ANNEX 1

Cabinet – 14 September 2015
Agenda Item 6(a)

2015/16 Financial Management Report to 31 July 2015

Section	Page
1. Executive Summary	**3**
2. General Fund Income and Expenditure	**6**
3. Housing Revenue Income and Expenditure	**13**
4. Schools Finance	**14**
5. Investment Plan Expenditure and Financing	**15**
Appendices: Appendix A Chief Executive's Office Appendix B Business and Economic Development Appendix C Commercial and Business Redesign Appendix D Corporate Strategy Appendix E Digital Strategy Appendix F Human Resources and Organisational Development Appendix G Law and Governance Appendix H Public Health Appendix I Adult Social Care Appendix J Children, Young People and Learning Appendix K Commissioning and Investment Appendix L Environment, Housing and Leisure Appendix L Deputy Chief Executive Central Costs Appendix M Corporate Items Appendix N Housing Revenue Account Appendix O 2015-19 Investment Plan variations Appendix P 2015-19 revised Investment Plan Appendix Q Local Infrastructure Projects Appendix R In year grant changes Appendix S CBF Programme 2015/16: Progress report Appendix T Glossary of Terms	

Section 1.0 Executive Summary

Summary

1.1 This is the second report to Cabinet for 2015/16, setting out the Authority's financial position as at the 31 July 2015.

1.2 This report includes details of the forecast outturn position to the 31 March 2016, highlighting key strategic issues to be managed by the Authority during the year.

Strategic Management of the Authority's Budget

1.3 The budget for 2015/16 was approved by full Council at its meeting of 19 February 2015. The net General Fund revenue budget was set at £156.757m, this included CBF savings (Creating a Brighter Future Programme) of £14.158m to be achieved.

1.4 The Investment Plan for 2015-19 was approved at £230.337m (£83.752m for 2015/16). Reprogramming into 2015/16 of £17.469m and variations of £0.089m were approved as part of Financial Management reports to Cabinet. This leaves a revised 2015-19 Investment Plan of £247.895m (£101.310m for 2015/16).

1.5 The current forecast outturn for the General Fund revenue budget reflects a pressure of £2.001m. The Officer team continues to work to deliver plans that will ensure all pressures identified are managed and that the budget remains on target at the end of the year.

1.6 The Housing Revenue Account (HRA) is forecasting an under spend of £0.116m for the year.

1.7 In the period to 31 July 2015, the level of capital spend posted within the General Ledger was £13.281m, which represents 12.97% of the revised Investment Plan for the year. Details of the projects delivered are included in paragraph 5.1. The estimated financing of the 2015/16 Investment Plan includes capital receipts of £4.044m for the General Fund. Of this £2.709m has already been secured leaving a balance of £1.335m still to be generated over the rest of the year.

1.8 Cabinet is recommended to approve variations of £1.088m to the 2015/16 Investment Plan (£2.395m 2016/17 and £0.337m 2017/18).

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.

Creating a Brighter Future Programme (CBF Programme)

1.10 The budget for 2015/16 included savings of £14.158m, from the delivery of projects/actions included as part of the CBF programme. The savings are embedded within service budgets and are therefore included within budget monitoring.

1.11 The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration are required to be implemented during 2015/16. It is important that these savings are monitored as part of the overall financial position of the Authority so the bottom line financial position is known.

1.12 It is also 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 CBF programme and by on-going management action. **Appendix S** details the status of each of the specific CBF savings included in this report.

1.13 Set out in Appendix S are indicators of delivery shown as Red, Amber or Green. Currently there are projects with a value of £10.404m with a green status, £3.136m with an amber status and £0.618m with a red status. The status of the projects is reflected in the budget monitoring position as at 31 July 2015.

Medium Term Financial Plan update – following Summer Budget 2015

1.14 The report to Cabinet on 10 August 2015 provided an update on the potential implications of the above and the forthcoming Spending Review on the Authority.

1.15 The changes included the in-year reduction of Public Health Grant totaling £200m nationally. The Department of Health has published a consultation paper which outlines various options for implementing this. The Government's preferred method would result in a loss of grant income to North Tyneside of £0.774m. The Authority's response to the consultation rejects Central Government's preferred approach and asks that if the reduction does happen that it reflects fairly the council's funding position with respect to the target funding for Public Health. As these proposals are not yet finalised the Public Health forecast has not been reduced at this stage. However, work is ongoing to identify where savings can be made within services to mitigate this potential pressure.

