ANNEX 1

Cabinet –2016
Agenda Item 6a

2016/17 Financial Management Report to 30 November 2016

Section 1.0
Executive Summary

Summary

1.1 This is the fourth report to Cabinet for 2016/17, setting out the Authority's financial position as at the 30 November 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 £205.339m (£77.647m for 2016/17).

1.5 This is the fourth 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 improvement in the risks associated with the delivery of the 2016/17 budget and the headline pressure has improved to a £3.817m overspend. The over commitment continues to be driven by the factors reported previously with the main elements being listed below:

- Living Wage £2.300m (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 support this in year pressure;
- Demand Pressures £2.231m (in excess of the contingency provision), this is largely as a result of high cost packages for Looked After Children including the costs of young people who are leaving the care system, 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 2.8);
- Efficiency savings not yet confirmed £0.998m: The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration were 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 but the position will continue to 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 has proposed alternatives to the historic 50/50 split of funding responsibility. The CCG has 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;
- an ongoing review of all demand led projections; and,
- an ongoing review of Investment Programme delivery, including the impact on cash flow and resulting cost of borrowing arising from the reprogramming included in this report.

1.7 The Housing Revenue Account (HRA) is forecasting an under spend of £0.925m for the year.

1.8 In the period to 30 November 2016, the level of capital spend posted within the General Ledger was £35.203m, which represents 47.66% 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 £0.0.155m still to be generated over the rest of the year.

1.9 Cabinet is recommended to approve reprogramming of £3.779m within the 2016-19 Investment Plan.

1.10 As Cabinet are aware the Authority received a dividend of £2.697m from the Airport as part of the Airport refinancing. At this stage it is proposed to hold this in a reserve until the position at year end is confirmed.

Implications for 2017/18 and Following Years

1.11 This is an important report not only because it gives the financial position for this financial year, but also because it continues to inform the financial planning process which is underway for 2017/18 and following years. As such, Cabinet needs to be aware of any implications of the report for those future years' budgets. The main issues identified in 2016/17 that will continue to be considered in forward financial planning are as follows:

- Living Wage: as noted in paragraph 1.5 we are seeing significant pressure with regard to Social Care budgets arising from additional costs that contracted providers are seeking from the authority;

- CBF Programme - as noted in the report (paragraphs 1.5), consideration needs to be given to the impact of any CBF saving not being achieved and actions required to secure savings into 2017/18;
- Demand led pressures - in areas such as Looked after Children and Learning Disabilities & Mental Health;
- The implications for this authority of the CCG's financial recovery plan, and;
- Use of Reserves – currently the 2016/17 budget includes the planned use of reserves of £2.001m. The current forecast for 2016/17 also assumes use of £2.300m to contribute towards the pressures arising from the National Living Wage. Consideration also needs to be given to the potential impact of a further call on the Strategic Reserve should there be no improvement in the General Fund revenue position for this financial year.

These issues have all been considered as part of preparing the 2017-20 Budget and Financial 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 £3.817m, an improvement of £0.927m compared to the pressure of £4.744m reported in September.

2.2 Budget monitoring is based on the recorded transactions as at 30 November 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.

The format of Table 1 has continued to be refined in line with requirements within the Code of Practice on Local Authority Accounting for 2016/17. Support service recharges were included within each Service line in the September report however, other than capital recharges which remain in the Services, support services recharges have now been removed and shown as a separate line below the Service total. There have also been changes to Finance and Central Items and details are included within the relevant commentary below.

