

North Tyneside Authority Report to Cabinet 13 November 2017

Item 6(a)

Title: 2017/18 Financial
Management Report to 30
September 2017

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Norma Redfearn Cllr Ray Glindon
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Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Finance **Tel:** 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

This report is the third monitoring report to Cabinet on the 2017/18 financial position. The report continues to be developed such that the format brings together financial and relevant performance information with the intention of explaining the current financial position in the context of the Policy priorities in the Our North Tyneside Plan.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including details of where the Authority continues to manage financial pressures and what management mitigations are in place where issues have been identified;
- An update on the delivery of 2017/18 approved budget savings plans;
- An update on 2017/18 schools budgets;
- An update on delivery of the Capital Investment Plan including details of variations and reprogramming that is recommended for approval;
- An update on the delivery of the Treasury Management Strategy;
- An update on the Prudential Indicators;
- An update on performance of the Collection Fund;
- An update and overview of current performance against the policy priorities in the 2016-2019 Our North Tyneside Council Plan as context for the financial position; and,
- The report includes details of additional grants received by the Authority during August and September 2017.

1.2 Recommendations:

It is recommended that Cabinet:

- (a) note the forecast budget monitoring position for the General Fund, Housing Revenue Account (HRA) and Schools' Finance as at 30 September 2017 (Annex Sections 1 to 5);
- (b) approves the receipt of £0.205m new revenue grants (Table 1);
- (c) note the Authority's Investment Plan spend of £25.891m to 30 September 2017 and the financing of the Plan to the end of the year (Annex Section 6);
- (d) approve variations of £0.471m credit and re-programming of £8.846m within the 2017 - 2020 Investment Plan (Annex Section 6);
- (e) note the performance of the Treasury Management Strategy (Annex Section 7);
- (f) note the performance against the Prudential Indicators (Annex Section 8); and,
- (g) note the performance of the Collection Fund (Annex Section 9).

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 31 July 2017.

1.4 Authority plan and policy framework:

The budget is a key strand of the Authority's Budget and Policy Framework.

1.5 Information:

1.5.1 Financial Position

This report is the third monitoring report in the new format presented to Members on the Authority's 2017/18 financial position. It provides an update on the expected revenue and capital financial position of the Authority as at 31 March 2018.

The report covers:

- The forecast outturn of the Authority's General Fund and HRA revenue budget including details of where the Authority continues to manage financial pressures and what management mitigations are in place where issues have been identified;
- An update on the delivery of 2017/18 approved budget savings plans;
- An update on 2017/18 schools budgets;
- An update on delivery of the Capital Investment Plan including details of variations and reprogramming that is recommended for approval;
- An update on the delivery of the Treasury Management Strategy;

- An update on the Prudential Indicators;
- An update on performance of the Collection Fund; and,
- An update and overview of current performance against the policy priorities in the 2016-2019 Our North Tyneside Council Plan as context for the financial position.

General Fund Revenue Account:

The budget for 2017/18 was approved by full Council at its meeting on the 16 February 2017. The net General Fund revenue budget was set at £152.361m. This included £18.338m of savings to be achieved.

The forecast overall pressure is estimated at £2.067m against an approved net budget of £152.361m. The inclusion of the Improved Better Care fund (IBCF) of £4.579m has a significant impact on the outturn position. Aside from the IBCF there has been some marginal underlying improvement in most areas of the risks associated with the delivery of the 2017/18 budget, however there is continued pressure in Health, Education, Care and Safeguarding (HECS) of £8.047m (July 2017 £7.208m). Included in this projection is £2.816m of pressures in Corporate Parenting and Placements and £4.286m in Social Care package provision within Adult Social Care Services, the drivers for these pressures continue from 2017/18 and arise from:

- Continued growth in changes in demand for Adult and Children's Social Care Services;
- The timing of delivery of some aspects of the Creating a Brighter Future Programme to the extent that achievement of some savings may be at risk;
- Ongoing issues around agreeing adequate levels of contributions from the North Tyneside Clinical Commissioning Group for clients with health needs and to support social care;
- The impact of the National Living Wage on our care providers (and the consequential impact on our Commissioning costs).

The 2017/18 budget setting process made provision for many of the pressures identified during 2016/17, however, demand pressures have continued into 2017/18. Negotiations with care providers continue for 2017/18 in terms of the National Living Wage and at this point not all savings built into the Creating a Brighter Future Programme can be assumed as being delivered. Over the course of May, June and July and September a number of working groups were held with senior officer and Cabinet members looking in detail at the financial position and progress against the action plans developed since the start of the financial year. Some progress is being made against these plans and it is expected that the outturn forecast will improve over the course of the year as planned remedial actions begin to have an impact on spend and income. The forecast outturn now includes the additional funding for Adult Social Care announced as part of the Spring Budget on 8 March 2017. For 2017/18 this amounts to £4.579m, and does mitigate the cost pressures across Adult Social Care.