1.16 An in-year reduction of £0.059m to the Youth Justice Good Practice grant was also announced and is included within the forecast outturn figures.

1.17 The Government's Summer Budget 2015 set out a number of Housing related changes, which are also part of the Welfare Reform and Work Bill. The key aspects are:

- Reduction in Social Housing Rents 2016-2020;
- Extension of Right To Buy and Sale of "High Value" Council Housing; and,

- ‘Pay to Stay’ Policy.

These changes have implications for the Housing Revenue Account for 2016/17 and beyond and work continues to consider the impact on the 30 year business plan.

1.18 There are also a number of welfare related changes that will not only impact on the state benefit itself but also the Authority. Work continues to consider how welfare changes interact with our Council Tax Support Scheme and potential impacts on other policies such as Discretionary Housing Payments and the Local Taxation Discretion for 2016/17.

<u>Services funded through the North Tyneside Clinical Commissioning Group (CCG)</u>

1.19 The North Tyneside Clinical Commissioning Group (CCG) ended the financial year 2014/15 with a deficit of £6.4m and their current budget for 2015/16 indicates a planned deficit of £14.3m. This financial position could have implications for the Authority’s revenue budget for 2015/16 and future years. To set the issue in context- the CCG spent a total of £307.1m during 2014/15 of which, over £225m was spent with National Heath Service Organisations (NHS) and £13.4m with this Authority. A number of factors contributed to the deficit position including increased demand, the high cost of Continuing Care and the failure to deliver contract savings.

1.20 Over recent months the CCG has worked in partnership with healthcare providers, NHS England and senior officers of North Tyneside Council to develop a Financial Recovery Plan which aims to achieve a balanced position for 2016/17. The Financial Recovery Plan sets out the focus of their actions to manage and reduce the deficit. The delivery of this plan could have implications for both Adults and Childrens Social Care services and could impact on the assumptions included in the Authority’s current and future year’s budget and financial plans with regard to financial transactions with the CCG. Discussions are in progress at this time to manage the position for 2015/16 with the current monitoring position reported in section 2 based on previous years’ practice and financial arrangements.

Section 2.0
General Fund Income and Expenditure

2.1 This section of the report details the current budget pressures identified by Services and the expected year-end outturn following mitigating actions taken to reduce those pressures. Table 1 summarises the position and reflects an in year pressure of £2.001m.

2.2 Budget monitoring is based on the recorded transactions as at 31 July 2015 and is set out in Table 1 below. Table 1 is supplemented by a summary commentary below, covering the key variances by Service. The detailed **Appendices (A - M)** set out variations by Service Area within the Services.

Table 1: 2015/16 General Fund Revenue Budget Forecast to 31 March 2016

		Full Year Budget	Forecast Outturn	Forecast Outturn Variance July 2015	Forecast Outturn Variance May 2015
		£m	£m	£m	£m
Services					
Chief Executive's Office	Appendix A	4.572	4.814	0.242	0.470
Business and Economic Development	Appendix B	1.302	1.457	0.155	0.107
Commercial and Business Redesign	Appendix C	0.203	0.260	0.057	0.056
Corporate Strategy	Appendix D	2.121	2.231	0.110	0.110
Digital Strategy	Appendix E	3.573	3.634	0.061	0.056
Human Resources and Organisational Development	Appendix F	1.810	1.916	0.106	0.054
Law and Governance	Appendix G	3.899	3.953	0.054	0.062
Public Health	Appendix H	-0.089	0.091	0.180	0.198
Adult Social Care	Appendix I	46.922	46.768	-0.154	-0.145
Children, Young People and Learning	Appendix J	16.104	18.553	2.449	1.627
Commissioning and Investment	Appendix K	9.655	10.642	0.987	1.018
Environment, Housing and Leisure	Appendix L	30.037	29.756	-0.281	0.204
Deputy Chief Executive Central Costs	Appendix L	0.279	0.276	-0.003	0.000
Non-Controllable		8.432	8.432	0.000	0.000
Sub Total - Service-Approved Budget		**128.820**	**132.783**	**3.963**	**3.817**

Table 1 continued

		Full Year Budget	Forecast Outturn	Forecast Outturn Variance July 2015	Forecast Outturn Variance May 2015
		£m	£m	£m	£m
Corporate and Democratic Core	Appendix M	11.520	11.030	-0.490	-0.491
Corporate Accounting	Appendix M	-2.541	-4.447	-1.906	0.062
Contingency Budget	Appendix M	1.250	1.250	0.000	0.000
Levies	Appendix M	12.556	12.556	0.000	0.000
Utilities		0.000	0.434	0.434	0.187
Non-Controllable		5.152	5.152	0.000	0.000
Sub-Total- Non Delegated budgets		**27.937**	**25.975**	**-1.962**	**-0.242**
Net forecast pressure		**156.757**	**158.758**	**2.001**	**3.575**

