2017-2020 Financial Planning and Budget Process:

General Fund Revenue Budget, Housing Revenue Account Budget, Dedicated Schools Grant and Investment Plan proposals

WE SERVE

North Tyneside Council

Introduction

This Annex sets out North Tyneside Council's proposed General Fund and Housing Revenue Account (HRA) Budget for the financial year 2017/18, together with indicative plans for the next 2 years and is the basis on which we will seek views of residents, tenants and partners on these plans.

The report explains the context, challenges and opportunities facing the Authority and the Borough, what we can control and change and where our choices are constrained, how we raise and spend money now and how this will change over the next three years.

The plans are ambitious and, as in previous years, they involve difficult decisions to live within budgets imposed by Central Government and cost pressures arising from unfunded growth.

The Council is legally required to set a balanced budget for the General Fund to meet statutory duties and provide services such as social care and environmental services. For the HRA, the Council Tax payer cannot subsidise those living in social housing and the rents and service charges paid by the tenants cannot be used to fund unrelated council services. It is also illegal for an authority to budget for a deficit in its HRA.

Engagement Approach

North Tyneside Council is committed to being a resident-focused and listening Authority and this commitment includes giving residents and other key stakeholders an opportunity to be involved in helping to shape decision making in relation to the Financial Planning and Budget process.

The Authority's overall approach to engagement ensures that the public have opportunities to have their say throughout the year, through a series of different methods, including engaging with the Elected Mayor, Cabinet and ward members through the Mayor's Listening Events and Community Conversations as well as a broad range of both on-line and face to face engagement or consultation exercises on different key issues such as the Resident's Survey.

Between June and September 2016, there has been an extensive programme of engagement out-and-about across the Borough through the Big Community Conversation. The feedback from this programme and other activity throughout the year has informed the initial Cabinet budget proposals which are set out in this report.

During the Big Community Conversation residents gave their views about their experience as a resident and a customer of the Council together with their suggestions for future improvement. Overall, 1,232 questionnaires were completed in 94 different visits at a variety of locations and events in every ward across the Borough. Each ward was visited at least three times.

From the Big Community Conversation feedback, residents had very clear priorities around transport issues, the maintenance of roads and pavements and keeping North Tyneside clean, tidy and safe. These priorities are reflected in Cabinet's initial budget proposals.

Further engagement on Cabinet's initial budget proposals will take place from 29 November 2016 to January 2017 as set out below.

As with all of its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the 2010 Equality Act, are able to participate. Further information on this aspect of the engagement approach can be found in the Equality Impact Assessment on the Budget Engagement Strategy, which is available on request.

<u>Target Audiences</u>

The engagement approach aims to reach different sectors of the population through a targeted approach. The approach delivers both universal engagement as well as engagement with particular groups e.g. carers, people who are deaf or hard of hearing.

Specific external audiences are:

- Residents of North Tyneside
- Service users
- Children and young people
- Older people
- North Tyneside Strategic Partnership
- Business community
- Schools
- Voluntary and community sector (including faith groups)
- Carers
- Tenants

Internal audiences are:

- Elected Members
- Staff
- Strategic Partners (Kier, Engie and Capita)
- Trade Unions

<u>Approach</u>

Our approach aims for maximum reach by offering a range of different opportunities for people to have their say. In line with the Authority's Engagement Strategy principles, these opportunities are:

- Inclusive : making sure that everyone is able to engage in the process
- Clear : being clear on the aims of each engagement activity at the outset and the extent to which residents can be involved

- Integrated : ensuring that engagement activities are joined up with the relevant decision making processes
- Tailored : aiming to better understand our audience and using different methods appropriately to enable and encourage people to be involved
- Feedback : giving feedback through agreed channels when engagement activity is completed
- Timely : aiming to give sufficient notice to make opportunities available to all and taking into account those times when it is more appropriate to engage depending on our target audience.

<u>Budget Engagement Programme</u>

Information about the Budget proposals will be provided on the Authority's website www.northtyneside.gov.uk . This will include a short video to explain the context and set out the proposals. This will be accompanied by a questionnaire to provide opportunities for people to give their feedback either via the website, e-mail or through social media.

Four events (one in each of the four areas of the Borough) will be held throughout December 2016 to enable people to listen to the proposals and to provide feedback face-to-face. Recognising that different times of the day suit different groups of residents, two of the events will be held during the day and two during the evening. Residents can attend whichever event suits them best; they do not have to live in that particular part of the Borough.

Further targeted events will be held for key stakeholder groups including: Residents Panel, Staff Panel, businesses, schools, young people, community and voluntary sector, trade unions, North Tyneside Strategic Partnership, older people and carers.

Engagement with service users or their representatives will be via existing networks. The engagement programme will be advertised via the press and social media and at key outlets and facilities including libraries, customer first centres, community centres, leisure centres.

The views of our residents and partners are important as we have an opportunity to plan for transformational change in services. Central Government has made an offer that councils which set out an efficiency plan of how they can balance their budget by 2020 will, in return, receive certainty over the level of Revenue Support Grant for the next 3 years. This 3 year plan forms the basis of the Authority's Budget. This approach gives us time to work with our residents and partners to develop new and innovative approaches to deliver reduced budgets by 2020.

Our North Tyneside Plan

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

This vision and policy context reflect the priorities of the Elected Mayor and Cabinet and have been developed in partnership through the North Tyneside Strategic

Partnership which includes all of the organisations and sectors who work together with the Authority to deliver an improved future for the Borough and its residents.

By listening to our residents, businesses and visitors, the Plan provides a clear framework for the Authority to plan its use of resources. It provides the context for all financial decisions and the operational delivery of services both at Borough level but also increasingly as we work alongside other local authorities across the region, statutory partners and with business through the North East Local Enterprise Partnership.

The Our North Tyneside Plan has three key themes – Our People, Our Places and Our Economy. These are in line with what our residents and others have told us. For each one there are a set of very clear policy outcomes that we are seeking to deliver as set out below.

Our People will:

- Be listened to, and involved, by responsive, enabling services.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence.
- Be cared for and safeguarded if they become vulnerable.

