes are shown in **Appendix H**. **Appendix I** details the whole of the revised Capital Plan, taking into account the reported changes.

Details of changes to the 2013/14 Capital Plan

5.6 The total variations to the end of July 2013 for 2013/14 of £0.222m have been identified during the regular budget monitoring process. The details of the main changes are shown below:

- (a) **DV018 Fish Quay Environmental Improvements, £0.412m** – Additional funding from DV055 Growth Point towards Fish Quay Townscape Heritage Infrastructure works, £0.300m and Gap funding for Tyne Brand Site £0.025m. Also £0.087m Heritage Lottery funding has been added to reflect the original funding agreement;
- (b) **DV019 Whitley Bay Regeneration, £0.200m** – Allocation of funding from DV055 Growth Point towards the demolition of former Whitley Bay Library and new car park;
- (c) **DV046 Wallsend North Bank of Tyne, £0.350m** -Allocation of funding from DV055 Growth Point towards the cost of acquisitions and site assembly at Bamburgh and Helmsley Drive, £0.150m and £0.200m towards the cost of demolition of Wallsend Library;
- (d) **DV055 Growth Point Fund, £0.902m credit** – The funding from Growth Point has been allocated to individual projects within the Capital Plan. See point (a) to (c) above;
- (e) **DV058 Swan Hunters Redevelopment, £0.118m** - £0.110m contribution from New Homes Bonus for the acquisition of the Ship in the Hole public house and an additional contribution, £0.008m from English Heritage towards archaeological trenching works;
- (f) **EV056/EV070 Additional Highways Maintenance, £0.326m** – Funding from the Department for Transport for additional highways maintenance works has been moved to its own budget head to allow for clearer monitoring; and,
- (g) **IT020/IT021 Customer Relationship Management, £0.140m** – Funding for the Customer Relationship Management systems has been moved to its own budget head to reflect the management of the project by Customer Services rather than ICT.

Details of the all variations are shown in **Appendix H**

5.7 The total reprogramming to the end of July was £0.095m. The details of the changes for 2013/14 are shown below:

- (a) **DV054 Coastal Regeneration, £0.095m credit** – New Homes Bonus funding relating to the Tynemouth Volunteer Life Brigade project has been reprogrammed to 2014/15.

5.8 The impact of these changes on Capital Financing is shown in Table 5 below.

Table 5: Impact of variations on Capital financing 2013-2023

	2013/14 £m	2014/15 £m	2015/16 £m	2016/23 £m	Total £m
Approved Capital Plan – Council 25 July 2013	79.130	51.978	35.761	246.025	412.894
Grants and Contributions	0.033	0	0	0	0.033
Capital Receipts – General Fund	-0.093	0	0	0	-0.093
Contribution from Revenue - New Homes Bonus	0.187	0.095	0	0	0.282
Total Financing Variations	0.127	0.095	0	0	0.222
Revised 2013/14 Capital Plan	79.257	52.073	35.761	246.025	413.116

Capital receipts – General Fund

5.9 General Fund Capital Receipts brought forward at 1 April 2013 were £0.023m.

5.10 The capital receipts approved by Council on 5 March 2013 to finance the 2013/14 Capital Plan were £8.914m. A ring-fenced receipt brought forward of £0.023m has also been added to the plan for the East Howdon Regeneration project and a reduction in receipts (£0.093m) relating to the Disabled Facilities Grant project has been replaced by additional grants. To date, £0.640m receipts have been received in 2013/14. Included in this value is £0.357m in respect of a premium received on the granting of a long term lease which is to be ring-fenced to the Swan Hunters Redevelopment capital project. Therefore, useable receipts generated in 2013/14 are £0.283m and this leaves a balance of receipts to be generated for the General Fund of £8.538m.

Table 6: Capital Receipt Requirement 2013/14 – General Fund

	General Fund £m
Current Requirement	8.844
Useable Receipts Brought Forward	-0.023
Useable Receipts Received	-0.283
Balance to be generated	8.538

Capital receipts – Housing

- 5.11 Housing Capital Receipts brought forward at 1 April 2013 were £5.164m. The Housing receipts are committed against projects in the 2013-2023 Capital Plan.
- 5.12 To finance the 2013/14 Capital Plan the capital receipts required are £3.055m. To date, £1.486m of receipts have been received in 2013/14 of which £0.379m have been pooled as part of the Quarter 1 return to Central Government. This leaves a surplus balance of £3.216m to be carried forward to fund future years.

Table 7: Capital Receipt Requirement 2013/14 - Housing

	Housing £m
Current Requirement	3.055
Receipts Brought Forward	-5.164
Receipts Received	-1.486
Receipts Pooled Quarter1	0.379
Surplus Balance to fund future years	-3.216

- 5.13 The final figure for usable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2013/14.

Capital Plan Monitoring Position to 31 July 2013

- 5.14 Actual expenditure in the General Ledger was £11.283m (14.24%) of the total revised Capital Plan as at 31 July 2013.

Table 8: 2013/14 Total Capital Plan Budget and Expenditure to 31 July 2013

	2013/14 Revised Capital Plan £m	Actual Spend to 31 July 2013 £m	Spend as % of Total Revised Capital Budget %
General Fund	60.560	7.442	12.29
Housing	18.697	3.841	20.55
TOTAL	79.257	11.283	14.24

- 5.15 Comparative figures for 2012/13 to the end of July 2012 were 13.7% (General Fund 11.7% and Housing 18.2%).