Services

2.3 The main variations are set out in detail below.

2.4 The year end position for the **Chief Executive's Office** is currently forecast as an overall pressure of £0.242m. This is further detailed in **Appendix A**. The main issue is a forecast pressure on the Business Partnership Change Efficiency and Improvement target (£0.769m), which was originally included as a savings target within the 2014/15 budget. This is an additional target on top of the core savings already delivered by Cofely through the Partnership. Work continues to develop and agree the target savings.

This pressure is offset by a forecast net under spend in the Revenue and Benefits service relating to forecasted recovery of benefits overpayment income.

2.5 **Business and Economic Development** is forecasting an overall pressure of £0.155m. This includes a predicted continuing pressure at the Swan Hunter site of £0.166m mainly due to a reduction in expected income whilst the regeneration work is underway. The agreement remains that the Authority will manage the Swan Hunter site at least through the period of regeneration. The full analysis is included as **Appendix B.**

2.6 **Commercial and Business Redesign** has a forecast pressure of £0.057m. The street lighting PFI contract was previously shown here but, following a management restructure, is now shown under Environment, Housing and Leisure (Appendix L). The remaining pressure results from a shortfall in income from Trading Activities of £0.100m partially offset by a budget surplus on the Kier management fee of £0.031m and staff savings of £0.015m. The full analysis is included as **Appendix C.**

2.7 **Corporate Strategy** is forecasting an overall pressure of £0.110m in this Financial Management report. This relates principally to Communications and the shortfall in advertising income (£0.086m). The management team is exploring options in partnership with Capita to maximise income generation opportunities to reduce this shortfall. The full analysis is included as **Appendix D.**

2.8 Human Resources and Organisational Development is showing a pressure of £0.106m, increased from £0.054m in the May report. The pressure arises from the transfer of staff back to the Authority from Cofely and, a change in an assumption around a Creating Brighter Future target of £0.050m. Details are shown in **Appendix F.**

2.9 The **Public Health** Service is forecasting a pressure of £0.180m as detailed in **Appendix H.** This is mainly a result of higher than anticipated prescription costs payable to the Clinical Commissioning Group.

The Department of Health has published a consultation paper on the in-year reduction of Public Health Grant totaling £200m nationally. The document outlines various options for implementing this with the Government's preferred method reducing grant income to North Tyneside by £0.774m. The Authority's response to the consultation suggests a preferred approach that fairly reflects the Authority's funding position with respect to the target funding for Public Health. The Public Health forecast has not been reduced at this stage pending finalisation of the Government's proposals. Work is ongoing to identify where savings can be made within services to mitigate this anticipated pressure.

2.10 **Adult Social Care** is reporting a forecast under spend of £0.154m. There is uncertainty around the position for Adult Social Care with a number of key changes coming into effect in the year. The Better Care Fund agreement was signed on the 19 June 2015 between the Authority and the North Tyneside Clinical Commissioning Group (CCG). This position assumes all Better Care Fund related transactions are in line with the budget. The budget was set on the basis of the plans for the protection of existing social care services and new expenditure associated with investments included within the agreement.

Cabinet will recall that the Service ended the financial year 2014/15 with a significant surplus reflecting the success of the gateway process and on-going reviews of placements to manage costs down, in addition to the receipt of additional one-off income from the CCG of £1.950m. Strong demand management has continued into the early part of 2015/16 and indications are that expenditure is being contained effectively. Additional grant funding of £1.131m has been made available for the implementation of new and expanded duties under the Care Act which came into effect on 1 April 2015. Early indications are that new duties will be delivered within the available resource.

Within the overall forecast position, there are anticipated pressures of £1.524m in externally commissioned care for clients with a Learning Disability. This includes an assumption of new packages starting in 2015/16 totalling £0.800m and potential additional third party payments of £0.673m. This pressure is offset by under spends predominantly in Older People's services, social work teams and across back office functions. There is a staffing pressure of £0.117m within remaining in-house provided Learning Disability services pending further external recommissioning of services and the related finalisation of voluntary redundancies.