Our Places will:

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

Our Economy will:

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

<u>Evidence of Need</u>

The evidence of need that drives the redirection of the Authority's resources is set out in a number of key documents. The North Tyneside's Joint Strategic Needs Assessment (JSNA) summarises some of the key population health and well being issues in the Borough. Whilst North Tyneside is one of the least deprived boroughs in the region there remain pockets of deprivation where significant health and social care challenges need to be addressed. Key issues being:

- Health life expectancy is not increasing at the same rate as life expectancy leaving a large number of people living the later stages of their lives in poor health
- Relative deprivation in the Borough is improving, but wide inequalities remain across the Borough with persistent deprivation in some wards
- A child born in the most deprived part of the Borough is expected to live 10 years less than a child born in the least deprived
- One fifth of children are living in poverty which increases to nearly half in the most deprived part of the Borough
- The Borough has a high number of people who are unemployed and claiming Employment and Support allowance due to mental health or behaviour disorders
- There are increasing numbers of young people with special educational needs
- Rates of young people not in education, employment or training (NEET) at 18 are similar to England, but North Tyneside has higher rates of under 25s who are unemployed
- There are growing numbers of adults with learning disabilities and complex disabilities
- North Tyneside's population is getting older and there are more people aged over 85 than ever before
- There are growing numbers of older people with multiple long term conditions and frailty
- More than 1 in 10 of the adult population has a caring responsibility and an estimated 14% of people over 65yrs+ are caring for someone
- The number of people aged over 75 living alone is predicted to rise by 44.44% by 2030

The latest population projections from the Office of National Statistics predict an increase of 15,800 people between 2014 and 2032. The population of North Tyneside in 2032 is expected to be 218,500. The Local Plan is the second key strategic element that drives the direction of resources in the Borough and North Tyneside Council approved the Pre-Submission Draft Local Plan in October 2015. The Pre-Submission Draft has been shaped by a comprehensive development process, including significant public consultation. The Local Plan sets out how the Borough can be a thriving, prosperous and attractive place to live and work. The Pre-Submission Draft detailed how the Borough will require 10,500 new homes (in addition to about 5,000 new homes that already have planning permission) and at least 12,700 new jobs.

Taking all of this into account, the Our North Tyneside Plan has at its core, two fundamental policy aims. First, is the need to reduce the inequalities that persist in North Tyneside. Within our Borough we continue to have some of the least deprived neighbourhoods in the country but also some of the most deprived in terms of financial independence, skills, qualifications, health and well-being. This will mean working in a very different way to ensure that resources can be more effectively targeted at the people who need them most to ensure that all residents have a successful, healthy and safe future, no matter where they live in the Borough.

The second is to continue to invest in the Borough's future and to create a prosperous economy that will generate income and provide the jobs and training opportunities that will be essential to successfully tackling these inequalities. The key areas of investment being:

- coastal regeneration
- Swans/the North Bank of the Tyne
- town centres
- new and improved schools
- road and other transport improvements
- housing (including affordable homes)
- sheltered accommodation (North Tyneside Living)
- support for businesses
- marketing the Borough to secure more inward investment and generate more visitors as a tourist destination

These outcomes underpin the Creating a Brighter Future Change Programme (CBF) first implemented during 2014/15. This programme has ensured that the Authority has continued to successfully respond to the financial pressures in Local Government, managing with significantly reduced resources.

Financial Strategy

A Financial Strategy is critical in order to ensure that the Authority makes decisions by focussing on strategic priorities and has a clear financial vision and direction for the medium term. This Financial Strategy needs to support delivery of the Our North Tyneside Plan 2016-2019 which is the key driver of our resources allocation. The Budget setting process helps the Authority respond appropriately to responsibilities and duties placed upon Local Government through legislative requirements and the Government's drive to deliver savings.

Whilst decisions around Budget setting are approved on an annual basis, the Authority must demonstrate medium-term financial and resource planning. Annual budget decisions should be taken in the context of the overall Financial Strategy that looks at all Authority services and takes into account the Government's Local Government finance agenda.

The detailed Financial Strategy was approved by Cabinet on 12 September 2016 and is a background paper as part of this report.

General Fund

Medium Term General Fund Position

The Council, along with other local authorities, has faced unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. In addition service pressures and increasing demand for services, particularly from the most vulnerable, has meant the Council has had to make significant budget savings in response to the Government's austerity measures. Like other councils in the region, North Tyneside Council has seen its funding disproportionately impacted and reduced by Government Policy when compared with the national context. The UK's recent vote to leave the European Union (EU) is likely to herald only more instability in the short to medium term and the consequences will need to be carefully considered over the period of the Authority's Financial Plan and beyond.

It has already been highlighted that, at a local level, there are changes in North Tyneside's demography with an increasing population and a growing number of our most vulnerable residents requiring complex health and social care support. Whilst the Borough has seen some economic growth, the Business Rates Retention scheme is such that significant appeals have led to a reduction in rateable value since the scheme was introduced in 2013/14.

The likely continuing requirement and scale of budget savings, over and above the £101m already taken from budgets since 2010, presents an increasing challenge for the Authority. The Government's approach to "continue the work of bringing the public finances under control and reducing the deficit, so Britain lives within its means" will result in further significant funding reductions for Local Government.

By the end of 2016/17 the Council's grant funding will have reduced by approximately 32% from 2010. This equates to over a £276 per head reduction and over a £581 per dwelling reduction in Government funding over the period. Central Government has indicated a change to the approach to eliminating the budget deficit and to reducing the overall levels of public debt, however, at this stage there is no indication of what that could mean for Local Government in the short to medium term.

The Net General Fund Financial Plan Resources from 2016-2020 are set out in Table 1 below:

Table 1: 2016-2020 General Fund Financial Plan Resources

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Council Tax	78.678	79.517	80.327	81.008
Revenue Support Grant	31.184	22.596	16.915	11.198
Retained Business Rates	28.410	29.575	29.575	29.575
Business Rates Top Up	15.673	15.982	16.453	16.979
Total General Fund Financial Plan Resources Note 1	**153.945**	**147.670**	**143.270**	**138.760**

Note 1: This does not include any assumed increase in Council Tax

Unfunded cost pressures

The need to find savings in 2017/18 and future years is driven by significant unfunded cost pressures arising from a number of sources as well as the net reduction in resources from Central Government. The Authority is experiencing the same service pressures as many other Metropolitan Authorities. These cost pressures arise for a number of reasons including:

- Legislative / regulatory changes (for example impact of the National Living Wage on social care providers).

