

# Meeting: Overview, Scrutiny & Policy Development Committee

**Date:** 10 January 2017

**Title:** Budget Sub - group report

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**Wards:** All

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## 1. Purpose of Report

To inform Overview, Scrutiny & Policy Development Committee of the work undertaken by the Budget Sub-group in scrutinising the 2017/20 Financial Planning and Budget proposals.

## 2. Recommendations

The Overview, Scrutiny & Policy Development Committee is recommended to refer the recommendations and views of the Budget Sub-group, as set out in the report below, to Cabinet for consideration as part of the 2017/18 budget setting process.

## 3. Background

The Council's constitution places a duty on the Overview, Scrutiny and Policy Development Committee to examine and contribute to the formulation of the Cabinet's budget and strategic planning proposals.

Invitations were extended to all non executive members of the Council to seek volunteers to serve on the Budget sub group.

The following Members served on the group:

Councillor Jim Allan  
Councillor Sandra Graham  
Councillor Anthony McMullen  
Councillor Tommy Mulvenna  
Councillor Judith Wallace

Councillor Muriel Green  
Councillor Ed Hodson  
Councillor Les Miller  
Councillor Lesley Spillard

The group met on the 9 & 13 December, where the Head of Finance and Senior Officers presented the 2017/20 Business Cases under the headings of:

- a. Cared For
- b. Ready for School and Ready for Work
- c. Fit for Purpose
- d. Maximising Resources

- e. Great Place
- f. Housing Revenue Account
- g. Investment Plan

The following Cabinet Members were in also in attendance to provide further information if/when required.

Councillor B Pickard  
Councillor Ray Glindon  
Councillor Eddie Darke  
Councillor John Harrison  
Councillor John Stirling  
Councillor Allison Waggott-Fairley

It was decided that following the consideration of the proposals and business cases a report be produced to reflect the sub-groups views.

#### **4. Budget Proposals**

The proposals were developed in the context of the Our North Tyneside Plan and reflected the Plan priorities, but also recognised the continued reduction in core funding in both the General Fund, HRA, increasing cost pressures such as the impact of the National Living Wage and increasing demand for services in areas such as Adult Social Care and Children's Services.

Included in the proposals was a proposed 2% increase in Council Tax to fund Adult Social Care Spend (as first proposed in the 2015 combined Spending Review and Autumn Statement by the Government) and a general 2% increase in Council Tax (in line with the expectation of Central Governments 2016 Settlement for Local Government).

The business cases scrutinised presented proposals to cover a three-year planning period from 2017-2020 for the revenue budget and a three year planning horizon for the Investment Plan.

The Authority's approach for 2017-20 is to achieve savings early where possible, to mitigate against future financial risks whilst working in a very different way to ensure that resources are more effectively targeted at the people who need them most and to ensure that all residents have a successful, healthy and safe future, no matter where they live in the Borough.

Therefore the Authority need to:

- understand and manage demand;
- enable people to help themselves;
- use intelligence to target resources to best effect;
- maximise income and reduce long-term cost;
- work in partnership to improve outcomes and,
- be innovative and utilise technology to improve outcomes.

On the completion of a base budget review and based on current financial assumptions, there will be a budget gap of around £52m from 2017/18 to 2019/20. This was based on a range of factors including areas of resource reduction, financial pressures and growth, as set out below:

#### **2017-2020 Financial Plan**

	2017/18 £m	2018/19 £m	2019/20 £m
General Fund Base Budget	153.945	147.670	143.270
Pay and Price Increases, Demand Led, Corporate, Legislative / Changes to Responsibilities, Resource Changes and 2016/17 In Year Pressures	20.251	7.186	8.985
Efficiency Savings	-26.526	-11.586	-13.495
<b>Total General Fund Financial Plan</b>	<b>147.670</b>	<b>143.270</b>	<b>138.760</b>

An Efficiency Plan was submitted to Central Government on 14 October 2016 in order to secure as far as possible the proposed level of Revenue Support Grant for this Authority that was announced as part of the 2016 Local Government Finance Settlement.

The Provisional and Final Local Government Finance Settlements would provide further detail when they are released. This was expected in December 2016 / January 2017 and anticipated to be received, considered and reported to Cabinet and Council as part of the draft Budget proposals presented to Cabinet on the 25 January 2017 and Council on the 2 February 2017.

