**ANNEX 1**

**Cabinet – 12 September 2016**
**Agenda Item 6a**

# 2016/17 Financial Management Report to 31 July 2016

## Section 1.0
## Executive Summary

### Summary

1.1 This is the second report to Cabinet for 2016/17, setting out the Authority's financial position as at the 31 July 2016.

1.2 This report includes details of the forecast outturn position to the 31 March 2017, highlighting key strategic issues to be managed by the Authority during the year.

### Strategic Management of the Council's Budget

1.3 The budget for 2016/17 was approved by full Council at its meeting of 18 February 2016. The net General Fund revenue budget was set at £153.945m, this included CBF savings (Creating a Brighter Future Programme) of £15.757m to be achieved.

1.4 The Investment Plan for 2016-19 was approved at £188.432m (£91.871m for 2016/17). Further changes have been reported through Cabinet giving a revised 2016-19 Investment Plan of £202.424m (£102.456m for 2016/17).

1.5 This is the second monitoring report for 2016/17 and reflects a prudent estimate of the forecast outturn at the end of the financial year. There has been some underlying improvement in the risks associated with the delivery of the 2016/17 budget, however, the headline pressure is only marginally improved. Highlighted below are the key issues driving the forecast pressure, which are as reported to Cabinet in July. This pressure continues to be driven by a number of factors the main being:

- Living Wage £2.530m (in excess of the contingency provision), this is the current estimate based on negotiations with Social Care providers and the forecast outturn assumes use of reserves to the value of £2.300m to support this in year pressure;
- Demand Pressures £3.103m (in excess of the contingency provision), this is largely as a result of high cost packages for Looked After Children and Adults with learning disability coming into the system late in 2015/16. Work is in progress to ensure that the assumptions driving the demand pressures are aligned to the actions/plans included in the Creating a Brighter future programme in order to manage down this pressure (further details are set out in section 2 paragraph 2.10);
- Efficiency savings not yet confirmed £1.298m: The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration are required to be implemented during 2016/17. These savings are monitored as part of the overall financial position of the Authority so the bottom line financial position is known. It is important that these savings are only considered to be achieved once they are assessed as being realisable. There remain risks associated with some of the projects in the plan. The expectation is that the majority of the savings will be delivered as plans are in place and will be closely monitored throughout the year; and,

- Financial pressures within the North Tyneside Clinical Commissioning Group (NTCCG) are forecasted to have an impact on the position of the Authority. The NTCCG ended 2015/16 with a deficit of over £19m. The underlying causes have been identified as a combination of issues including an increased number of patients attending local hospitals and receiving care which is higher than other areas nationally, and a growing elderly population who need additional community-based care for complex health needs. The CCG has developed a financial recovery plan and aspects of this plan impact on the services delivered by the Authority. This has been evident in relation to complex clients where the Authority and the CCG jointly fund packages of care and in relation to Mental Health Aftercare services where the CCG have proposed alternatives to the historic 50/50 split of funding responsibility. The CCG have also been reviewing Intermediate Care services and funding to support the overall infrastructure of community based Mental Health services. The Authority is continuing to work closely with the CCG to ensure that services for vulnerable residents are maintained.

1.6 Actions being taken to mitigate the in-year pressure include:
- ongoing consideration of non essential spend;
- a detailed review of all demand led projections; and,
- a further review of Investment Programme delivery, including the impact on cash flow and resulting cost of borrowing.

1.7 The Housing Revenue Account (HRA) is forecasting an under spend of £0.342m for the year.

1.8 In the period to 31 July 2016, the level of capital spend posted within the General Ledger was £11.124m, which represents 11.67% of the revised Investment Plan for the year. Indications are that the Programme is largely on track. The estimated financing of the 2016/17 Investment Plan includes capital receipts of £0.523m for the General Fund. Of this £0.166m has already been secured leaving a balance of £0.357m still to be generated over the rest of the year.

1.9 Cabinet is recommended to approve variations of £2.865m and reprogramming of £11.770m within the 2016-19 Investment Plan.

## Section 2.0
## General Fund Income and Expenditure

2.1 This section of the report details the current budget pressures 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 £4.987m, an improvement of £0.590m compared to the pressure of £5.577m reported in May.