- Pay and price inflationary increases – increases in pay and other staff related costs (for example pension costs) and general and specific inflation (for example utilities / PFI contracts). RPI is used as the underlying assumption for price increases, however, resources are adjusted by Government assumptions which using the lower CPI.

- Increasing demand for services – increased demand for social care services (for example increased numbers of children with severe disabilities).

- External funding changes – cuts in specific grants (for example Housing Benefit Subsidy Administration Grant and Education Services Grant).

(Further details of the cost pressures are included in Appendix A.)

The pressures in year are such that there is currently an over-commitment against the 2016/17 revenue budget in the region of £5m. A number of actions are in place to bring this position in on budget. There is the potential that the use of reserves will be required to bring the Budget in balance at the year end.

Taking into consideration the cost pressures and the reduction in resources the gap/efficiency requirement for 2017/18 is currently an estimated £23m and an estimated £52m to the end of 19/20 as set out in Table 2 below.
.

Table 2: 2017-2020 General Fund Financial Plan

	2017/18 £m	2018/19 £m	2019/20 £m	Three Year
General Fund Base Budget	153.945	147.670	143.270	**153.945**
Unfunded Cost Pressures	16.926	8.086	11.985	**36.997**
Efficiency Savings Requirement	-20.201	-9.486	-13.495	**-43.182**
Assumed Council Tax Increase	-3.000	-3.000	-3.000	**-9.000**
Total General Fund Financial Plan	**147.670**	**143.270**	**138.760**	**138.760**

Efficiency Savings

Our approach for 2017-20 is to achieve savings early where possible, to mitigate against future financial risks whilst working in a very different way so that resources can be more effectively targeted at the people who need them most to ensure that all residents have a successful, healthy and safe future, no matter where they live in the Borough. We need to deal with causes not consequences (i.e. we are proactive rather than reactive), we understand and manage demand, we enable people to help themselves. We use intelligence to target our resources to best effect, we maximise income and reduce long term cost, we work in partnership to improve outcomes and we are innovative and utilise technology to improve outcomes.

In terms of delivering the overall budget, the CBF programme will necessarily continue to be a cross cutting programme to transform every part of the Authority and the relationship with the residents of North Tyneside as set out in the “Our North Tyneside Plan”. The Efficiency Plan, which was agreed under a delegation to the Mayor on 10 October 2016, sets out a number of proposals to be delivered over the next three years that are designed to support the Authority in managing the change required to meet the financial challenges. The proposals are looking to consider how we reshape service delivery that meets the demands being faced by the Authority, consider how we support our residents to help themselves, and continue to develop the Borough in terms of a place to live, being attractive to businesses and have effective transport and physical infrastructure.

Appendix B sets out in more detail the proposals for 2017/18 which are summarised in Table 3 below:

Table 3: Efficiency Savings 2017-2020

CBF Theme	2017/18 £m	2018/19 £m	2019/20 £m
Cared For, Safeguarded and Healthy	-2.293	-0.645	-0.200
Fit for Purpose	-4.235	-1.029	-1.091
Great Place to Live, Work & Visit	-0.932	-0.971	-1.520
Maximising Resources	-8.050	+7.497	-0.273
Ready for School	-0.377	-0.203	0.000
Ready for Work	-0.776	-0.595	-0.200
Efficiency proposals	-3.538	-13.540	-10.211
TOTAL	**-20.201**	**-9.486**	**-13.495**

<u>General Fund – 2017/18 Resources Assumptions</u>

Council Tax

In February 2016 the final Local Government Financial Settlement was issued. When issued Central Government assumed in arriving at the Authority's spending power that over the period to 2019/20 there would be on average an annual increase in Council Tax (excluding the Social Care precept) of 1.5%. In line with Governments expectation the assumptions in Cabinet's Budget and financial plan proposals include an increase to council tax of 3.99% in 2017/18. Of this increase 2.0% will part-fund the significant cost pressures we face in relation to adult social care. This additional income will help to mitigate the impact of these cost pressures on the Council's overall budget, the amount raised (i.e. £1.5m) is a relatively small proportion of the adult social care cost pressures faced by the Council. The remaining 1.99% increase in council tax will be used to fund cost pressures in other services areas.

Council Tax Support

In 2013/14 Council Tax Benefit came to an end, and Council Tax Support was introduced in its place. At the same time, funding was transferred into the settlement funding assessment (comprising Revenue Support Grant and Business Rates) after being cut by over 10.0%. As this funding is not separately ring-fenced within the settlement funding assessment, it has effectively been cut at the same rate as our settlement funding assessment has been cut, i.e. in 2014/15 (9.0%), 2015/16 (12.9%), 2016/17 (9.9%) and 2017/18 (10.2%). We estimate the funding loss over the five-year period to be in the region of £6.7m. This has put significant additional strain onto the General Fund budget and resulted in the Council, as well as many other local authorities, seeking to collect some council tax from working age people who previously received 100% council tax benefit.

Council Tax Support under our current scheme is capped at 90% of an individual's Council Tax liability, meaning that working age people will be charged 10% of their Council Tax before they receive Council Tax Support.

Pensioners are not subject to the cap referred to above and may still be awarded reductions of up to 100% of their council tax liability.

Changes to the Local Council Tax Support Scheme are currently under consideration.

Business Rates

The level of business rates is set by the Government and is based on the rateable value of non-domestic properties across North Tyneside. The Council previously had no direct financial interest in the collection of business rates and acted purely as an agent of the Government. However, since 2013/14 we have retained 49% of the business rates we collect and paid the other 51% over to the Government (50%) and the Tyne and Wear Fire and Rescue Authority (1%). As a result we now have a direct financial incentive to maximise the amount of business rates collected in North Tyneside.