There was a number of assumptions and judgements built into the figures presented that sit mainly outside the control of the Authority and need to be finalised. The initial budget proposals will therefore need to be subject to further review before they can be confirmed. The information to be assessed and finalised is:

- (a) The Provisional and Final Local Government Finance Settlement announcements for 2017/18, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG) (due December 2016 / January 2017));
- (b) Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts (due 7 February 2017 and 13 February 2017 respectively);
- (c) Levies, including the Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy (The North East Combined Authority due January 2017);
- (d) Tyne and Wear Joint Service Budgets (due January / February 2017); and
- (e) Consideration of the impact of the economic climate on the residents of the borough and council tax payers.

A report received at Cabinet 28 November recommended that Cabinet authorises the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals.

**It is recommended that Council are informed and updated when the review of the proposals in relation to the provisional and Final Local Government Finance settlement have been announced.**

## 5. Budget sub - groups observation

Engagement

Engagement on the Budget proposals started in the summer and would run from 29 November 2016 until January 2017. This would involve information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

The sub-group understands that engagement activities with all relevant parties are vital to ensure there is a clear financial understanding of the position the Authority faces.

**The sub-group asks that consideration be made by the Overview, Scrutiny & Policy Development Committee to carry out a review into the engagement and activities undertaken in the 2016 budget consultation with its associated data analysis.**

## General Fund

The Authority needs to find efficiencies and resource changes in the General Fund budgets of up to £52m over the next three years as a result of sustained cuts in government funding and unfunded pressures.

Since 2010 the Authority has faced unprecedented reductions in Government spending, where the Authority has made efficiency savings of more than £101m with a further £23m to be saved in 2017/18. These substantial cuts have come at a time when demand for some of the Authority's most costly services such as support to vulnerable adults and children's social care is increasing.

There are many competing demands to pay for services and it was acknowledged that with the scale of the funding reductions, very difficult decisions have to be made.

The 'Our North Tyneside' Plan had been refreshed as part of the 2016-2019 Financial Planning and Budget process to ensure it continues to reflect the priorities of the Authority and its Residents.

The savings to be delivered would be managed through the four service delivery themes of the Creating a Brighter Future programme that redefine, reshape and redesign how North Tyneside Council delivers the required outcomes through a Target Operating Model.

The assumptions in Cabinet's Budget and financial plan proposals included an increase to council tax of 3.99% in 2017/18. Of this increase 2.0% would part-fund the significant cost pressures the Authority faces in relation to adult social care.

However it was understood that the additional income would help to mitigate the impact of these cost pressures on the Authority's overall budget, the amount raised (i.e. £1.5m) is a relatively small proportion of the adult social care cost pressures faced by the Authority. The remaining 1.99% increase in council tax will be used to fund cost pressures in other services areas.

## Efficiency Savings

It was acknowledged that there was a need to deal with causes not consequences (i.e. be proactive rather than reactive), understand and manage demand, to enable people to help themselves.

To use intelligence to target resources to best effect, maximise income and reduce long term cost, work in partnership to improve outcomes and be innovative and utilise technology to improve outcomes.

In terms of delivering the overall budget, the CBF programme would continue to be a cross cutting programme to transform all parts of the Authority and the relationship with the residents of North Tyneside as set out in the “Our North Tyneside Plan”.

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

## Business Cases

### 5.1 Cared For

#### Assess at Home- Review of ASC Customer Journey Pathway

The current manner on how assessments are made when discharging from hospital can be slow, holds risks and can be frustrating for both the patients and clinicians.

The project would be developed with the Clinical Commissioning Group (CCG) and would use a single assessor, where there is no immediate clinical risk, social care assessment would take place at home with the aim to restore the level of independence and quality of life in place before admission.

It was accepted that this project would reduce the number of staff and change the skill mix for those currently carrying out social care assessments functions for adults in North Tyneside. The overall aim was to carry out more personalised assessments and offer more solutions to meet need, based on existing community resources and an individuals own family and community based networks.

It was proposed that it would also provide early support to avoid escalation to more costly services, working in partnership with the NHS to provide a multidisciplinary, integrated approach and introduce a customer portal to allow customers to self serve in relation to advice and information.