Housing Revenue Account (HRA):

The HRA is forecast to have year-end balances at 31 March 2018 of £4.544m, which is £1.683m higher than budget. The higher than forecast balances are mainly as a result of higher opening balances due to the impact of the previous years'

financial performance (£1.339m) but there is also an in-year estimated overall underspend of £0.344m. Total overall income is currently expected to be higher than budget (£0.037m) due to an improved position of empty properties, reduced spending on contingencies and bad debt provision of £0.307 brings the forecast outturn for the year to a £0.344m surplus.

School Funding:

The Annex to this report includes an update in respect of work in progress with regard to school funding (Annex, Section 4). There is an increase in the number of schools requesting deficit approval and at the time of writing this report ten schools have made requests compared to eight in 2016/17. The 10 July Cabinet report Education for North Tyneside set out a series of actions to address schools finance and specifically further deficit clinics have taken place during September to agree actions with the schools to manage and improve those deficit positions.

Investment Plan:

The 2017-2020 Investment Plan, as adjusted for proposed variations, totals £201.004 and is shown in Appendix 1. The Annex to this report also sets out in Section 6 delivery progress to date, planned delivery for 2017/18, reprogramming and other variations identified through the Investment Programme Governance process.

New Revenue Grants:

The following revenue grants have been received during August and September 2017:

Table 1: Revenue Grants Received during August and September 2017

Service	Description	Amount £m
Finance	One off payment to assist implementation of new Business Rates system	0.012
Environment, Housing & Leisure	To assist in the development of the Care Village concept at Murton Gap	0.095
Environment, Housing & Leisure	To support a more flexible approach in the prevention of homelessness	0.098
Total		0.205

1.5.2 Performance against Council Plan

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

The 2016-2019 Our North Tyneside Plan has three key themes – Our People, Our Places and Our Economy. For each one there is a set of policy outcomes that the

Authority is seeking to deliver as set out below.

Our People will:

- Be listened to, 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; and,
- 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; and,
- 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; and,
- Have the right skills and conditions to support investment, and create and sustain new good quality jobs and apprenticeships for working age people.

Current Progress of Services against the Council Plan

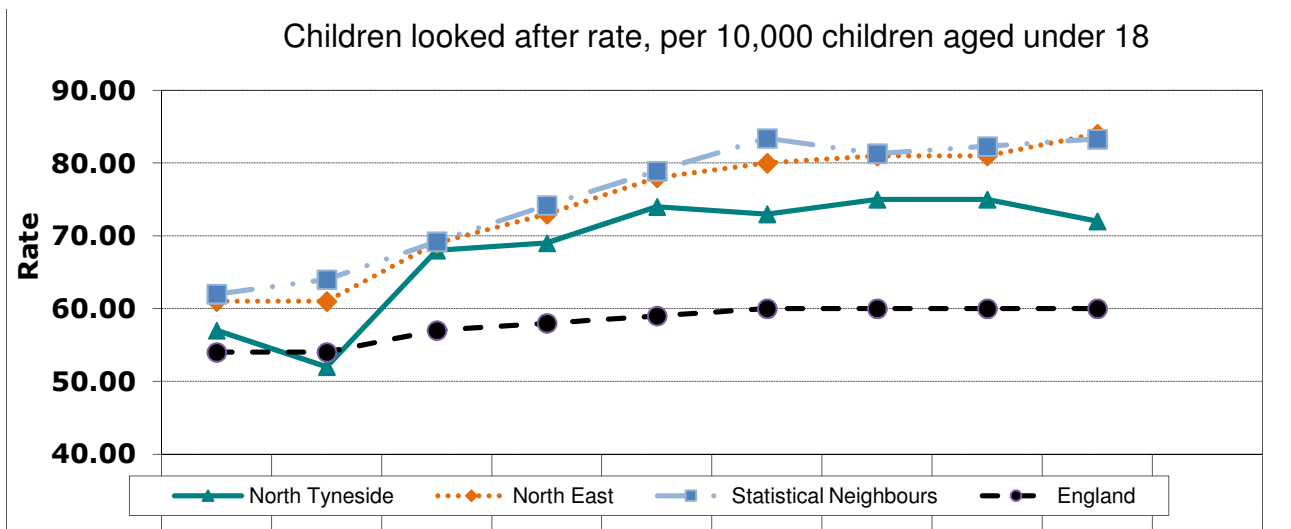
In Adult Social Care the focus remains on providing support which allows people to live independent lives by providing preventative services and keeping people living at home for as long as possible. There is an increase in short term placements to residential care and reablement in-house provision as a result of a lack of capacity in the local domiciliary care market and this is driving some of the cost pressure within Adult Social Care as highlighted in the Annex to this report.