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

		Full Year Budget	Forecast Outturn	Forecast Outturn Variance Nov 2016	Forecast Outturn Variance Sep 2016
		£m	£m	£m	£m
Services					
Chief Executive Office	Appendix A	0.514	0.533	0.019	0.019
Business and Economic Development	Appendix B	1.532	1.518	-0.014	0.035
Commercial and Business Redesign	Appendix C	6.700	6.821	0.121	0.123
Corporate Strategy	Appendix D	1.946	1.995	0.049	0.041
Finance	Appendix E	3.643	4.429	0.786	0.680
Human Resources and Organisational Development	Appendix F	2.264	2.424	0.160	0.156
Law and Governance	Appendix G	2.991	3.068	0.077	0.096
Health, Education, Care and Safeguarding	Appendix H	65.036	72.339	7.303	7.012
Commissioning and Investment	Appendix I	22.460	23.042	0.582	0.446
Environment, Housing and Leisure	Appendix J	41.018	41.937	0.919	0.762
Central Items	Appendix K	7.580	3.695	-3.885	-2.326
Sub Total - Service- Approved Budget		**155.684**	**161.801**	**6.117**	**7.044**

Table 1 continued

		Full Year Budget	Forecast Outturn	Forecast Outturn Variance Nov 2016	Forecast Outturn Variance Sep 2016
		£m	£m	£m	£m
Sub Total - Service- Approved Budget		**155.684**	**161.801**	**6.117**	**7.044**
Support Services		-1.739	-1.739	0.000	0.000
Transfer from Specific Reserves					
Total transfer from reserves		**0.000**	**-2.300**	**-2.300**	**-2.300**
Net forecast pressure/(surplus) after exceptional items		**153.945**	**157.762**	**3.817**	**4.744**

Services

2.3 The main variations are set out in detail below.

2.4 **Commercial and Business Redesign** has a forecast pressure of £0.121m. This is due to supplies and services costs within ICT mainly relating to the delivery of automated customer contacts and internet connectivity. The full analysis of the service's forecast position is included as **Appendix C.**

2.5 There has been a further change in the way the **Finance** Service is reported. In the report to Cabinet on the September position, budgets relating to Corporate Accounting and the unapplied Contingency and Levies were shown as Finance items. These budgets have now been included within Central Items. Comparative variances for September 2016 have been restated. There has been a worsening in the Finance service forecast of £0.106m since the September report.

The over spend of £0.786m is due to a combination of factors outlined below;

(a) An unresolved CEI target for additional Business Partnership savings of £0.545m. Work continues to agree and develop target savings;
(b) Pressure within Revenues and Benefits of £0.190m as a result of an assumed bad debt provision which has increased by £0.041m since September.

Further details are shown in **Appendix E.**

2.6 There is a pressure of £0.160m within **Human Resources and Organisational Development**. This results from costs of staff transferred back from ENGIE in 2015/16, vacancy factor and temporary posts supporting transformation projects. Further details are shown in **Appendix F.**

2.7 The **Law and Governance** Service is showing a pressure of £0.077m arising mainly from staffing pressures in Information Governance and from the retention of the courier service. These pressures have been partially mitigated by an improved forecast position in relation to the Coroner Services and Registrar Services. Further detail is shown in **Appendix G.**

2.8 The most significant area of pressure across the Authority is within **Health, Education, Care and Safeguarding** which is reporting a forecast over spend of £7.303m which has increased by £0.291m from the reported position of £7.012m in September. In addition to its normal complex budget management, the Service has 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).

The main factor behind the increased forecast is the ongoing difficulties in recruiting and retaining permanent staff resulting in use of agency and temporary appointments a result of recruitment and retention issues at a critical period during preparation for the impending Ofsted inspection of Children's Service. A full breakdown of this service's forecast position is shown in **Appendix H**.

Services for adults with a Learning Disability or Mental Health need are showing a pressure of £3.884m in 2016/17. This area has been subject to historic demand led pressure and is forecasting new, external placement costs totalling £1.7m across 2015/16 and 2016/17. This growth arises as a result of transition cases but is also partly due to clients discharged from long stay hospitals under the Winterbourne guidelines. A contingency budget of £1.000m has been applied to offset this demand related 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.

This service area planned to deliver savings of £2.450m in 2016/17. Significant progress has been made to deliver against planned milestones and, it is anticipated all savings will be delivered by the year end.

The Service is urgently reviewing all aspects of delivery to identify areas where further savings can be achieved. 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 £1.942m 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 £1.942m 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, a reduction in Internal Fostering placements has been offset by an increase in external arrangements, which are more costly placements with average fees of £0.167m 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 often not appropriate to disrupt settled arrangements.