A significant additional risk in 2017/18 has arisen in relation to the revaluation of rateable values within North Tyneside. This will come into effect from 1 April 2017 and is expected to result in reduced rateable values for most business properties compared with other parts of the country, which is likely to lead to reduced business rates income being received. The Government has committed to adjust our top-up grant if this is the case to ensure the Council is no worse of as a result. But due to the complexity of the Business Rates system there is a risk that we may still be worse off as a result of these changes.

We are currently exposed to the risk of Business Rate appeals, which are determined by the Valuation Office Agency. Since 2013/14 the level of appeals has been higher than were originally anticipated and this has resulted in a significant Collection Fund deficit as at 31 March 2016. The Government has consulted on a range of practical changes designed to improve the efficiency of the appeals process and reduce the financial uncertainty facing local authorities, with new streamlined processes being introduced in 2017/18 alongside revaluation.

Our share of the Business Rates base for 2017/18 has been estimated at £29.6m, which, when taken together with the top-up grant provided by the Government (i.e. £16.0m), represents an increase of £1.5m compared with the previous year.

Housing Revenue Account (HRA)

North Tyneside Council is responsible for the management of around 15,000 council houses, the funding for which is required by law to be kept entirely separate from the rest of the Authority's finances within what is known as the HRA. Council Housing Rents and Service charges form the majority of income to the HRA and this income is then used to fund the maintenance of Housing stock.

The HRA faces significant challenges, not least from two pieces of Government legislation now passed into law i.e. the Welfare Reform and Work Act 2016, and the

Housing and Planning Act 2016. In addition, we are also facing the impact of the continued roll-out of Universal Credit and other welfare reforms.

These challenges continue to be considered as part of the updating of the 30-year plan which aims to ensure the long-term viability of the HRA. For the purposes of the current Financial Planning and Budget process a three-year revenue plan has been developed in line with the approach adopted for the General Fund. Cabinet is advised that the second and third year projections are only indicative at this stage.

Housing Revenue account tenants will be consulted on these initial proposals, the final HRA budget will be presented to Cabinet on 18 January 2017. At that meeting Cabinet will be asked to approve the HRA Business Plan and Budget for 2017/18, including the housing rent, garage rent and service charge changes and the Housing Investment Plan.

<u>Key Objectives and headline assumptions for the Housing Service</u>

The over-riding objectives for the housing service are, as far as possible within financial constraints, to:-

1. Ensure the application of the principles of the Target Operating Model;
2. Continue to invest in the existing stock to maintain the Decent Homes Standard;
3. Maintain and develop effective engagement with tenants;
4. Work with Private Landlords to refurbish stock where appropriate;
5. Undertake environmental improvements to estates to ensure that they are clean and safe;
6. Support the delivery of Affordable Homes across the Borough.

The key headlines for the HRA budget for 2017/18 are as follows:-

1. Continue implementation of Government policy to reduce rent by 1% for 2017/18 (2nd of 4 years) as enacted in the Welfare Reform and Work Act 2016 for all housing stock including PFI;
2. Freeze service charges for 2017/18 (except where new services are being introduced or re-procured to reflect actual costs);
3. A review of charges for guest rooms and commercial space (e.g. hairdresser facilities) within sheltered schemes
4. Increase garage rent by 2% for 2017/18;
5. Sustain working HRA balances at £2.5m or more.

<u>HRA Capital Investment Plan – assumptions</u>

1. Overall Housing Investment Plan spend of £72.823m over the next 3 years;
2. Spend for 2017/18 of £25.889m including £6.286m for the continuation of a new build / conversion / acquisition council house programme. Some of this funding (£2.487m) is projected reprogramming from 2016/17.

Proposals for Legislative Change

Both the Welfare Reform & Work Act 2016 and the Housing & Planning Act 2016 were passed into law in 2016 but much of the legislation has yet to be enacted. Both will be the subject of Government Regulations which will put implementation measures into force, some of which will again have to pass through Parliament for ratification. Cabinet will be kept updated as to any impact on the Authority.

Medium Term HRA Position

There are a number of key drivers which underpin the HRA Business Planning Process each of which are discussed briefly below, namely:-

- Rent;
- The Asset Management Strategy and New Build projects as part of Cabinet's Affordable Housing ambitions;
- Right To Buy Sales;
- Treasury Management;
- Self-Financing and Depreciation;
- North Tyneside Living.

Rent

2016/17 saw the start of the Government's 4-year 1% per annum rent reduction policy introduced in the Welfare Reform and Work Act 2016.Government has indicated that the policy after 2019/20 will return to a rent increase based on the Consumer Prices Index (CPI) + 1% and our modelling assumes this. Cabinet should be aware of the following assumptions reflected in the HRA Budget and Financial Plan:

1) It was confirmed that the Authority can continue to move rents to target when properties become void.

2) Cabinet decided not to exclude PFI properties from the 1% rent reduction in 2016/17. Government is removing the discretion and requiring all properties to have the reduction applied from April 2017;

3) A full review of the service charges attached to the North Tyneside Living schemes will be undertaken as the schemes move towards completion to ensure that service charges reflect actual costs;

4) Cabinet agreed to exempt service charges from the 1% annual reduction and to freeze them until 2019/20 based on an assumption of low CPI. This plan continues except for furniture packs, where the service is currently being re-procured. It is proposed that these service charges are reviewed to ensure the income collected adequately covers costs. The introduction of Local Housing Allowance caps will make these packs less affordable for our younger tenants who would no longer have these costs covered by benefit. Service charges on affordable rent properties are not exempt as the 80% of market rent calculation includes any service charges;

5) Garage rents are linked purely to an assessment of demand for the asset with no link to rent policy, hence the plan proposes to continue the long-term Government CPI target of 2% increases per annum as being reasonable;

6) It is assumed that the policy agreed by Cabinet previously to protect existing North Tyneside Living tenants from rent increases will continue. All new tenancies commence at the newly calculated rents. It is estimated that this protection will cost in the region of £0.150m in 2017/18 but will steadily reduce from this point.