By working collaboratively with partner agencies this would enable the development of a Multi Agency Safeguarding Hub (MASH) that would enable co-located professionals to make decisions at the earliest possible opportunity and preventing the need for long term tier 3 services.

*It was noted that there may be some difficulty to navigate pathways and it was expected that there would be an increase in complaints. It was also noted that this would be a culture change for service users who may be resistant to self serve.*

*It was therefore essential the ICT solutions were available and able to deliver the required support to provide agile working practices and information pathways.*

*Concerns also raised and assurances were provided that the continued level of funding would be available through the Better Care Fund.*

*Concerns were also raised to the loss of highly skilled/qualified staff and the ability of the remaining staff to respond efficiently and effectively to the increased service demand.*

*However assurances were provided that the changes would have a bigger emphasis on preventative work and crisis intervention and the necessary training and development was in place.*

## **A New Model to Support Children**

This project was to review best practice and look at alternative models to deliver services to vulnerable families and their children, with the aim to enable children to live safely in their homes, provide support to prevent avoidable entry into care and with the aim for those already in care to return safely home at the earliest opportunity.

It was proposed that a fundamental re-design of all safeguarding services be undertaken, based on research and supported by organisations with track record in supporting change.

This whole system change would include:

1. Early interventions and to investigate how to manage those children and young people who need further interventions
2. Develop a single 'practice model' that share a common language and approach with all workers.
3. Change the front door arrangements so experienced social workers handle enquires.
4. Re-structure the current teams to emphasis generic working, with a single social worker staying with the child for the duration of their journey.
5. Ensure all care plans are considered and the full range of resourced interventions to support families, before placements are considered.
6. Changes to how Placement panels operate.
7. Re-structure and re-position the current Leaving Care Team.
8. Commission the right mix and balance of supported accommodation to meet the needs of 16-18 year olds who are LAC and 18+ who are at risk of homelessness.
9. The better use of technology to ensure appointments are made and fulfilled.

*Assurances were provided that placement cases would be assessed by a social worker to investigate what was the best for the child in the short term with the focus to work with the families to resolve issues and avert placing the child into care. Although it was acknowledged that this might not be the best for the child in every case.*

*There was an initiative to the recruitment of 15 additional Foster Carers into the borough. The Authority has a number of specialist carers which it planned to increase by investing and providing additional training to its existing carers.*

*There was confidence that changes were working and the number of Child Protection Plans would reduce. Through reduced placement costs for Looked After Children and support accommodation would be made through the initiatives in the proposal.*  
*Legal Charges*

*There would be greater emphasis to use the Authority's in house legal team more wherever possible as an alternative to instructing external representation to manage/support cases.*

### Integrated Disability Team

To continue the development of a SEND/Whole Life Disability approach with the proposal to have one person having oversight of the 0-25 Education Health care planning process.

### **Value for Money Tested Social Care**

This project would make changes to the day to day commissioning and assessment processes to re-set the outcome of social care. It was acknowledged that care was always better at home and that provision of the right quality of care should be affordable.

In partnership with the Clinical Commissioning Group and using a single trusted assessor, outcomes would be shaped by working with the individual to set realistic goals for independence and applying a value for money test to care at home versus other settings.

### Home Care

The provision of domiciliary care support enable people to live independently for longer and avoiding more expensive longer term care.

The proposal was to review:

- care packages following hospital discharge, specifically where the care package proposed an increase of single handed to double handed care. To ensure a reduction to single handed care where safe and practicable.
- All existing packages where double handed care was in place to ensure a reduction to single handed care where safe and practicable.

*It was questioned and explained that through the provision of improved training of frontline care workers to use new equipment solutions would ensure care would continue and was safe. Assurances were given that analysis had been taken to the recovery of costs of new equipment and this was estimated to be within a 6-8week period.*

### Extra Care

Extra care housing is a model of supported living that is based on customers having their own tenancies within a community setting with care and support services available on site 24 hours a day. This type of housing provides an alternative to residential care and offers people the opportunity to retain independence.

There are currently 6 purpose built schemes of this kind within North Tyneside, which are managed by a number of Registered Landlords (RSLs).

A site had been identified in the Battle Hill area that could provide an additional scheme that would provide 47 units.