As a result of a management restructure, two Independent Supported Living Services for clients with a Learning Disability and the Shared Lives service have been moved into Reablement and Assessment and this service area has been renamed as Integrated Services.

Whilst all of the necessary actions have been taken to realise planned savings for 2015/16, at this early stage of the year, forecasts have not been adjusted to reflect savings which are expected to accrue as the year progresses. In addition as set out in section 1 paragraphs 1.19 and 1.20 there are risks associated with the financial position of the CCG. At present the service has forecast its position based on plans in place at the start of the financial year. The full analysis is included as **Appendix I.**

2.11 **Children Young People and Learning** is currently forecasting a budget pressure of £2.449m at year end compared to a £1.627m variance in the May report.

The main underlying cause for the budget pressure in this service is Corporate Parenting and Placements which is forecasting a pressure of £1.760m.

The area of Corporate Parenting and Placements captures a spectrum of provision to meet each individual child's needs, ranging from adoption, foster care, our own North Tyneside residential provision, to the most costly individual placements made out of borough. A full breakdown of this pressure is included in **Appendix J**.

The area of Corporate Parenting and Placements has been suffering from demand led pressure for a number of years. This is a national issue with a 13% rise across the country in numbers of Looked After Children since 2009. Within North Tyneside there has been an increase of 45% in the same period with 95 more children currently in the service compared to 2009. The rate of Looked After Children in North Tyneside however remains lower than the North East average at 75 per 10,000 population compared to 81 across all North East authorities. The national rate is lower at 60 per 10,000 of population. The increase in forecast since May is the result of the agreement to a net increase of 9 new placements across all forms of delivery and the extension of a further 3 placements which were previously forecasted to end.

The pressure of £1.760m is after applying a contingency budget of £1.000m. Savings targets of £0.597m have been applied to this service area with plans focussing around reducing the number of high cost out of borough placements and using intelligent commissioning to ensure placements are delivered at appropriate cost. Whilst significant progress has been made against achieving planned reductions in spend, demand has continued to outstrip available resources. The service is working on early intervention and prevention strategies to contain demand moving forwards but there is expected to be a significant time lag between successfully embedding an enhanced preventative approach and seeing a reduced number of children with complex issues presenting for support. There is also likely to be a requirement for additional investment to build up services delivering improved early interventions and a growth bid is being developed as part of the 2016/17 Financial Planning and Budget process.

The service has also been looking to maximise Health income opportunities to contribute to supporting children with a complex mixture of health and social care needs. The current financial deficit being managed by The North Tyneside Clinical Commissioning Group (CCG) has however presented additional challenges.

The reported position for Corporate Parenting and Placements includes an assumption of income from the CCG of £0.272m in support of particular Looked After Children who have health needs. Discussions are ongoing with the CCG to secure this funding, however, if agreement is not reached, the forecast position would worsen. There is also a shortfall against a general Health contribution income target in relation to Children with Disabilities (£0.200m) and discussions are ongoing with the CCG around appropriate levels of support.

School Improvement budgets are showing a pressure of £0.116m as a result of potential income shortfalls on courses offered during the 2015/16 academic year, third party costs in relation to school partnering services and the High Borrans Outdoor Education Centre. A School Forum sub group has been formed to review the £0.052m pressure at High Borrans and is contributing to work on developing a sustainable business plan moving forwards.

Government has reduced the Youth Justice Good Practice grant by £0.059m and the impact of this has been reflected in the July position.

2.12 The **Commissioning and Investment** service is reporting a forecast pressure this year of £0.987m.

The main area of concern is property related pressures (£0.648m) linked to the rentals of operational buildings with a smaller element linked to the Commercial Estate. The Authority is currently in negotiation with Capita to determine how these risks will be managed moving forwards.

There is also a £0.219m pressure within Education Capital and Fair Access. This is in relation to the recharges to capital of £0.111m still to be finalised. In addition, Home to School Transport is showing a pressure of £0.108m. New contracts will be in place from September 2015 and work is ongoing to restructure routes to reduce costs in addition to exploring alternative ways to deliver these services.

The remaining pressure relates to a savings target in the Commissioning service which, at this early stage in the year, is not certain of being achieved (net pressure £0.085m)

A full analysis is included as part of **Appendix K.**

2.13 **Environment, Housing and Leisure** is reporting an under spend of £0.281m which is a significant improvement from the pressure of £0.204m reported in May (adjusted for the Streetlighting change in service area). Property budgets are now managed under the Commissioning and Investment service and General Fund Housing is now included within this service area. Forecasts relating to energy and rates continue to be excluded from the service position and are reported corporately.