The implications of any changes arising from benefit changes including Universal Credit (UC) continue to be monitored. It is not anticipated that the UC scheme will be fully rolled-out across all areas of the country until 2020/21. If there are any significant changes to the timetable for implementation Cabinet will be kept up-to-date.

<u>Asset Management Strategy (AMS) and New Build Project Funding</u>

The AMS is regularly updated and refreshed to make the stock data current, to fully identify the maintenance needs of the stock over the lives of the assets and to build these into the HRA Investment Plan. Because all of the council non-sheltered stock is now at or above Decent Homes standard, this year's plan is mainly a refresh of key elements around stock numbers to roll the plan forward. Hence, the Plan identifies £61.242m of works to maintain Decent Homes over the next 3 years (£19.603m for 2017/18), with an estimated £11.581m available for New Build over the same period (£6.286m for 2017/18).

<u>Right to Buy (RTB) Sales</u>

RTB sales have increased significantly since the start of self-financing, in 2011/12 there were 30 sales, in the 4 years since then the trend has been: 85 in 2012/13, 122 in 2013/14, 100 in 2014/15 and 135 in 2015/16, with a further 63 sold as at September of this year. As part of changes the Government introduced back in 2012/13, the Authority signed an agreement that allows RTB receipts above the levels assumed as part of self-financing to be retained as long as they are used to fund new build homes at a 30% contribution rate within 3 years. This has seen an additional £2.021m of Capital Receipts retained to the end of 2015/16, which has helped deliver £6.737m worth of new build schemes.

The trend in RTB sales is reflected in the 2017/18 Business Plan profile for stock numbers with 150 sales assumed. Legislative change may impact on these projections as the plan moves forward.

<u>Treasury Management Strategy (TMS)</u>

The HRA is an integral part of the TMS for the whole Council, and key decisions were taken at the point of the introduction of Self Financing as to the approach to be taken with HRA debt effectively creating a separate debt pool for the HRA with the following elements:

1) Self-financing debt –£128.193m of debt taken on to fund payment to Government to exit the subsidy system, made up of 26 loans with maturity periods of 24 to 50 years. These loans were at "special" interest rates offered by PWLB purely for self-financing. Average interest rate is 3.49% which produced savings of £0.652m in 2012/13, which were transferred to the House-building Reserve annually as agreed by full Council to fund HRA new build and conversions. Contributions to that fund will cease from 2017/18 as part of these budget proposals following the Government's introduction of rent decreases from 2016/17;

2) Existing Debt – HRA share of the Authority's pre-self-financing debt valued at £162.631m as at 31 March 2012, split between the HRA and the General Fund. As loans mature, there is a separate consideration for the General Fund and HRA as to how those loans are treated. Opportunities to make savings from short-term borrowing have enabled some additional savings to be made which have helped the HRA Business Plan. For 2017/18 estimated debt interest due will total £4.835m, saving £0.481m on current year's budgeted charges, with a debt set aside of £3.890m;

3) New HRA Debt (restricted by debt cap)- New loans directly attributed to the HRA. 2017/18 will see re-financing of £3.715m from £8.405m of long-term maturities, once assumed debt repayments have been accounted for and temporary borrowing of £20.488m, with estimated reduced interest charges of £0.720m in 2017/18.

Overall actual debt will be around £265.617m by 31 March 2018. The Authority continually monitors the position on the HRA as part of the overall TMS to ensure the most efficient use of resources for the HRA and our tenants and to maximise flexibility around future investment needs and potential additions to the stock.

Self-Financing and Depreciation

The Government's intentions around Depreciation within the HRA, and progress on producing a reliable method of calculation, have regularly been reported to Cabinet as part of the budget process since self-financing was introduced. The lack of a "proper" solution led to Government creating a 5-year "transitional" solution, based on the old Major Repairs Allowance (MRA) from subsidy being used as a "proxy", with revaluations and impairments being reversed out whilst a longer-term solution was sought. 2016/17 is the last year of that 5-year transitional period.

All initial indications were that, because a satisfactory solution could not be found, the "proxy" would continue but DCLG have now issued a new Item 8 Determination, prescribing how authorities provide for Capital charges which assumes all authorities will charge a "true" Depreciation charge from 2017/18. In consultation with a number of other local authorities in the same position including Newcastle City Council, we are now urgently considering a solution which will need External Audit sign-off in order to determine an appropriate Depreciation charge to the HRA.

It has been assumed in the 2017/18 HRA Business Plan that Depreciation remains at the level of the "proxy" MRA figure, meaning a transfer of £15.650m to the Major

Repairs Reserve up from £15.171m. Cabinet will be updated as soon as there is an agreed method for calculating Depreciation along with any implications for the HRA.

North Tyneside Living (NTL) Project

The NTL Project has been progressing during 2016/17, and is on course to complete the construction / refurbishment stage of the scheme by March 2017. At the time of writing this report a total of sixteen schemes have been completed and the final 11 are live.

Taking all of the above into the account Table 4 below summarises the Housing Revenue Account forecast plan for 2017–2020

Table 4: 2017–2020 Housing Revenue Account Financial Plan

HRA Forecast Expenditure Plan	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**
2017/18 Base Budget	0	0	0
Add:			
Pressures and Growth	2,868	(1,258)	344
Efficiencies	(2,141)	(719)	(595)
Reserves and Contingencies	(727)	1,977	251
Net Forecast Expenditure Variation	**0**	**0**	**0**

A three-year financial forecast for the Housing Revenue Account is attached at Appendix C for information and the three-year Housing Investment Plan at Appendix D(ii).

A further breakdown of the movement on Reserves and Contingencies is shown in Table 5 below; this includes a contribution from reserves of £1.080m. It is proposed to create additional contingency budgets of £0.353m to recognise issues including any inflationary increases and any pay award.

Table 5: 2017–2020 Housing Revenue Account Reserves and Contingencies

HRA Revenue Balances	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**
Increase in Contingencies	353	215	214
Contribution to/(from) Balances	(1,080)	1,762	37
TOTAL	**(727)**	**1,977**	**251**

Dedicated Schools Grant (DSG)

The Dedicated Schools Grant (DSG) can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations. The DSG funds delegated budgets which are allocated to individual schools, nurseries and other early years' settings, high needs provision including special schools and alternative provision.