*The sub-group thought this was a good opportunity to enhance and provide a different model of housing to benefit residents.*

## Review pricing strategy – Independent Supported Living commissioned services

The current Independent Supported Living framework agreements all run to 31 March 2017 and therefore there would be a review of the pricing strategy and rates.

There was also a need to review how to attract additional customers to the use of Care Call through marketing, the promotion of its use to businesses and the increasing of charges to partners.

## **5.2 Ready for School and Ready for Work**

### Continue to redesign 0-19 Services

Following consultation and some redesign of services in 2016 the borough continues to have sufficient childcare capacity to meet the needs of working families.

Last year there was a proposal to continue the redesign work to the service with the expectation that the facilities at Oaktrees and Riverside would close in 2017/18.

However during the consultation it became evident that the needs of children and parents in the Riverside/Chirton/Collingwood wards were different to those of working parents at Oaktrees.

Therefore an alternative delivery model for Riverside was considered which would see during an 18month period:

- the provision becoming more focused upon the model developed by Oaktrees;
- the closure of the Oaktrees building (children to be accommodated at Riverside)
- the provision becoming full cost recovery by April 2019 and the provision only taking the funded 2 – 4 year old places with no paying parents
- A rebranding of the provision as a 'Ready for school, work and life' offer – that focuses upon getting children school ready and their families able to work and participate in their community.

*Assurances were given that alternatives to other facilities would be sign-posted to families who would be affected by the ongoing changes.*

### Deliver Employment and Skills Strategy

The aim of this project was to ensure work undertaken was inline with national best practice and enhanced the existing high performance. The proposal would deliver budget saving through restructure of the Employment and Skills team. It also included the full cost recovery of the Connexions Services through a two year staged increase to service level agreement charges with schools.

The redesigning of the service would provide the best support to enable local people to have access to more jobs and increase their skillset.

The teams and the related functions affected were:

- Adult Learning Alliance
- Connexions
- Education to Employment



All statutory responsibilities would be delivered by the proposals.

*In relation to the affects of the staff restructuring to deliver the service it was raised that there was a high ratio of managerial posts to support and other officers. The sub-group were assured that there were a number of managerial posts that were grant funded to carry out and deliver specific specialised functions, project management and did not necessarily hold staff supervisory responsibilities of staff.*

*There was also concern raised to the ability of schools to pay for the services provided. The sub-group were informed that 90% of schools were already buying the services.*

### Children with Disability Care Packages

The Children and Disability Service is responsible for meeting the needs of approximately 160 children in the borough.

This proposal involved the reviewing of

- Internal residential care and respite services
- Commission services from external providers

In reviewing the internal residential care and respite service it was proposed to change the provision to ensure it was more effectively used, providing value for money and had better outcomes for individuals, particularly those nearing the point of transition.

As demand for long term beds was changing, there would be a gradual reduction in the number of long term beds and this would allow more effective accommodation to be placed in the facility at Addison Street, North Shields.

This move would release the accommodation at Heatherfield Mews to be used for alternative children needs.

**It was recommended that the facility at Heatherfield Mews be considered for use to accommodate any Looked After Children currently accommodated outside the borough.**

With regards to commission services from external providers, work would be undertaken to work with individuals and look at the services in place to support them and families and where possible divert to alternative service provision through the use of personal budgets.

### Support for Schools

This project aim was to review and develop the portfolio of services to schools.

In respect to the Early Years and School Improvement, efficiencies to the admin service would be made through the embedding of the NEXUS programme (IT system) that would enable greater self service by both staff and schools.

There would be a consolidation of technical services to schools to facilitate a unified service to schools and therefore reducing the need to outsource servicing.

It heard that there were increased opportunities for income generation from schools and early years within/beyond North Tyneside that included academies. This would be achieved by increasing Continuing Professional Development (CPD) and providing additional school development partner services.

*The sub-group were encouraged that income generation was being realised through the trading of services with other Local Authority's.*

The project would also extend the facilities management offer and see a universal service or a more bespoke offer to individual schools depending on their needs.

### **5.3 Fit for Purpose**

#### Deprivation of Liberty

Due to the increase of requests for assessments there was pressure for the authority to meet statutory timescales. To enable partners to self serve, work had been carried out to lean the process and develop a online system to host the referral process.