2.2 Budget monitoring is based on the recorded transactions as at 31 July 2016 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 - K)** set out variations by Service Area within the Services.

**Table 1: 2016/17 General Fund Revenue Budget Forecast to 31 March 2017**

| | | Full Year Budget | Forecast Outturn | Forecast Outturn Variance July 2016 | Forecast Outturn Variance May 2016 |
|---|---|---|---|---|---|
| | | £m | £m | £m | £m |
| **Services** | | | | | |
| Chief Executive Office | Appendix A | 0.510 | 0.533 | 0.023 | 0.026 |
| Business and Economic Development | Appendix B | 1.347 | 1.405 | 0.058 | 0.138 |
| Commercial and Business Redesign | Appendix C | 5.256 | 5.455 | 0.199 | 0.188 |
| Corporate Strategy | Appendix D | 1.888 | 1.961 | 0.073 | 0.169 |
| Finance | Appendix E | 3.598 | 4.422 | 0.824 | 1.096 |
| Human Resources and Organisational Development | Appendix F | 2.245 | 2.419 | 0.174 | 0.192 |
| Law and Governance | Appendix G | 2.946 | 3.063 | 0.117 | 0.105 |
| Health, Education, Care and Safeguarding | Appendix H | 59.562 | 66.027 | 6.465 | 6.138 |
| Commissioning and Investment | Appendix I | 8.175 | 8.674 | 0.499 | 0.521 |
| Environment, Housing and Leisure | Appendix J | 29.772 | 29.814 | 0.042 | 0.098 |
| Non-Controllable | | 20.756 | 20.756 | 0.000 | 0.000 |
| **Sub Total - Service- Approved Budget** | | **136.055** | **144.529** | **8.474** | **8.671** |

**Table 1 continued**

| | | Full Year Budget | Forecast Outturn | Forecast Outturn Variance July 2016 | Forecast Outturn Variance May 2016 |
|---|---|---|---|---|---|
| | | £m | £m | £m | £m |
| Corporate and Democratic Core | Appendix K | 11.452 | 11.433 | -0.019 | -0.019 |
| Corporate Accounting | Appendix K | -15.731 | -16.898 | -1.167 | -0.772 |
| Contingency Budget | Appendix K | 4.857 | 4.155 | -0.702 | -0.702 |
| Levies | Appendix K | 12.160 | 12.160 | 0.000 | 0.000 |
| Utilities | | 0.000 | 0.701 | 0.701 | 0.699 |
| Non-Controllable | | 5.152 | 5.152 | 0.000 | 0.000 |
| **Sub-Total- Non Delegated budgets** | | **17.890** | **16.703** | **-1.187** | **-0.794** |
| | | | | | |
| **Net forecast pressure/(surplus) before exceptional items and transfers to reserves** | | **153.945** | **161.232** | **7.287** | **7.877** |
| | | | | | |
| **Exceptional items** | | | | | |
| Redundancies Provision | | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total exceptional items** | | **0.000** | **0.000** | **0.000** | **0.000** |
| | | | | | |
| **Transfer to/(from) Specific Reserves** | | | | | |
| Total transfers to/(from) specific reserves | | 0.000 | -2.300 | -2.300 | -2.300 |
| **Total transfer from reserves** | | **0.000** | **-2.300** | **-2.300** | **-2.300** |
| | | | | | |
| **Net forecast pressure/(surplus) after exceptional items** | | **153.945** | **158.932** | **4.987** | **5.577** |
| | | | | | |

**Services**

2.3 The main variations are set out in detail below.

2.4 **Business and Economic Development** is forecasting an overall pressure of £0.058m which is an improvement from a position of £0.138m reported in May. This includes a forecast of pressure at the Swan Hunter site of £0.073m due to a reduction in expected income whilst the regeneration work is underway. Some of the site is now operational however, and income is starting to increase. 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.**

2.5 **Commercial and Business Redesign** has a forecast pressure of £0.199m. This is due to supplies and services costs with ICT mainly relating to the delivery of automated customer contacts and internet connectivity. There are also minor staffing cost pressures due to salary protection. The full analysis is included as **Appendix C.**

2.6 **Corporate Strategy** is forecasting an overall pressure of £0.073m in this Financial Monitoring report. This relates principally to Communications and Engagement around advertising income shortfalls (£0.079m) for which the management team is currently in negotiation with Capita. The forecast for this Service has improved by £0.096m since May mainly due to the use of carried forward grant income. The full analysis is included as **Appendix D.**

2.7 The **Finance** Service is reporting a pressure of £0.824m. This is partly due to an unresolved CEI target from 2014/15 for additional Business Partnership savings of £0.534m. Work continues to agree and develop target savings.