The total amount of the Dedicated Schools Grant for 2016/17 is £140.66m (excluding Pupil Premium), broken down into the following blocks:

- Schools Block £116.34m
- Early Years Block £7.80m
- High Need SEN Block £16.52m

It has been reported to Cabinet in recent months that the timetable for the introduction of the national funding formula has been delayed and indications are that the Schools Block and Early Years Block for 2017/18 will be based upon the same per pupil value as in 2016/17, with the total value updated to reflect the pupil numbers in North Tyneside schools as at the October 2016 pupil census. 2017/18 amounts in relation to Academies will be deducted from the Schools Block before it is received by the Authority.

The Pupil Premium for eligible pupils is currently £1,320 per primary school pupil in 2015/16, £935 for secondary pupils (£300 for service children) and £1,900 per looked after child.

The Education Funding Agency (EFA) is expected to issue authorities with their 2017/18 settlements including the Schools Block, Early Years Block and further detail on the Pupil Premium shortly before Christmas 2016. Details of this will be included in the report to Cabinet of the 25 January 2017. The EFA is not expected to confirm 2017/18 high needs SEN funding block allocations to authorities until March 2017.

The 2015 Spending Review indicated that the Education Services Grant (ESG) would be largely phased out by the end of the Parliament, a sum of £600m nationally. Recent guidance from the Education Funding Agency has indicated that the general funding rate will be removed from September 2017, but no detail has yet been provided on the mechanism or financial levels. In addition to this funding uncertainty we are unclear of the impact associated with National Education Policy.

Cabinet's initial Budget proposals for the 2017-2020 Investment Plan

Capital Investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets, or loans to third parties for a capital purpose. It can also, with the express permission of the Secretary of State, cover revenue expenditure on items such as restructuring of services.

Investment of this nature plays an important role in ensuring the Authority meets its Health and Safety responsibilities, it also plays an important role in improving economic opportunities across all parts of the Borough. Whilst some investment directly contributes to economic development, all has an indirect impact by providing stimulus to the economy, creating employment opportunities, supporting skills and development or contributing to confidence.

The investment programme, building on previous success, has been developed with a strong focus on delivery of the Council Plan outcomes. In addition, some of the projects have been developed with the aim of helping to deliver revenue savings to assist the Authority in managing the financial pressure it faces.

All proposals for capital investment follow a structured gateway process, and are challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. All proposals are considered in terms of their strategic alignment with the Our North Tyneside Plan, Creating a Brighter Future Programme and the Target Operating Model.

The Investment Programme Board (IPB) meets on a monthly basis and, as part of its monthly meetings, receives an update on all ongoing projects included in the approved Investment Plan (currently 2016-2019).

As part of the 2017/18 budget process, the IPB also received bids for new projects and changes to existing projects. All bids were considered and, following a thorough challenge and review the items listed below are the current proposals being considered. Work is ongoing to finalise these proposals:

(a) **Coastal Regeneration £4.950m**: required to replace the funding removed from the budget to cover the redevelopment of the former High Point hotel site in 2016/17 (£0.940m for the Dome and £0.610m for Northern Promenade), for additional costs to the Spanish City Island public realm and links to the town centre (£1.500m). The remainder (£1.900m) is for potential additional works to the Dome such as lead paint removal and buried asbestos removal.

(b) **Northumberland Square £3.650m**: additional finance to bring forward the development of 13-16 Northumberland Square and also develop the land to the rear of the site anticipated to be delivered through North Tyneside Trading Company;

(c) **Streetlighting LED £1.730m**: upgrading of around 7,000 lamps to modern, energy efficient LED models. This project is anticipated to result in revenue savings of £0.425m per annum through reduced energy costs;

(d) **Coastal Properties £2.580m:** purchase of equity and provision of loan capital to enable the development of sites at the former Whisky Bends and The Avenue, by the North Tyneside Trading Company, for homes for sale;

(e) **Property Development £3.900m:** provision of finance to enable the development of homes for sale on sites currently owned by the Authority;

(f) **Warm Zones £0.100m:** to provide a one year extension to the current contract for energy efficiency measures for households in the Borough;

(g) **Vehicle replacement £2.620m**: replacement of vehicles required to ensure the provision of services;

(h) **Contingency Provision £2.000m**: provision for unforeseen pressures and projects within the plan;

(i) **Rolling programmes year 3 £4.600m**: provision of budgets for 2019/20 (year 3) for Asset Planned Maintenance programme (£1.500m), ICT Strategy (£1.000m), additional Highways Maintenance for Roads and Pavements (£2.000m), and Local Infrastructure projects (£0.100m). The approval of spend on all rolling programmes will be subject to the provision of final business cases and ongoing review as part of the monitoring process, and,

(j) **Housing £23.885m**: provision of budget for 2019/20 and minor adjustments to 2017/18 and 2018/19. Further details are shown in Appendix D(ii).

Investment Plan 2017-2020

Table 6 below shows the initial draft 2017-2020 Investment Plan.

Table 6: Summary of Investment Plan 2017-2020

Spend	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
General Fund	75,062	22,260	7,562	104,884
Housing	25,889	24,144	22,790	72,823
Total	**100,951**	**46,404**	**30,352**	**177,707**

A schedule of the individual projects included in the draft plan is attached as Appendix D(i). A number of projects are currently indicative and are subject to the relevant gateway approvals to ensure compliance with the governance requirements. In addition, where applicable, confirmation of external funding will also be required before projects are able to proceed.
The estimated revenue implications of these schemes have been included in the revenue budget.