In Children's Services good progress continues to be made on engaging with children in the early years of life to ensure that they are ready for school. Safeguarding vulnerable children and maximising their educational attainment remain key priorities. The recently published Ofsted report following the review of Children's services put the service as joint 8th nationwide of the 136 authorities inspected under the new regime with a "Good" rating overall and recognition of an excellent focus on seeking the views of children to shape services. In addition 94% of our pupils attend a Good or Outstanding School.

The levels of looked after children (LAC) and children who require supervision after leaving care continue to generate a significant financial pressure. In year data

continues to demonstrate that our LAC levels are reducing (as shown in the Graph below) but there are a wide range of levels of care provided and current demand continues to drive financial pressure in 2017/18. The Authority is forecasting a pressure of £2.816m in corporate parenting and placements (2016/17 £2.525m). The new model for children has been designed in part to address the financial pressures and more details are set out in the Annex to this report. Although above the England rate, the North Tyneside LAC rate compares favourably with the rate for the North East and with our statistical neighbours (as shown in Graph below).

Graph: Looked After Children comparators



In Housing, the Authority is seeing some impact of Welfare Reform, as well as the on-going consequences of the current Right to Buy Scheme. The proportion of rent collected has fallen from 97.03% in 2015/16 to a position of 96.6% for 2016/17 which is expected to continue into 2017/18. We are also seeing pressure on empty homes turnaround from both a housing management and repair perspective with average re-let times in 2016/17 of 38.25 days, substantially increased from 29.39 days in 2015/16. This increase in turnaround times is driven by an increased number of transfers of older people moving from properties they have lived in for many years into the PFI sheltered housing as it has become available as part of the North Tyneside Living PFI Scheme. Often these residents have chosen not to be included in planned improvements in their areas to avoid the disruption to their lives. This has resulted in many of the properties requiring more substantial works than normal to meet the void standards before they can be re-let. The Authority continues to work with Kier to reduce the void turnaround times.

1.5.3 Investment Plan

Variations of £0.471m credit and re-programming of £8.846m are proposed in this report as set out in Section 6 of the Annex to this report, the revised Investment Plan stands at £90.002m for 2017/18. To the end of September 2017 £25.891m (28.77%) of spend had been incurred.

1.5.4 Implications for 2018/19 and Following Years

This is an important report not only because it gives the financial position of the mid-point of this financial year, but also it informs the starting point for the financial planning process which is underway for 2018/19 and following years. As such Cabinet need to be aware of the main implications of the report for those future years' budgets. The main issues identified in 2017/18 that will need to be considered in forward planning are as follows:

- Living Wage: since it was introduced we have seen significant pressure with regard to Social Care budgets arising from additional costs that contracted providers are seeking from the authority;
- CBF programme; consideration needs to be given to the impact of any CBF savings not being achieved and actions required to secure savings in 2017/18;
- Demand led pressures in areas such as Looked After children and Adult Social Care; and,
- Use of Reserves; whilst currently there is no planned use of reserves consideration needs to be given to the potential impact of a call on the Strategic Reserve should there be no improvement in the General Fund revenue position for this financial year.

1.6 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet may approve the recommendations at paragraph 1.2 of this report.

Options 2

Cabinet may decide not to approve to recommendations at paragraph 1.2 of this report.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

Cabinet is recommended to agree the proposals set out in section 1.2 of this report as it is important that Cabinet continues to monitor performance against the budget, especially given the current level of financial pressures faced by the public sector.

1.8 Appendices:

Annex : Financial Management Report to 30 September 2017
Appendix 1: 2017-2020 Investment Plans

1.9 Contact officers:

Janice Gillespie - Corporate Finance matters – Tel. (0191) 643 5701
Margaret Keith –Treasury Management matters – Tel. (0191) 643 5747
Cathy Davison - Investment Plan matters- Tel. (0191) 643 5727

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Revenue budget 2017/18
<http://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/Budget%20Book%20170427.pdf>
- (b) Investment Plan 2017-20
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567811
- (c) Reserves and Balances Policy
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567815

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report. This report will also be presented to the Authority's Finance Sub-Committee at its meeting on 29 November 2017.

2.2 Legal

The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has taken place with the Cabinet Member for Finance and Resources, the Elected Mayor, Cabinet Members, the Senior Leadership Team and Senior Finance Officers.

2.3.2 External Consultation / Engagement

The 2017/18 budget was completed after widespread consultation and community engagement in line with the Authority's approved Budget Engagement Strategy.

2.4 Human rights

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

2.5 Equalities and diversity

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

2.6 Risk management

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

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

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