There is also a pressure within Revenues and Benefits of £0.290m as a result of an assumed bad debt provision. This has improved since the reported position in May of £0.549m due to a movement in the recovery of overpaid benefits. Further details are shown in **Appendix E.**

2.8 There is a pressure of £0.174m within **Human Resources and Organisational Development**. This results from costs of staff transferred back from ENGIE in 2015/16, vacancy factor and 3.3 whole time equivalent temporary posts supporting transformation projects. Further details are shown in **Appendix F.**

2.9 The **Law and Governance** Service is showing a pressure of £0.117m arising from the retention of the courier service in addition to staffing pressures in Information Governance. Further detail is shown in **Appendix G.**

2.10 The most significant area of pressure across the Council is within **Health, Education, Care and Safeguarding** which is reporting a forecast over spend of £6.465m which has increased by £0.327m from the reported position of £6.138m in May. In addition to its normal complex budget management, the team have been required to deal with a combination of demand led pressures, cost increases resulting from the National Living Wage and reduced income from the NHS largely as a result of the ongoing deficit position of the North Tyneside Clinical Commissioning Group (NTCCG). A full breakdown of this pressure is shown in **Appendix H**

Services for adults with a Learning Disability or Mental Health need are showing a pressure of £3.882m in 2016/17. This area has been subject to historic demand led pressure and ended 2015/16 with external placement costs over budget by £1.204m. The Service Area is anticipating new placement growth in 2016/17 of £1.500m partially as a result of transition cases but partly due to clients discharged from long stay hospitals under the Winterbourne guidelines. A contingency budget of £1.000m has been applied to partially offset this pressure. There are additional cost pressures of £1.900m anticipated as a result of care fee increases brought about by the new National Living Wage which came into effect in April 2016. A contingency budget of £0.500m has been applied to mitigate the impact of the National Living Wage increases. It has been assumed at this stage that the remaining £1.400m pressure relating to the National Living Wage will be met in-year by a transfer from reserves. The pressure has reduced by £0.412m since the May report mainly as a result of a lower forecast for additional growth in year but this has been partially offset by a reduced forecast for income from the NTCCG.

This Service Area is planning to deliver savings of £2.450m in 2016/17. Significant progress is being made to deliver against planned milestones and, it is anticipated all savings will be delivered in-year.

The Service is urgently reviewing all aspects of service delivery to identify areas where further savings can be delivered. Staff have been released from other duties to review individual clients to ensure needs are being met appropriately and in the most cost effective manner.

There continues to be a significant pressure of £1.646m in the area of Corporate Parenting and Placements. This Service Area 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.

The pressure of £1.646m is after applying a contingency budget of £2.000m. Savings targets of £0.886m have been applied to this Service Area. The Service is working hard to realise these savings and it is assumed that savings will be delivered in full.

The overall number of Looked After Children (LAC) has reduced significantly compared to April 2015 however the number of external residential placements has increased significantly since the beginning of the last financial year. These are the mostly costly placements with average fees of £0.180m per annum. The Service has been continually reviewing these placements and has been working hard to reduce costs and find suitable alternatives however, many children are at critical stages in their education and it is not appropriate to disrupt settled arrangements.

A reduction in Internal Fostering placements has been offset by an increase in more costly external arrangements and there has been an increase in costs in relation to externally provided Independent Living and Supported Residence services.