Table 7: Summary of Financing 2017-2020

Spend	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
<u>General Fund</u>				
Council Contribution:				
Unsupported Borrowing	43,906	14,499	7,182	65,587
Capital Receipts	0	380	380	760
	43,906	14,879	7,562	66,347
Grants & Contributions	31,156	7,381	0	38,537
Total General Fund Resources	**75,062**	**22,260**	**7,562**	**104,884**
<u>Housing - HRA</u>				
Capital Receipts	663	2,847	2,805	6,315
Revenue Contribution	6,818	5,955	4,136	16,909
Major Repairs Reserve	14,850	15,342	15,849	46,041
House Building Fund	3,558	0	0	3,558
Total Housing HRA Resources	**25,889**	**24,144**	**22,790**	**72,823**
TOTAL RESOURCES	**100,951**	**46,404**	**30,352**	**177,707**

The initial draft 2017-2020 Investment Plan for the General Fund includes expenditure of £75.062m in 2017/18. Of this expenditure £31.156m (42%) is funded through grants and other external funding contributions.

Capital receipts of £7.075m (£0.760m General Fund and £6.315m Housing) have been assumed in the financing of the draft plan.

Across the life of the draft plan, unsupported borrowing totals £65.587m. The cost of borrowing is included within the General Fund Revenue budget and Financial Plan.

Flexible Use of Capital Receipts

In December 2015 the Secretary of State published guidelines confirming the criteria for the Flexible Use of Capital Receipts. The guidance covers the period 1 April 2016 to 31 March 2019. It allows Local Authorities the flexibility to use capital receipts to fund revenue expenditure incurred to generate ongoing savings. In order to use this flexibility Authorities are required to disclose those projects they intend to fund using capital receipts. This can be done as part of the budget setting process.

At this stage consideration is being given to the use of capital receipts for some elements of the ICT citizen interaction and self serve project and the cost of redundancies arising from the restructure of services.

Capital Allocations 2017/18

A number of capital allocations (grants) are announced by Central Government as part of the Local Government settlement. These include Education Funding (Capital Maintenance and Devolved Formula Capital) (Department for Education) and the Local Transport Plan (Department for the Environment). Indicative figures, based on 2016/17 announcements, are currently included in the plan. These will be updated as soon as 2017/18 figures are available and will be included in subsequent reports.

Annual Minimum Revenue Provision (MRP)

The MRP is the amount that is set aside to provide for the repayment of debt (principal repayment). The regulations require the Authority determines an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

As part of the 2016/17 budget process the MRP policy was amended so that the provision for historic debt (supported borrowing) was reduced, from a level of 4% per annum, to 2% per annum as a more reasonable provision. During 2016/17 further work has been carried out to review the level of provision made to date whilst also recognising the lifespan of the assets created by the debt with the aim of aligning the provision more closely with the benefit being received by the Authority from the use of those assets. This work is currently being finalised but it is anticipated that it will release a saving of £7.000m into the 2017/18 budget. This saving has been built into the initial budget proposals. This will also have an impact on the Capital Financing Requirement (CFR), in that the repayment of the supported borrowing element of the debt will be extended, so the CFR will reduce more slowly.

The Minimum Revenue Provision (MRP) policy will be included in full in future 2017-20 Financial Planning and Budget reports to Cabinet and Council, alongside the Prudential Indicators, for approval by full Council.

Provisional Statement to Council by the Chief Finance Officer

The Local Government Act 2003 imposes duties on local authorities in relation to Budget setting. The Act requires that when an authority is deciding its annual Budget and council tax level, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.

Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.

In making the statement the Chief Finance Officer necessarily places reliance on information provided to her by other officers of the Authority as part of the Financial Planning and Budget process. Due cognisance to CIPFA's guidance in relation to the adequacy of reserves and balances will also be taken into account.

The intention would be to make a full Statement as part of the report to the Council meeting on 16 February 2017, when all outstanding information should be available.

Robustness of Estimates

In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues*:*

- The general financial standing of the Authority;
- The underlying Budget assumptions from the financial strategy;
- Future budget pressures and growth proposals, including the impact of prudential borrowing for the 2017-2020 Investment Plan;
- The adequacy of the budget monitoring and financial reporting arrangements in place;
- The adequacy of the Authority's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2015/16 Statement of Accounts, presented to full Council on 22 September 2016;
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
- The outcome of the 2016-2020 Local Government Finance Settlement and the Autumn Statement 2016 of 23 November 2016 and the implications for North Tyneside Council.

The level of contingencies will be £0.702m as pressures incurred during 2016/17 have been recognised as part of the 2017/18 Financial Planning and Budget process.

Reserves, whilst relatively low, are adequate for the risks the Authority faces and can support the Efficiency Plan that is being set out.

The Cabinet is aware it must keep under review its medium-term Financial Strategy and three year Financial Plan, in the context of the 2017-2020 'Our North Tyneside' Plan and known key financial risks. Future pressures need to be considered and the Authority should not take 2017/18 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of the three-year Financial Plan, the three-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.

To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognized as set down in the

Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

Adequacy of Financial Reserves

General Fund

The 2017-2020 Financial Plan currently assumes no use of reserves to support the budget. The current Financial Plan, maintains the Strategic Reserve at at least the planned level of £5.000m over the life of the Financial Plan. This is in line with the Authority's agreed Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the 2017-2020 Financial Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £5.000m agreed level would be restored.

Housing Revenue Account

Table 8 below sets out the movement in reserves of the HRA. The budget proposals ensure that a minimum of £2.500m is retained in HRA revenue balances each financial year covering the three years of the Financial Plan to ensure some measure of contingency and financial stability. The proposals, as they currently stand, also balance the plan over the longer 30-year period, which is what the Government requires us to demonstrate as part of the self-financing proposals.

Table 8: 2017–2020 Housing Revenue Account Balances

HRA Forecast Movement on Reserves	**2017/18** **£000's**	**2018/19** **£000's**	**2019/20** **£000's**
Opening Reserve Balance	(4,362)	(2,596)	(2,592)
Add:			
Original Contributions (to) / from balances	686	1,766	4
Change in contributions (to) / from Balances	1,080	(1,762)	(37)
Predicted Reserve Balance Carried Forward	**(2,596)**	**(2,592)**	**(2,625)**

Guidance on Local Authority Reserves and Balances is given in Accounting Bulletin LAAP (Local Authority Accounting Practice) 77. This states that *"Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short term option",* and so the proposed 2017/18 Budget does not contradict the issued guidance. The Bulletin does then go on to say *that "It is not normally prudent for reserves to be deployed to finance current expenditure"*. The 2017-2020 Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long term reliance on reserves.