The Streetlighting PFI contract has been moved into Environment Housing and Leisure from Commercial and Business Redesign. May comparative variances have been restated in line with this change. Pressures relating to energy within Streetlighting have also been excluded and are shown corporately. There is a remaining pressure of £0.045m within Streetlighting relating to contractual inflation rises.

Budgets relating to the Leisure and Cultural offer within the borough are showing pressures of £0.121m (reduced from £0.268m in May). There are forecast pressures relating the operation of the Playhouse Theatre (£0.063m) with remaining pressures relating to Libraries and Community Centres where cleaning costs, PFI inflation and shortfalls against rental income are the main concerns. The service is actively reviewing its supplies and services expenditure plans to identify where any discretionary spend can be reduced. In addition, a review of vacancies is being undertaken to establish if recruitment can be delayed to reduce forecasted costs whilst maintaining service delivery. The improvement, since the last report, is due to the recognition of Service Improvement Fund support for one off events costs and increased income forecasts across the sports centres.

There are issues with the heating and ventilation systems at Waves. These issues have been reported through the Investment Programme Board and will be addressed as outlined in paragraph 5.4 of this report. The works will be managed to minimise the impact on users and the service is currently working to establish the likely revenue consequences. No account of this is included in forecasts at this stage.

These pressures are offset by under spends in all other areas where notable movements since May include an improvement in Fleet and Security of £0.170m due to lower fuel costs and lower vehicle maintenance costs, as the vehicle replacement programme reduces the age profile of the fleet considerably. Bereavement has also improved (£0.100m) due to increased income which has arisen partly as a result of the continued closure of Blyth Crematorium.

The full analysis is included as part of **Appendix L.**

2.14 The following table sets out a summary of revenue grants, which Cabinet are requested to approve, that have been awarded during June and July 2015. The details of these grant changes are set out in **Appendix R.** Any new capital grants are included in the capital variations (Tables 4 and 5) of this report.

Table 2: 2015/16 Revenue Grants awarded during June and July 2015

Service	Amount £m
Children Young People and Learning	0.045
Adult Social Care	0.024
Environment and Leisure	0.005
Corporate Strategy	0.014
Human Resources and Organisational Development	0.181
Chief Executive's Office	0.042
Law and Governance	0.009
Corporate	0.532
Total	0.852

Non Delegated Budgets

2.15 The **Corporate and Democratic Core** is forecasting an under commitment of £0.490m arising from lower than budgeted pension costs. A full analysis is included as part of **Appendix M.**

2.16 **Corporate Accounting** is forecasting an under spend of £1.906m including:
(a) An under spend of £0.226m on MRP due to the reprogramming of 2014/15 capital spend;
(b) A forecasted under spend on interest charges of £1.343m reflecting 2014/15 reprogramming and the continued use of temporary and internal borrowing;
(c) Forecast Strain on the Fund savings of (£0.234m) based on current and future leavers;
(d) £0.500m pressure relating to provision for bad debts;
(e) A credit of £0.759m due to the Small Business Rates Grant (£0.227m) and Independent Living Fund Grant (£0.532m); and,
(f) £0.614m saving target for management structure savings is assumed to be achieved and will be allocated to service areas as savings are confirmed.

A full analysis is included as part of **Appendix M.**

Section 3.0
Housing Revenue Account Income and Expenditure

3.1 This section of the report provides an update on the financial position for the Authority's Housing Revenue Account (HRA). The forecast year-end position and variance analysis for July 2015 is attached as **Appendix N** to this report.

3.2 On the 15 January 2015 Cabinet approved the HRA budget for 2015/16. This included an average increase in housing rents of 2.20% in line with the Government's new rent policy which bases rent increases for the next 10 years on the Consumer Prices Index (CPI) as opposed to the Retail Prices Index (RPI) from 2015/16.

3.3 The HRA started the year with what was £0.422m higher than anticipated opening balances i.e. £3.732m as opposed to the budgeted figure of £3.310m, and the in-year position is now forecast to be £0.116m better than budgeted.

3.4 The main forecast variations against budget are a shortfall in relation to rent and service charge income projections (£0.231m), and a slight increase in the estimated Depreciation charge (£0.058m). These increased costs have been offset by increased commercial and other rental income (£0.050m), savings from a continuation of the policy in relation to debt (which is to borrow short-term to realise in-year savings) along with savings in Debt Management Expenses (DME) (£0.226m), and savings in unallocated contingency and transitional protection payments linked to the delays in the North Tyneside Living scheme (£0.171m). These savings more than cover the loss of rental income from council dwellings.