**Table 2: Movement in numbers of LAC giving rise to increased costs**

| Placement Type | No. LAC at April 2015 | No. LAC at May 2016 | No. LAC at July 2016 | Average Cost of Placement £m | Pressure at May 2016 £m | Pressure at July 2016 £m |
|---|---|---|---|---|---|---|
| **External Residential** | 15 | 25 | 22 | £0.180 | £0.771 | £0.205 |
| **External Fostering Placement** | 19 | 25 | 26 | £0.040 | £0.468 | £0.471 |
| **Internal Fostering** | 208 | 200 | 194 | £0.020 | £0.377 | £0.283 |
| **Independent Living and Supported Residence** | 16 | 10 | 10 | £0.070 | £0.422 | £0.727 |
| **Other*** | 42 | 35 | 34 | various | £0.140 | £0.251 |
| **Total** | **300** | **295** | **286** | | **£2.178** | **£1.937** |
| **Assumed savings** | | | | | £0.714 | £0.473 |
| **Net forecast** | | | | | **£1.464** | **£1.464** |

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes. The pressures reported also include associated costs for Care Leavers and children placed under Special Guardianship Orders i.e. non LAC.

The overall pressure of £1.646m, in addition to the placement overspend of £1.464m outlined above, includes a payment of £0.182m to support the Child and Adolescent Mental Health Service (CAMHS). The Council has served notice to end this contribution in 2017/18.

Services for older people and younger adults with a physical disability are showing a pressure of £0.740m. This Service Area has been subject to significant care fee increases as a result of the National Living Wage with estimated additional costs of £1.630m. A contingency budget of £0.500m has been applied to partially mitigate the impact of the National Living Wage increases. It is anticipated that pressure of £0.900m resulting from the National Living Wage will be met in-year by a transfer from reserves. There has also been a reduced forecast for NHS income supporting these clients of £0.382m as the NTCCG implements its recovery plan. Pressures are partially offset by effective demand management continuing into 2016/17 with older people being supported to remain at home where possible.

This Service Area is planning to deliver savings of £1.175m and milestones are being met within the service to deliver against savings targets. At this stage however, the forecast for delivery against a shared saving in relation to Continuing Healthcare has been reduced by £0.300m and this, in conjunction with an increased assumption around National Living Wage costs has resulted in an increased forecasted pressure within this Service Area.

There are also pressures within the following service areas:-

- Services for Children with Disabilities or Additional Needs are showing a pressure of £0.350m comprised of a shortfall against Health contribution income targets in relation to children with disabilities of £0.200m, pressures relating to staffing of £0.107m and a forecast shortfall in other income of £0.043m;

- Employment and Skills is showing a pressure of £0.326m due to a shortfall of grant income to meet historic targets for contributions to service overheads amounting to £0.164m in addition to staffing pressures. Options are currently being explored around the renegotiations of service level agreements with schools and the Service Area has been successful in agreeing additional income of £0.084m from the Learning Trust. A review is in progress to establish the appropriate staffing structure to deliver agreed service levels.

- Integrated Services is showing a pressure of £0.203m. There are pressures within Loan Equipment and Adaptations totalling £0.483m and reduced NHS income of £0.116m as a result of the NTCCG implementing its Financial Recovery Plan. Pressures are partially offset by staffing savings across the service. Discussions are continuing with the NTCCG around the future shape of Intermediate Care and services delivered under the Better Care Fund to prevent admissions and facilitate discharges from hospital. The increased pressure in this service area since the May report is due to timing issues around the redesign of Intermediate Care services and the Council is seeking appropriate funding levels from NTCCG.

2.11 The **Commissioning and Investment** Service is reporting a forecast pressure this year of £0.499m.

The main area of concern is property related pressures amounting to £0.277m. These are linked to operational buildings (rentals) with a smaller element linked to the Commercial Estate. The Council is currently in negotiation with Capita to determine how these risks will be managed moving forwards.

In addition, Home to School Transport is showing a pressure of £0.151m. Staff are working to restructure routes to reduce costs in addition to exploring alternative ways to deliver these services.

There is also a remaining savings target of £0.051m in the Commissioning service which is not certain of being achieved.

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

2.12 **Environment, Housing and Leisure** is reporting a pressure of £0.042m.

There are pressures totalling £0.230m relating to libraries and community centres where cleaning costs, shortfalls against rental income and Libraries ICT costs 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.

There is also a pressure within Streetlighting of £0.229m. This is due to amounts currently in dispute with the PFI provider in addition to inflationary increases built into the contract. Planning and Security and Community Safety are showing pressures of £0.122m and £0.111m respectively due mainly to shortfalls in income.