Overall Financial Risk Assessment

Financial risks are driven by changes to Government policy and the national financial climate, issues arising throughout the year and reported as part of the financial management reporting process and those risks highlighted as part of the Authority's risk management procedures and monitored through the Authority's risk registers. As part of the monitoring process the Authority's Corporate Risk Register is monitored twice yearly by Cabinet.

Key Financial Risks

The key financial risks for the Authority (including the HRA), which have been considered as part of the Financial Planning and Budget process, are set out in the table below along with mitigating actions.

Table 9: Key Financial Risks and mitigating actions

Potential Risk	Initial Response
There is a risk that the levels of savings and income the Authority has included in the Budget proposals are not fully deliverable.	A robust challenge process has taken place to align proposals to the Target Operating Model (TOM) and how this enables the Authority to deliver its Creating a Brighter Future (CBF) Programme. This programme will then be monitored throughout the year to identify any areas which are not delivering savings as planned so corrective action can be taken.
There is a risk that if the Creating a Brighter Future (CBF) programme / Target Operating Model (TOM) are not successfully implemented we may be unable to deliver improved services and meet the increased demand on Council services within reducing resources. This could have the financial impact of the Authority not delivering on its Budget.	An overall Project Initiation Document and Terms of Reference are in place for all CBF projects which are in varying stages of delivery. This spans all service redesign projects (Ready for School, Ready for Work and Life; Cared For, Safeguarded and Healthy; and a Great Place to Live, Work and Visit) plus the Maximising Resources and Fit For Purpose projects. Heads of Service have ownership for delivering the projects. Monthly Programme Board meetings via SLT take place which help ensure that there is visibility and accountability. It also enables reporting of progress against the plans.
There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2019/20	There is flexibility within the CBF Programme which will allow us to

may be wrong, resulting in changes to the current targeted savings of £52m by 2019/20, for the General fund and £2.141m for the HRA which will be considered by Cabinet in January 2017.	reconfigure if the assumptions that have been made prove to be incorrect. We work closely with national, regional and sub-regional financial networks to help ensure we are informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made. Development and acceptance of the Efficiency Plan will secure the Revenue Support Grant (RSG) (subject to Central Government Change) which will give a degree of certainty for the next 3 years.
There is a risk that the Council will fail to agree a Better Care Fund Plan for 2017/18 with North Tyneside Clinical Commissioning Group (CCG). As a consequence there is a risk in respect to the transfer of funding from health to social care and the continuation of funding for existing services funded by the BCF. This would have a consequential effect on the 2017/18 budget.	We are currently trying to work with the CCG to gain agreement to reduce the funding gap and to identify potential efficiencies across other areas which could be used to reduce the risk of a reduction to the level of funding transferred to the Council. The Policy and Framework and Guidance for the BCF specifically requires that funding transferred for social care should, as a minimum, be at the equivalent level as that of 2016/17. The Council is currently seeking to work with the CCG to identify areas where potential efficiencies could be achieved across the whole of the BCF funded projects.
There is a risk that not all growth pressures have been identified in the 2017/18 proposed Budget.	Detailed proposals have been put forward by each Head of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.
There is a risk that demand - led pressures exceed Budget provision.	Demand - led pressures continue in areas such as Adults and Children's Social Care and the impact of the Living Wage on our care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these initial Budget proposals.
There is a risk that specific factors arising during 2016/17 have not been fully taken into account when preparing the 2017/18 Budget.	The 2016/17 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to Senior Leadership Team. This process ensures factors arising during the year are highlighted.
There is a risk that the in year pressures	As at 30 September 2016, a pressure of

being reported through the 2016/17 financial management process impact on the deliverability of the 2017/18 budget.	£4.744m was reported against the 2016/17 budget. All services continue to develop and deliver actions to mitigate these financial pressures and expect the out-turn forecast to improve as we move through the year. In addition, non essential spend continues to be minimised along with a detailed review of demand led projections in order to reduce the over-commitment. Progress will be monitored through bi-monthly reporting to Cabinet and monthly reporting to Senior Leadership Team.
There is a risk that the contingency provision included in the Financial Plan for 2017/18 is insufficient.	The review of the base budget and the reflection of the 2016/17 pressures into 2017/18 are considered to be such that no further specific contingency is required.
There is a risk that there are insufficient levels of reserves and balances.	A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring process and planning process.
There is a risk that the level of capital receipts included in the Budget proposals are not deliverable.	Capital receipts of £0.663m are included in the financing of the 2017/18 Investment Plan. There are a number of actions being progressed that are expected to realise this requirement.
There is a risk that the Council will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the Housing Revenue Account. Government policy on Welfare Reform is resulting in a number of direct challenges to rent collection; the Spare Room Subsidy and the Benefit Cap have already had an impact. Further Welfare Reform changes, including the implementation of Universal Credit and its revised payment period, and changes proposed in the new Welfare Reform and Work Act 2016; reducing social housing rents by 1% each year for the next 4 years from April 2016. This has the potential financial impact of reducing rental income by approximately £27m over the 4 year period of the rent reduction from April 2016, and by over £400m over a 30 year period.	A financial inclusion strategy will set out how the Council and its partners will support its residents to better manage their finances and maximise their income. In addition, a review of the way tenants pay their rents is being carried out which should result in easier payment methods e.g. the introduction of more direct debit payments, which will ensure that rents are collected. Through the implementation of self service and agile working overall costs should be reduced.

There is a risk for a small number of schools that increasing Budget deficits will result in an unsustainable education offer.	Robust challenge and support arrangements are progressing across a number of schools from both the Local Authority and the wider school community.
There is a risk that North Tyneside may be placed at a disadvantage following the decision to leave the European Union in both financial and economic growth terms. The full extent of the impact will not be clear until we know the precise trade terms which will apply once we formally leave the EU.	The potential impact from leaving the EU has been included in the Council's Financial Strategy. This is helping to ensure that potential areas of impact following the EU exit are highlighted and included (where relevant) in budget planning. The Council is a member of various regional groups which will help us keep up to speed on progress and have the opportunity to exert any influence that we can.