There is a pressure of £0.169m reported in relation to Special Guardianship Orders. Children accommodated under a Special Guardianship Order are not classed as looked after, but the Special Guardians may be entitled to an allowance payable by the Local Authority. There are currently 95 special Guardians receiving financial support. This has seen a significant increase in recent years, with only 61 Special Guardians in receipt of allowances in June 2013. This equates to a 56% increase in the number of Special Guardians, and an increase in annual cost to the Local Authority of £0.192m, with no corresponding increase in budget.

Table 2 below provides more detail on the movements in numbers of LAC and the associated costs;

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

Placement Type	No of LAC at Apr 2015	No of LAC at Sep 2016	No of LAC at Nov 2016	Average Cost of Placement £m	Pressure at Sep 2016 £m	Pressure at Nov 2016 £m
External Residential	15	20	17	£0.167	£2.599	£2.397
External Fostering	19	27	27	£0.041	£0.525	£0.539
Internal Fostering	208	187	190	£0.016	£0.204	£0.199
Supported Residence	16	13	15	£0.071	£0.320	£0.345
Other *	42	32	27	Various	(£0.086)	(£0.048)
Total LAC	**300**	**279**	**276**		**£3.562**	**£3.432**
Leaving Care Post 18	60	54	53	Various	£0.388	£0.430
Special Guardianship Orders	71	92	95	Various	£0.135	£0.169
Contingencies					(£2.000)	(£2.000)
Assumed savings					(£0.473)	(£0.473)
Net					**£1.612**	**£1.558**

*Other includes Placed for Adoption, Placed with Parents/Parental Responsibility and NTC Children's Homes.

The overall pressure of £1.942m, in addition to the placement overspend of £1.558m 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. In addition to placement pressures, the service area is now reporting an additional pressure of £0.352m arising from an increased need to use agency staff to cover vacancies within Social Work teams and Senior Management. This is a result of recruitment and retention issues at a critical period during preparation for the impending Ofsted inspection of Children's Services. This pressure has been partly mitigated in year by a one-off contribution of £0.150m from the ring-fenced Public Health grant supporting activity in line with Public Health outcomes.

Services for older people and younger adults with a physical disability are showing a pressure of £1.259m. This is an improvement of £0.151m from the reported variance in September of £1.410m. This Service Area has been subject to significant care fee increases as a result of the National Living Wage with estimated additional costs of £1.400m. 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 however there is concern about delivery of an income target of £0.900m in relation to the management of Continuing Healthcare on behalf of the CCG and it is now considered prudent to forecast this saving as unachieved.

There are also pressures within the following service areas:-

- Services for Children with Disabilities or Additional Needs are showing an increase in pressure from £0.290m to £0.438m, the movement being new service user packages (£0.045m), an increase of £0.075m in the cost of existing packages previously assumed 50% funded by health (this is now in dispute). The overall pressure of £0.438m reflects a shortfall against Health contribution income targets in relation to children with disabilities of £0.200m, additional pressure of £0.075m previously assumed as 50% health contribution to specific service packages, £0.043m pressure on service packages, pressures relating to staffing and a shortfall in other income of £0.120m;

- Employment and Skills is showing a pressure of £0.139m due to a shortfall of grant income to meet historic targets for contributions to service overheads amounting to £0.164m. This pressure has been partly offset by a reduction in a regional hub contract payment of £0.027m. 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 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 £0.183m. There are pressures within Loan Equipment and Adaptations totalling £0.470m and reduced NHS income of £0.100m as a result of the NTCCG implementing its Financial Recovery Plan. Pressures are largely offset by staffing savings across the service. There has been a worsening of the position since the September report of £0.090m due to a revised staffing forecast pending the finalisation of a significant staffing restructure.

2.9 The **Commissioning and Investment** Service is reporting a forecast pressure this year of £0.582m.

Facilities and Fair Access is showing a pressure of £0.253m and now includes the Cleaning Service which has transferred from Property with a pressure of £0.091m. The Catering Service is forecasting a pressure of £0.042m and Home to School Transport is showing a pressure of £0.120m. Staff are working to restructure routes to reduce costs in addition to exploring alternative ways to deliver these services.