Rent and Service Charge Income – shortfall of £0.231m made up of range of factors: reduction in dwelling rental income linked mainly to delays in the North Tyneside Living scheme, and hence increased numbers of void properties being held currently losing rental income (£0.384m). In addition, there is a reduction in forecast garage income (£0.026m), reduced sheltered housing officer service charge income (£0.030m), and a shortfall from dispersed unit income (£0.006m) against budget. These shortfalls are partially off-set by an increase in general service charge income (£0.215m).

Capital Financing Charges and Depreciation– there are two elements to the savings being realised in this area: a small reduction in estimated Debt Management Expenses (DME)of £0.015m, and an estimated £0.211m of interest savings being achieved in-year by the continuation of the policy to take advantage of short-term interest rates. The increased depreciation charge (£0.058m) comes from an in-year rebasing of the depreciation estimate based on an approximation of the historic Major Repairs Allowance (MRA) which is used as a proxy for a true depreciation charge.

Contingency and Transitional Protection – combination of savings from transitional protection budget created for existing tenants who would otherwise be adversely impacted by new rents under the North Tyneside Living project due to delays, along with unallocated contingency totalling £0.171m.

Section 4.0
Schools Finance

2015/16 School Budgets

4.1 There are six schools requiring deficit approval for 2015/16 budgets. At the time of writing this report, the deficits have been agreed and approved for four schools. The proposed deficits for Monkseaton High and Norham High however, are due to be revisited in September 2015 before a formal decision is made on the appropriate level of approval.

4.2 Following a meeting of the Schools Forum sub-group, deficit approvals were given by the Authority for the following:

School	2015/16 budget deficit approved £m
St Bartholomew's C of E Primary	-0.019
Longbenton Community College	-0.508
Marden High	-0.270
Seaton Burn College	-0.169

4.3 Proposed deficits to be reconsidered in September - final approved deficits will be reported to Cabinet in subsequent months:

School	2015/16 budget deficit request £m
Monkseaton High	-0.796
Norham High	-0.755

Planning for 2016/17 Schools Funding

4.4 As noted in the previous budget monitoring report, the Department for Education is not introducing any enforced changes to local funding formulas for 2016/17, although the intention is to continue to work towards a national funding formula for mainstream school funding in the future.

4.5 The Schools Forum met on 8 July 2015 to begin the process of reviewing 2016/17 centrally retained budgets, with further meetings planned in the autumn term to discuss each element of the North Tyneside formula. Thereafter, a full consultation will be undertaken with schools and wider stakeholders, reporting back to the October 2015 Schools Forum meeting with updates to Cabinet throughout the autumn.

Section 5.0
Investment Plan Expenditure and Financing

Investment Plan Delivery

5.1 This section of the report sets out some of the key highlights of the 2015/16 Investment Plan including delivery to date and planned delivery.

Affordable Homes New Build and Conversion Works:

There are 7 projects included within the Affordable Homes New Build and Conversion Works programme for 2015/16 as summarised below:

- The conversion of Victoria Terrace Customer Service Centre into 5 new affordable homes with works completed in May 2015;
- The conversion of a former Adult Social Care facility at Bamburgh Crescent, Shiremoor into 3 new affordable homes;
- The construction of 32 new affordable homes at Blandford Road, North Shields with works due to complete in November 2015;
- The construction of 9 new units on the former Bude Court Sheltered site in Battlehill. Work is due to complete in November 2015;
- The demolition of Alexandra Street and the former Police Station to construct 41 new units in Wallsend Town Centre. Work is due to complete in March 2016;
- The construction of 7 x 2 bedroom homes and 2 bespoke respite units on the former Somervyl Court site in Longbenton. Work is due to complete in December 2015; and,
- Work continues to finalise plans to convert commercial shops at Bedford Avenue, Wallsend to create 5 affordable homes. Work will complete before the end of the financial year but no final delivery programme has been agreed at this point.

Housing Investment Work:

There are 31 projects included within the 2015/16 Investment Plan. Projects completed to date include 84 properties in Lansdowne and Granville, Forest Hall benefitting from external fence replacement works and 7 projects delivering the following works:

- 163 homes have received a new kitchen and bathroom;
- 175 homes have had a new roof covering and brickwork repairs;
- 262 homes have had new boundary fencing installed;
- 677 homes have had external redecoration carried out; and,
- 58 homes have benefitted from the installation of a new external canopy.