Pressures are offset by under spends within Transport, Street Environment, Sport and Leisure and Bereavement.

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

2.13 The following table sets out a summary of revenue grants, which Cabinet are requested to approve, that have been awarded during June and July 2016. The details of these grant changes are set out in **Appendix O.** Any new capital grants are included in the capital variations (Tables 4 and 5) of this report.

**Table 3: 2016/17 Revenue Grants awarded during June and July 2016**

| Service | Amount £m |
|---|---|
| Business and Economic Development | 0.116 |
| Environment, Housing and Leisure | 0.007 |
| Total | 0.123 |

**Non Delegated Budgets**

2.14 **Corporate Accounting** is forecasting an under spend of £1.167m including:

(a) A forecast saving in Minimum Revenue Provision (MRP) of £0.769m primarily as a result of re-programming during 2015/16;
(b) An anticipated saving of £2.738m in relation to interest charges reflecting 2015/16 reprogramming, the level of temporary borrowing currently held and the continuation of internal borrowing;
(c) £0.400m pressure relating to provision for bad debts; and,
(d) £1.940m pressure arising mainly with regard to a prudent view that the savings from the Customer Journey project will not be achieved in full during 2016/17. The project is moving forward however further work is required to confirm the savings that will be achieved during 2016/17.

In addition, the uncommitted contingency budget of £0.702m is shown as an under spend.

The improvement of £1.689m compared to the reported position in May is predominantly due to reduced interest charges and MRP.

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

## 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 2016 is attached as **Appendix L** to this report.

3.2 On the 14 January 2016 Cabinet approved the HRA budget for 2016/17. This included a reduction in housing rents of 1%, in line with the Government's requirements contained in the Welfare Reform and Work Act 2016, that Local Authorities should reduce their rents by 1% per annum for the next four years. This replaces the previous policy introduced for 2015/16 which was to base the rent increase on the Consumer Prices Index (CPI) for the next 10 years.

3.3 The HRA started the year with what was £0.787m higher than anticipated opening balances i.e. £4.388m as opposed to the budgeted figure of £3.601m, and the in-year position is now forecast to be £0.342m better than budgeted.

3.4 The main forecast variations against budget are an overachievement in relation to rent and service charge income projections (£0.121m), which has been enhanced by increased commercial and other rental income (£0.018m), significant savings from continuation of the policy around debt to borrow short-term and re-finance long-term as late in the year as possible, to realise in-year savings (£0.400m), this is partially offset by increased management costs (£0.209m), linked mainly to the North Tyneside Living PFI scheme where project delivery has led to higher than anticipated levels of Council Tax Void charges.

**Rent and Service Charge Income –** overall projecting £0.121m better than budget, mainly due to Service Charge income – still forecasting strong performance mainly around furniture packs (£0.123m). This performance will need to be closely monitored pending proposed changes to benefits proposed by Government under recent legislation. Garage rent income appears to be performing slightly below budget (£0.002m) following rebasing as part of the budget.

**Capital Financing Charges –** Consistent with the wider Authority position, we are continuing to pursue the policy of taking advantage of the current low trends in interest rates when looking at Treasury Management issues within the HRA. Hence, upon maturity, loans needing re-financing are taken out short-term, with a view to longer-term refinancing being undertaken as late in the financial year as possible. In addition due to the additional debt set aside realised in 2015/16 as a result of RTB sales, when added to budgeted debt set aside means that the first loan maturing in-year (HRA share £5.700m) will not need re-financing at all, saving the HRA over £0.100m per annum. It is estimated that the combination of these approaches will save the HRA at least £0.400m in interest charges in 2016/17, but this may change depending on movements in interest rates over the course of the year.

**Management Costs –** forecast variance due mainly to increase in anticipated level of in-year Council Tax Void payments, due to the revised delivery programme for the North Tyneside Living PFI project, with a range of small under and over-spends across other budget heads (£0.209m).

## Section 4.0
## Schools Finance

### 2016/17 School budgets

4.1 Meetings with schools seeking deficit approval have now been completed. Initially nine schools requested approval for their 2016/17 budgets, this has now reduced to eight as one school has balanced their budget following a staffing restructure. Meetings have also been held with the Schools Forum sub-group to add peer challenge to the approval process and subsequently a report was taken to the full Schools Forum on 13 July 2016. Letters advising the schools of their deficit approval have now been sent.