Property related pressures are forecast to be £0.179m following the transfer of Cleaning Services. Remaining pressures 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 forward.

There is also a remaining savings target of £0.056m in the Commissioning service which is not certain of being achieved and a pressure of £0.074m in Procurement relating to rebate income.

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

2.10 **Environment, Housing and Leisure** is reporting a pressure of £0.919m. The simplification of reporting has resulted in energy and rates variances being included within each Service's position. Previously these variances were shown corporately. The restated position in September for this Service was a pressure £0.762m including energy and rates. Across this Service, energy and rates account for £0.597m of the total forecast variance.

The increase in pressures from September reflects the allocation of EDRMS efficiency target where this service's share was £0.257m. The Service is reviewing staffing structures in order to meet this efficiency target.

There are total estimated pressures of £0.701m within the Street-lighting PFI budget. This is due to the absorption of energy cost pressures of £0.472m into the service area, in addition to disputed historical charges and other one-off costs owed to the PFI provider SSE totalling £0.215m, and inflationary increases (£0.030m).

There are pressures totalling £0.363m relating to libraries and community centres where energy and rates costs, cleaning costs, shortfalls against rental income and Libraries ICT costs are the main concerns. The Service is continuing to actively review its supplies and services expenditure plans to identify where any discretionary spend can be reduced.

There are pressures totalling £0.120m within Arts, Tourism and Heritage services, mainly reflecting lower than anticipated ticket sales income from the Mouth of the Tyne Festival. Sport and Leisure is showing an over spend of £0.230m, due mainly to energy and rates costs (£0.092m), Planning and Security and Community Safety are showing pressures of £0.167m and £0.146m respectively due mainly to shortfalls in income.

Pressures are offset by under spends within Fleet (£0.487m), Transport and Highways (£0.247m), Street Environment (£0.080m), and Bereavement (£0.047m).

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

2.11 The under spend on Central Items of £3.885m is due to a combination of factors with the main issues outlined below;

(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 £4.138m in relation to interest charges reflecting 2015/16 reprogramming, the level of temporary borrowing currently held and the continuation of internal borrowing;
(c) £1.640m 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 level of savings that will be achieved during 2016/17;
(d) The uncommitted contingency budget of £0.702m is shown as an under spend;
(e) £0.100m pressure relating to the provision for bad debt; and
(f) As part of the recent Airport re-financing the authority received a dividend of £2.697m. This has been transferred to the Strategic Reserve and will be held there until the year end when the position of the General Fund revenue account is finalised.

The position has improved since the September report by £1.559m due to increased interest savings of £0.900m and a reduced assumption around the bad debt provision of £0.300m. The remaining movement mainly relates to the allocation of the £0.8m EDRMS efficiency targets across the Services.

Further details are shown in **Appendix K.**

2.12 The following table sets out a summary of revenue grants, which Cabinet are requested to approve, that have been awarded during October and November 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 October and November 2016

Service	Amount £m
Corporate Strategy Finance	0.013 0.007
Total	0.020

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 November 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 opening balances £0.787m higher than anticipated i.e. £4.388m as opposed to the budgeted figure of £3.601m, and the in-year position is now forecast to be £0.925m better than budgeted.

3.4 The main forecast variations against budget are an overachievement in relation to rent and service charge income projections (£0.488m), which has been enhanced by increased commercial and other rental income (£0.014m), significant savings from continuation of the policy around debt, i.e. to borrow short-term and re-finance long-term as late in the year as possible to realise in-year savings (£0.550m), this is partially offset by increased management costs (£0.257m), linked mainly to the North Tyneside Living PFI scheme where project delivery has led to higher than anticipated levels of Council Tax Void charges, and increased legal costs relating to disrepair claims (£0.080m), set against anticipated savings from contingency, bad debt provision and transitional protection budgets (£0.120m).