There are currently 10 projects in progress and on site that will deliver:

- Kitchen and bathroom replacements to 134 properties in Howdon Estate Phase 4 of 4;
- Phase 1 of the heating replacement works to 300 properties throughout the borough;
- Roof covering replacements to 48 properties at High Farm South;
- External insulation works to 12 non-traditional properties in St Aidans Close, Chirton Grange;

- Re-roofing and brickwork repairs to 220 properties in Howdon and Riverside Phase 2;
- External redecoration to 420 properties in North Shields;
- Replacement door entry system to 8 blocks of flats in Battle Hill;
- Fencing replacement works to 482 properties in Shiremoor;
- Asbestos soffit removal and soffit replacement to 66 properties in Howdon; and,
- Annual boiler 'Breakdown' replacement programme.

The remaining 14 projects not yet commenced will see the replacement of more kitchens and bathrooms, boiler replacement works, external structural and insulation works to some non-traditional properties, external redecoration, roof replacement works and brickwork repair work.

Education Investment Works:

Education Investment Works will see the delivery of 37 condition related projects across the school estate. There are also the following additional projects:

- A new pedestrian ramp being installed to provide a safe cycle route for the pupils attending the new build St Stephen's and St Bartholomew's Primary Schools from south of the metro line;
- Replacement of mobile accommodation at Forest Hall Primary School; and,
- Priority Schools Building Programme (projects delivered outside of the Authority's investment programme ie Off Balance Sheet)
    - Whitehouse Primary School new Build in advance of summer term 2016;
    - Delivery of new build solutions at Longbenton College, John Spence and Marden High Schools; and,
    - Finalise solution and establish timescales for development works at Cullercoats Primary School.

Highways and Infrastructure Works:

Highways and Infrastructure Works comprising:

- Delivery of the Local Transport Plan resurfacing programme and additional Highway Maintenance projects due for completion by the end of October 2015;
- Completion of the Four Lane Ends /A188 Corridor Improvements by the end of August 2015;
- A1058 Coast Road Improvements, with work due to commence on site summer 2015; and,
- Completion of Phase 1 Central Promenade Reconstruction by the end of October 2015.

As reported to Council on 23 July 2015 the Local Infrastructure projects included in **Appendix Q** have now been considered by the Investment Programme Board and are recommended to Cabinet for approval.

Regeneration Works:

- Completion of interim works to the Dome;
- Completion of new café and toilets at Long Sands North;
- Installation of new accessible toilet at Cullercoats Bay North;
- Installation of new kiosk at the Watts Slope site in Whitley Bay; and,
- Complete infrastructure works as part of Swan Hunter redevelopment works.

ICT Works:

Proposals were presented to IPB in June 2015 for spend on the ICT Strategy project including server upgrades, infrastructure upgrades, storage, security and business continuity upgrades to take place during 2015/16.

In addition, EDRMS release 5 is due to be implemented by the end of October 2015.

The delivery plan for BDUK – Broadband is expected to be finalised by September 2015 with the project commencing in 2016/17.

Variations to the 2015/16 Investment Plan

5.2 As part of the regular capital monitoring process during June and July 2015 there has been variations of £1.088m to the 2015/16 Investment Plan reported (£3.820m variations to the 2015-2019 Investment Plan). Reprogramming will now only be reported twice a year, through September monitoring and at the year end. However, notification of potential reprogramming will be monitored on a monthly basis.

Table 3 details the changes to the approved 4-year Investment Plan, as agreed at Council on 19 February 2015.

Table 3: 2015 - 2019 Investment Plan changes identified

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Approved Investment Plan – Council 19 February 2015	**83.752**	**63.922**	**47.302**	**35.361**	**230.337**
Previously Approved Reprogramming/Variations					
Cabinet 9 March 2015	8.310	0	0	0	8.310
Cabinet 8 June 2015	8.841	0	0	0	8.841
Cabinet 13 July 2015	0.407	0	0	0	0.407
Total	17.558	0	0	0	17.558
Approved Investment Plan – Cabinet 13 July 2015	**101.310**	**63.922**	**47.302**	**35.361**	**247.895**
June/July Reprogramming	0	0	0	0	0
June/July Variations	1.088	2.395	0.337	0	3.820
Revised Investment Plan	**102.398**	**66.317**	**47.639**	**35.361**	**251.715**

5.3 The variations on the individual schemes are shown in **Appendix O.** **Appendix P** details the whole of the revised Investment Plan, taking into account the reported changes.