### Planning for 2017/18 schools funding

4.2 Following the appointment of the new Secretary of State for Education, Justine Greening, the Department for Education (DfE) have advised local authorities they are still committed to introducing the National Funding Formula as proposed in the recent first stage consultation. However, they have confirmed that they do not intend to proceed with their proposals for 2017/18. It is proposed to publish the Government's full response to the first stage of the Schools and High Needs consultation and set out the second stage of their proposals, in the Autumn. Final decisions will be made early in the new year.

4.3 The latest DfE announcement was made after the Schools Forum meeting on 13 July 2016. Updates of these announcements will be discussed at the next meeting scheduled for 21 September 2016, along with the DfE's latest consultation responses and stage 2 consultation, if available. Updates will be provided to Cabinet as information becomes available from the DfE.

## Section 5.0
## Investment Plan Expenditure and Financing

### Review of Investment Plan - Position Statement

5.1 The Authority's Investment Plan represents the capital investment in projects across all service areas.

### Investment Plan Delivery

5.2 Some of the key highlights of the Investment Plan due to be delivered during 2016/17 are summarised below:

**Affordable Homes New Build and Conversion Works:**

There are currently 3 projects that will complete during 2016/17, these include:

- The demolition of Alexandra Street and the former Police Station to construct 41 new units in Wallsend Town Centre. All work was completed in June 2016 (Phased completion);
- The conversion of Bedford Avenue Shops into 5 new affordable homes. Work commenced in February 2016 and will complete in September 2016; and,
- The conversion of a former respite facility at West Farm Road, Howdon to a facility that can be used for vulnerable clients. This is being developed in conjunction with ASC and will include 24 hour supported living care provision for 4 clients. The exact delivery timescale for the project is currently being finalised.

In addition to these projects there will be a number of other schemes progressed through the design, planning and procurement process with some physical starts on site during 2016/17 that will subsequently complete in future financial years.

**Housing Investment Work:**

The Housing Capital delivery programme will see the following works delivered across the borough during 2016/17:

- Kitchens and bathrooms to 566 homes;
- Heating upgrades to 800 homes;
- Boundary improvements to 714 homes;
- External refurbishment to 1,869 homes;
- Roof replacements to 336 homes;
- External works to 210 homes; and,
- Insulation / Structural works to 119 Non-traditional homes

**Education Investment Works:**

- Delivery of an initial 28 priority condition related projects across the school estate; and,
- Priority Schools Building Programme (Off Balance Sheet)

- Completion of all external works for the new build Whitehouse Primary School and associated demolition of the former school building;
    - Continue delivery of works at Longbenton College, John Spence and Marden High Schools; and,
    - Finalise solution and establish timescales for development works at Cullercoats Primary School. A meeting has now been held with the Education Funding Agency (July 2016) to further review and discuss the design solution for this project. It is expected that the Council will receive a formal decision on the final investment arrangements by January 2017. It is indicated that the procurement would follow with a view to commencing construction in October 2017.

**Highways and Infrastructure Works**

- Ongoing delivery of the Local Transport Plan resurfacing programme and additional Highway Maintenance projects;
- A1058 Coast Road Improvements – completion of Phase 1 (Beach Road widening) and commencement of Phase 2 (signalisation of Billy Mill roundabout) and Phase 3 (reconstruction of Norham Road bridge);
- Phase 1 of Central Promenade Reconstruction (demolition) was completed in October 2015. Phase 2 (main works) is currently undergoing a value for money exercise the results of which are being reported to this Cabinet meeting;
- Completion of the A191 Tyne View Park major highways scheme;
- Construction of the A1056 Weetslade / Indigo Park major highways scheme from May 2016; and,
- Construction of major drainage improvements at Monkseaton and Shiremoor.

**Regeneration Works**

- Commence work on Spanish City Dome;
- Commencement and completion of hotel adjacent to the Dome;
- Commencement of public realm work on Northern Promenade;
- Completion of phase 2 of dredging at the Swans site;
- Infrastructure works completed and further refurbishment of the Swans Quay;
- Commencement of work on one or more of the development plots at the Swans site; and,
- Facilitate development solution for Tyne Brand site at the Fish Quay.