Rent and Service Charge Income – overall projecting £0.488m better than budget, mainly due to Rental and Service Charge income – still forecasting strong performance mainly around furniture packs (£0.250m). In addition rental income from council dwellings and temporary accommodation is also forecast to outperform budget assumptions (£0.247m). This performance will need to continue to be closely monitored pending proposed changes to benefits proposed by Government under recent legislation. Garage rent income is performing slightly below budget (£0.009m) following rebasing as part of the budget.

Capital Financing Charges – Consistent with the General Fund position, the approach to pursue the policy of taking advantage of the current low trends in interest rates has continued. 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 £5.337m) 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 £0.550m 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 of a £0.257m overspend due mainly to an increase in the anticipated level of in-year Council Tax Void payments because of the revised delivery programme for the North Tyneside Living PFI project (£0.059m), along with an unexpected sharp increase in the levels of legal costs linked to disrepair claims (£0.080m), and increased costs for IT support and maintenance costs, this when added to a range of small under and over-spends across other budget heads leads to the projected overspend.

Section 4.0
Schools Finance

2016/17 School budgets

4.1 Budget monitoring was completed with all schools during September and October with particular attention being focussed on the eight schools with deficit approval for 2016/17 budgets.

4.2 As part of the deficit approval process, additional governance arrangements and monitoring meetings have been put in place with the relevant schools. School Improvement, HR and Finance officers meet with Head Teachers and Governing Body representatives to monitor the specific requirements of each individual school's deficit approval.

4.3 The current forecasts, both for the deficit schools and for all maintained schools in the borough, are better than the level expected in the schools' budget plans for the year. There are a small number of schools who have identified additional in-year pressures, but the cumulative forecast position for all maintained schools is £0.684m better than budget, at a level of £0.441m.

4.4 Officers are continuing to work with Schools Forum on the 2017/18 budget setting process, with a particular focus on the level of deficits and the support that schools collectively set aside for this purpose. The 2017/18 funding formula will be revised ahead of the statutory timescale for agreement in mid-January.

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. All work was completed in November 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. Work commenced in October 2016 and is expected to complete in December 2016.

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):
    - Completed all external works for the new build Whitehouse Primary School and associated demolition of the former school building;

- The new build projects for both Longbenton and Marden High Schools were completed at the end of August 2016. Works have now commenced on the external works and demolition of the 'old' school buildings;
- The new build project for John Spence High School has now completed and was officially handed over on 31 October 2016. Works will now commence on the demolition of the original main school building and establishment of new external playing facilities; 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);
- Completion of redesign and new planning application for Phase 2 of Central Promenade Reconstruction Scheme following a value for money exercise:
- 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

- Spanish City Dome - the permission to start from HLF was granted in September. An enabling works package is nearing completion including demolition of extensions and the westerly wing. The development of the hotel and restaurant are progressing well.
- Public realm work on the Northern Promenade from Watts Slope to the Rendezvous cafe has commenced;
- Phase 2 of dredging at Swans has been completed;
- Infrastructure works completed and further refurbishment of the Swans Quay;
- Commencement of work on one or more of the development plots on Swans; and,
- Facilitate development solution for Tyne Brand site at the Fish Quay

ICT Works

BDUK (broadband)

- BT have now provided a delivery plan;
- 84 BT cabinets in scope affecting 9,000 premises, of which 70 are included in phase 1 taking place July to December 2016; and,

- Updated forecast is that by the end of the roll out in December 2018 NTC will have 99.80% 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 October and November 2016 there has been net nil variations and reprogramming of £3.779m 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
Cabinet 12 September 2016	(9.163)	12.726	(0.698)	2.865
Cabinet 14 November 2016	(15.646)	15.696	0	0.050
Approved Investment Plan – Cabinet 14 November 2016	**77.647**	**85.657**	**42.035**	**205.339**
October/November Reprogramming	-3.779	3.704	0.075	0
October/November Variations	0	0	0	0
Revised Investment Plan	**73.868**	**89.361**	**42.110**	**205.339**