Details of changes to the 2015/16 Investment Plan

5.4 For 2015/16, total variations to the end of July 2015 of £1.088m (2016/17 £2.395m and 2017/18 £0.337m) have been identified. Details of the main changes are shown below:

(a) **HS047 Trading Company Affordable Homes Project £0.150m (£1.273 2016/17)** - Provision of 10 – 20 Affordable Homes at Reed Avenue, Camperdown. The homes are anticipated to be a mix of houses and apartments for affordable rent;
(b) **BS026 Asset Planned Maintenance Programme £0.250m** – Allocation of the Contingency Provision for planned health and safety works at Waves;
(c) **GEN03 Contingency Provision £0.250m credit** – see (b) above;
(d) **EV080 Coast Road Cycle Route £0.742m (£0.742m 2016/17)** – Funding has been secured for improvement works to the Coast Road Cycle Route from the Cycle City Ambition Fund; and,
(e) **ED186 Backworth Park Primary £0.196m (£0.380m 2016/17 and £0.337m 2017/18)** – Due to additional development in the area the design for Backworth Park Primary has been changed from 1.5 form entry to 2 form entry. The funding for this change will come from a combination of additional section 106 receipts from developers and Local Authority Basic Need grant allocation.

Details of all the variations are shown in **Appendix O.**

5.5 The impact of these changes on Capital Financing is shown in Table 4 below.

Table 4: Impact of variations on Capital financing

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Approved Investment Plan – Cabinet 13 July 2015	**101.310**	**63.922**	**47.302**	**35.361**	**247.895**
Council contribution	0.196	0.380	0.172	-1.086	-0.338
Grants and Contributions	0.892	2.015	0.165	1.086	4.158
Total Financing Variations	**1.088**	**2.395**	**0.337**	**0**	**3.820**
Revised Investment Plan	**102.398**	**66.317**	**47.639**	**35.361**	**251.715**

Capital Receipts – General Fund

5.6 There were £0.842m ring-fenced General Fund Capital Receipts brought forward at 1 April 2015.

5.7 The capital receipts requirement approved by Council on 19 February 2015 to finance the 2015/16 Investment Plan was £3.869m. There has been a change of £0.175m to the capital receipts requirement for 2015/16 after accounting for reprogramming and variations reported to 9 March 2015 Cabinet and 8 June 2015 Cabinet. The 2015/16 General Fund requirement is £4.044m.

5.8 To date, £1.867m receipts have been received in 2015/16. Together with the balance brought forward, this leaves a balance of receipts to be generated in 2015/16 for the General Fund of £1.335m.

Table 5: Capital Receipt Requirement – General Fund

	General Fund 2015/16 £m
Requirement reported to 19 February 2015 Council	3.869
Reprogramming and Variations to 9 March and 8 June 2015 Cabinet	0.175
Revised Requirement	**4.044**
Useable Receipts Brought Forward	-0.842
Useable Receipts Received	-1.867
Balance to be generated	**1.335**

Capital receipts – Housing

5.9 Housing Capital Receipts brought forward at 1 April 2015 were £6.597m. The Housing receipts are committed against projects included in the 2015-2019 Investment Plan.

5.10 The approved Capital Receipt requirement for 2015/16 was £4.429m. This, together with the reprogramming reported to Cabinet on 9 March and 8 June 2015, gives a requirement for 2015/16 of £6.536m. To date, £1.368m receipts have been received in 2015/16 of which £0.410m (Quarter 1) has been pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £1.019m to be carried forward to fund future years.

Table 6: Capital Receipt Requirement 2015/16 - Housing

	Housing £m
Current Requirement	6.536
Receipts Brought Forward	-6.597
Receipts Received	-1.368
Receipts Pooled to Central Government	0.410
Surplus Balance to fund future years (subject to further pooling)	**-1.019**

5.11 The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2015/16.

Investment Plan Monitoring Position to 31 July 2015

5.12 Actual expenditure in the General Ledger was £13.281m (12.97%) of the total revised Investment Plan as at 31 July 2015.

Table 7: 2015/16 Total Investment Plan Budget and Expenditure to 31 July 2015

	2015/16 Revised Investment Plan £m	Actual Spend to 31 July 2015 £m	Spend as % of Total Revised Capital Budget %
General Fund	69.296	6.858	9.90
Housing	33.102	6.423	19.40
TOTAL	**102.398**	**13.281**	**12.97**