**ICT Works**

**BDUK (broadband)**

- BT have now provided initial High Level delivery plan;
- 85 BT cabinets in scope affecting 9,000 premises, of which 62 are included in phase 1 taking place July to December 2016; and,
- Updated forecast is that by the end of the roll out (2017/18), NTC will have 100% superfast broadband coverage. This will be the best in the North East Region.

**Variations to the 2016-19 Investment Plan**

5.3 As part of the regular capital monitoring process during June and July 2016 there has been £2.865m variations (£2.607m in 2016/17, £0.956m in 2017/18 and £0.698m credit in 2018/19) and reprogramming of £11.770m reported.

Table 4 details the changes to the approved 3-year Investment Plan, as agreed at Council on 18 February 2016.

**Table 4: 2016 - 19 Investment Plan changes identified**

| | 2016/17 £m | 2017/18 £m | 2018/19 £m | Total £m |
|---|---|---|---|---|
| **Approved Investment Plan – Council 18 February 2016** | **91.871** | **56.027** | **40.534** | **188.432** |
| **Previously Approved Reprogramming/Variations** | | | | |
| Cabinet 13 June 2016 | 13.634 | 0 | 0 | 13.634 |
| Cabinet 11 July 2016 | (3.049) | 1.208 | 2.199 | 0.358 |
| **Approved Investment Plan – Cabinet 11 July 2016** | **102.456** | **57.235** | **42.733** | **202.424** |
| June/July Reprogramming | (11.770) | 11.770 | 0 | 0 |
| June/July Variations | 2.607 | 0.956 | (0.698) | 2.865 |
| **Revised Investment Plan** | **93.293** | **69.961** | **42.035** | **205.289** |

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

**Details of changes to the 2016-19 Investment Plan**

5.5 For 2016/17, total variations to the end of July 2016 of £2.607m have been identified. There have also been variations of £0.956m to 2017/18 and £0.698m credit to 2018/19. The details of the main changes are shown below:

(a) **DV054 Coastal Regeneration, £0.954m** – This budget has been updated to reflect the Executive decision taken on 1 August 2016 to provide a loan of £2.5m to Highpoint View Limited in order to secure a comprehensive redevelopment of the site of the former Highpoint Hotel in Whitley Bay. The loan provided by the Authority is at a commercial rate of interest and will be repaid in full as the homes to be built on the site are sold. Funding is available within the overall Coastal Regeneration budget due to revised costs and profiling for both the Northern Promenade and the Dome. The balance of £0.950m is to be met through additional borrowing by the Authority in 2016/17. The Investment Plan will need to be adjusted to reflect this as part of the 2017-2020 Financial Planning and Budget Process.

(b) **ED132 Schools Capital Allocation, £0.315m credit –** The variation reflects an adjustment to the Standards Fund grant that was used to finance the expected Diocesan contribution to the Longbenton VA school, which is now due to be repaid over the next two financial years;

(c) **ED166 Primary Capital Strategy, £0.194m credit** – Project is now complete and should be removed from the Investment Plan;

(d) **EV055 Surface Water Management Improvements, £1.579m 2016/17, £0.656m 2017/18** – The variation reflects the additional Environment Agency grants available, subject to approval, to fund surface water improvement schemes at Southern Promenade Sea Wall, Shiremoor, Briar Vale and Fairfield;

(e) **DV061 Northumberland Square Townscape Heritage Initiative, £0.698m credit 2018/19** – Project to be removed from the investment Plan until funding becomes available;

(f) **EV081 Cobalt Cycle Route £0.583m** – Funding has been secured from the Local Sustainable Transport Fund (LSTF) to improve cycle links in the Cobalt Business Park area; and,

(g) **EV054 Central Promenade Reconstruction £0.300m (2017/18)** – Additional funding of £0.300m has been secured from the Environment Agency.