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 Total variations to the end of November 2016 of net nil have been identified. The details of the changes are shown below:

(a) **IT021 Customer Relationship Management £0.122m credit** – The remaining budget for this project is no longer required. Any further requirements will be included within the ICT Citizen Interaction and Self Service Project (IT026). This budget has been transferred to contingencies;

(b) **HS004 Disabled Facilities Grant £0.210m credit** – The Council Contribution element of £0.122m is no longer required for 2016/17. All works will continue to be funded through the Better Care Fund grant. The

Council funded element of the budget allocation has been transferred to contingencies;

(c) **BS028 Wallsend Customer First Centre (CFC) £0.061m** – Following submission of Gateway approval requests, the Investment Programme Board recommended approval of an allocation of £0.061 from contingencies to create a Changing Places Facility with the Wallsend Customer First Centre ;and,

(d) **GEN03 Contingencies £0.271m** – As a result of the movements detailed in paragraphs 5.5 (a) to (c) above this budget will increase by £0.271m. This increase has been reprogrammed into 2017/18.

5.6 Reprogramming of £3.779m has been identified. The details of the main changes are shown below:

(a) **IT026 ICT Citizen Interaction and Self Service, £0.400m** – A detailed review of actual and projected expenditure has been undertaken and a further £0.400m can be reprogrammed to 2017/18;

(b) **HS003 Private Sector Regeneration, £0.180m** – There is unlikely to be any activity on this project until the Housing Strategy has been approved. Therefore the full budget of £0.180m is to be reprogrammed to 2017/18;

(c) **IT025 BDUK (Broadband), £0.109m** – It is expected that 99.80% of North Tyneside will have Superfast broadband by December 2018. Reprogramming is required to match the expected delivery profile;

(d) **EV034 Local Transport Plan, £0.237m** – Delays in the Wallsend Road Bridge Scheme have resulted in a further £0.237m requiring reprogramming;

(e) **DV054 Coastal Regeneration, £2.150m** – A further £0.940m reprogramming is required for the Spanish City Dome as approval of grant funding was received later than anticipated. Also, due to the timing of the signing of the loan agreement and start on site for the High Point development the payment profile has been revised and therefore £1.210m is to be reprogrammed;

(f) **IT020 ICT Strategy, £0.300m** – The majority of projects will be delivered by the end of the financial year, but based upon current projections, £0.300m requires reprogramming into 2017/18;

(g) **EV055 Surface Water Management Improvements, £0.132m** – A number of small schemes have been reprogrammed into 2017/18; and,

(h) **GEN03 Contingencies, £0.271m** – As outlined in paragraph 5.5 above the net increase in this budget has been reprogrammed into 2017/18.

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 14 November 2016	**77.647**	**85.657**	**42.035**	**205.339**
Council Contribution	-3.542	3.467	0.075	0
Grants and Contributions	-0.237	0.237	0	0
Total Financing Variations	**-3.779**	**3.704**	**0.075**	**0**
Revised Investment Plan	**73.868**	**89.361**	**42.110**	**205.339**

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 5.8 above, to give a revised capital receipts requirement for 2016/17 of £0.523m.

5.10 To date, £0.368m receipts have been received in 2016/17. This leaves a balance of receipts to be generated for the General Fund of £0.155m 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	(0.368)
Balance to be generated	**0.155**

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, £3.558m receipts have been received in 2016/17 of which £0.873m 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 £6.156m 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	(3.558)
Receipts Pooled to Central Government	0.873
Surplus Balance to fund future years (subject to further pooling)	**(6.156)**

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 30 November 2016

5.14 Actual expenditure in the General Ledger was £35.203m (47.66%) of the total revised Investment Plan as at 30 November 2016.

Table 8: 2016/17 Total Investment Plan Budget and Expenditure to 30 November 2016

	2016/17 Revised Investment Plan £m	Actual Spend to 30 November 2016 £m	Spend as % of Total Revised Capital Budget %
General Fund	50.600	22.360	44.19
Housing	23.268	12.843	55.20
TOTAL	**73.868**	**35.203**	**47.66**