The automated process enables the easier alignment of Adult Social Care reviews and the Deprivation of Liberty process and allows both assessment and reviews to be undertaken at the same time.

The Authority had developed the new system in partnership with Worcester Council and would enable it to meet its statutory timescales. It was recognised that the new system could be licensed and then marketed to other Local Authority's to earn income.

#### How we are organised

It was recognised that through the streamlining of the Council's decision making infrastructure processes were largely through the reduction of staffing resource.

*Although the group understood the overall rationale it still expressed concerns that the loss of skilled officers was a potential risk to future service delivery.*

#### Sourcing Supply Chain and Commercials

The project aim was to ensure all of the supply chain was subject to rigorous Value for Money testing and best practice category management was applied.

Areas identified were in Public Health, PFI savings, Corporate Strategy and Procurement Services.

### **5.4 Maximising Resources**

#### Delivering our Fees and Charges Policy

The business case detailed proposals to changes in fees and charges to:

- Catering Services
- Bereavement Services
- Law & Governance Services
- Sport and Leisure

## Balancing the Investment Plan

Following a review of assets deemed to be funded by supported borrowing and where the position of the amount of Minimum Revenue Provision (MRP) associated with them had been overstated, the sub-group were informed that there was an option to take a MRP holiday for those assets whose lives are longer than the annuity rate suggests.

*The sub-group was satisfied that this approach followed the Department of Local Government guidance and would provide a significant saving for a one year period.*

## Develop our Community Hubs

The proposal was that the Howdon Community Centre would be transferred to a partner Family Gateway to deliver the maximum use of the facility with the potential that the gym facility would cease to be available.

If the partner decided to withdraw the provision of the gym then equipment currently in place would be distributed throughout other Authority leisure facilities.

The proposal also detailed the closure of the Royal Quay Tourist Information Centre.

## Define North Tyneside Cultural and Leisure Offer

To provide the optimum sport and leisure offer to residents resources needed to be targeted to areas where the best possible use could be realised. This business case identified a service that was being under used and therefore it was proposed to close the provision of a gym facility in the John Willie Sams Centre.

**It was recommended that a suitable service be identified to replace the gym facility and maximise the use of the John Willie Sams Centre facility for residents.**

## **5.5 Great Place**

### Securing Income from Trading Opportunities

It was noted that housing and property market in North Tyneside had remained relatively good and to maximise profit from Property Development this project aimed to use a range of commercial models to exploit the current and acquired assets to build profit.

It was expected that work would happen on a property by property basis at the beginning with initial work in North Shields and Whitley Bay areas and was linked with the government ambition to deliver more homes.

It was also noted that the delivering of housing would be through the North Tyneside Trading Company, with additional trading and commercial opportunities that were being explored.

*The group believed the use of the North Tyneside Trading Company would be of a greater benefit to the Authority than other alternatives. It also wished that scrutiny to be informed of the additional trading and commercial opportunities that were being explored and plans on how these would be delivered.*

**It recommends that the objectives for the North Tyneside Trading Company be detailed with corresponding income targets for the period of this budget.**

#### Develop Specialist Housing Product and Services

The project aim was to shape the housing growth plans to include specialist housing products and services for children and adults with additional needs.

A joint team would be created with commissioning, housing and social care expertise working together to provide suitable housing to accommodate various client groups.

The review examined the current model of provision and projected client base with the view to develop a different model of service that focused on Housing Based solutions that would enable revenue savings to be generated.

#### Housing solutions for Children and Young People

The current cost of accommodating high need clients leaving care 16+ could be greatly reduced using an identified block of six flats.

#### Housing solutions for Adults

The development of 13 apartments for persons with learning disabilities and 20 new-build properties through the Authority's partner Mariner Care for clients with learning disabilities and dementia.

*The sub-group were encouraged that specialist housing solutions were being developed.*

#### Delivering Our Transport Strategy

As part of the Transport Strategy of the Borough that is to be agreed in 2017 it was understood that the strategy would shape the transport operations, fleet operation would be handled and commissioning of transport services.

*A great deal of work had already been undertaken to develop a sustainable parking permit system in which scrutiny had involvement. It was understood that full costs were not being recovered using the current system and that a new approach to charging and introduction to paperless systems would be more sustainable.*

**It was recommended that the Parking Strategy be implemented as soon as practicable.**

It heard that having capital investment in our own fleet would reduce third party costs incurred through hiring in vehicles.