5.6 Reprogramming of £11.770m has been identified. The details of the main changes are shown below:

(a) **DV058 Swan Hunter Redevelopment, £5.000m** – The Single Local Growth Fund grant has been reprogrammed due to option assessments around the Wet Berth infill;

(b) **HS003 Private Sector Renovation, £0.225m** - The project has been postponed until the Housing Strategy is presented to Cabinet in August;

(c) **EV076 Depot Rationalisation, £2.577m** – Following approval from Cabinet in relation to the options available, the budget has been reprogrammed to reflect the timeframe for the new build option; and,

(d) **EV073 A1058 Coast Road improvements £1.968m** – Spend has been reprofiled as a result of the re-tendering exercise required for Norham Road bridge and,

(e) **EV054 Central Promenade Reconstruction £2.000m** - Spend has been reprofiled to reflect current forecasts for delivery following the value for money exercise that has been carried out.

Details of all the variations and reprogramming are shown in **Appendix M**

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

**Table 5: Impact of variations on Capital financing**

| | **2016/17 £m** | **2017/18 £m** | **2018/19 £m** | **Total £m** |
|---|---|---|---|---|
| **Approved Investment Plan – Cabinet 11 July 2016** | **102.456** | **57.235** | **42.733** | **202.424** |
| Council Contribution | (3.219) | 4.169 | (0.071) | 0.879 |
| Grants and Contributions | (5.944) | 8.557 | (0.627) | 1.986 |
| **Total Financing Variations** | **(9.163)** | **12.726** | **(0.698)** | **2.865** |
| **Revised Investment Plan** | **93.293** | **69.961** | **42.035** | **205.289** |

**Capital Receipts – General Fund**

5.8 There were no General Fund Capital Receipts brought forward at 1 April 2016. All receipts received in 2015/16 were applied to finance capital expenditure. This included additional receipts received of £0.892m that were over and above the revised figure for receipts required during 2015/16. This effectively meant that unsupported borrowing could be deferred until 2016/17 as the extra receipts were, temporarily, used in its place.

5.9 The capital receipts requirement for 2016/17 approved by Council on 18 February 2016 was £1.415m (£1.795m for 2016-19). This has been reduced by £0.892m receipts received in 2015/16, described in paragraph 5.7 above, to give a revised capital receipts requirement for 2016/17 of £0.523m.

5.10 To date, £0.166m receipts have been received in 2016/17. This leaves a balance of receipts to be generated for the General Fund of £0.357m as shown in table 6 below.

**Table 6: Capital Receipt Requirement – General Fund**

| | General Fund 2016/17 £m |
|---|---|
| Requirement reported to 18 February 2016 Council | 1.415 |
| Variation to reflect additional receipts received in 2015/16 | (0.892) |
| **Revised Requirement** | **0.523** |
| Useable Receipts Brought Forward | 0 |
| Useable Receipts Received | (0.166) |

| | |
|---|---|
| **Balance to be generated** | **0.357** |

**Capital receipts – Housing**

5.11 Housing Capital Receipts brought forward at 1 April 2016 were £4.475m. The Housing receipts are committed against projects included in the 2016-19 Investment Plan.

5.12 The approved Capital Receipt requirement for 2016/17 was £0.132m. This, together with the reprogramming reported to 13 June 2016 Cabinet gives a requirement of £1.004m. To date, £2.046m receipts have been received in 2016/17 of which £0.473m has been be pooled as part of the quarterly returns to Central Government. In total, subject to future pooling, this leaves a surplus balance of £5.044m to be carried forward to fund future years.

**Table 7: Capital Receipt Requirement 2016/17 - Housing**

| | Housing £m |
|---|---|
| Current Requirement | 1.004 |
| Receipts Brought Forward | (4.475) |
| Receipts Received | (2.046) |
| Receipts Pooled to Central Government | 0.473 |
| **Surplus Balance to fund future years (subject to further pooling)** | **(5.044)** |

5.13 The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2016/17.

**Investment Plan Monitoring Position to 31 July 2016**

5.14 Actual expenditure in the General Ledger was £11.124m (11.67%) of the total revised Investment Plan as at 31 July 2016.

**Table 8: 2016/17 Total Investment Plan Budget and Expenditure to 31 July 2016**

| | 2016/17 Revised Investment Plan £m | Actual Spend to 31 July 2016 £m | Spend as % of Total Revised Capital Budget % |
|---|---|---|---|
| General Fund | 69.538 | 8.178 | 11.76 |
| Housing | 25.755 | 2.946 | 11.44 |
| **TOTAL** | **95.293** | **11.124** | **11.67** |