**It was recommended that vehicles acquired be of multi purpose use and not restricted to single use seasonal only activities (i.e. gritters).**

#### 10 Year plan for waste

Waste levels are increasing at a rate 2.6% per annum with the associated additional cost of £350,000 needed to manage the additional waste.

Growth in this area was due to new households and a number of associated pressures which included:

- Waste disposal costs
- Recycling costs
- End of grant support (Weekly Collection Support Scheme)
- Household Waste Recycling Centre (HWRC) and non Household waste.

It was proposed to introduce charges for non household waste (construction and demolition waste) through a permit for vans and trailers at the HWRC. This was in line with arrangements in other authorities.

*It was understood that recent communications had stated there would be no change to weekly refuse collections and that there would be no charge for garden waste collections.*

*The sub-group understood that the support grant to keep Weekly Collection Support Scheme was to end March 2017. It also understood that waste collection and charges had been a very contentious topic for residents.*

**It was recommended due to the projected increases in costs to manage refuse collection and the greater need to other services (especially social care) that the approach to how to collect waste be further investigated in the 2017.**

## 5.6 Housing Revenue Account

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

The Housing Revenue Account (HRA) faces significant challenges, not least from two pieces of Government legislation now passed into law i.e. the Welfare Reform and Work Act 2016, and the Housing and Planning Act 2016. In addition, the Authority is also facing the impact of the continued roll-out of Universal Credit and other welfare reforms.

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

It was understood that following consultation with tenants the final HRA budget would be presented to Cabinet on 18 January 2017 and at that meeting approval would be sought for the HRA Business Plan and Budget for 2017/18, including the housing rent, garage rent and service charge changes and the Housing Investment Plan.

## 5.7 Investment Plan

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

Investment of this nature plays an important role in ensuring the Authority meets its Health and Safety responsibilities, it also plays an important role in improving economic opportunities across all parts of the Borough.

Whilst some investment directly contributes to economic development, all has an indirect impact by providing stimulus to the economy, creating employment opportunities, supporting skills and development or contributing to confidence.

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

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

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

As part of the 2017/18 budget process, the IPB received bids for new projects and changes to existing projects. All bids were considered and, following a thorough challenge and review the items listed below were the current proposals considered.

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

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

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

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

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

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

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

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

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

(j) **Housing £23.885m:** provision of budget for 2019/20 and minor adjustments to 2017/18 and 2018/19.

### Summary of Investment Plan 2017-2020

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

## 5.8 Financial Risks

The sub group reviewed and noted all the Key Financial Risks (below), the mitigating actions and agree all need to be monitored and managed through the year. However it would stress that there needs to be clear visibility and accountability and **recommends that the Overview, Scrutiny & Policy Development Committee ensures that regular monitoring of the risk continue through its relevant scrutiny committees.**

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

<p>There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2019/20 may be wrong, resulting in changes to the current targeted savings of £52m by 2019/20, for the General fund and £2.141m for the HRA which will be considered by Cabinet in January 2017.</p>	<p>There is flexibility within the CBF Programme which will allow us to reconfigure if the assumptions that have been made prove to be incorrect. We work closely with national, regional and sub-regional financial networks to help ensure we are informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made. Development and acceptance of the Efficiency Plan will secure the Revenue Support Grant (RSG) (subject to Central Government Change) which will give a degree of certainty for the next 3 years.</p>
<p>There is a risk that the Council will fail to agree a Better Care Fund Plan for 2017/18 with North Tyneside Clinical Commissioning Group (CCG). As a consequence there is a risk in respect to the transfer of funding from health to social care and the continuation of funding for existing services funded by the BCF. This would have a consequential effect on the 2017/18 budget.</p>	<p>We are currently trying to work with the CCG to gain agreement to reduce the funding gap and to identify potential efficiencies across other areas which could be used to reduce the risk of a reduction to the level of funding transferred to the Council. The Policy and Framework and Guidance for the BCF specifically requires that funding transferred for social care should, as a minimum, be at the equivalent level as that of 2016/17. The Council is currently seeking to work with the CCG to identify areas where potential efficiencies could be achieved across the whole of the BCF funded projects.</p>
<p>There is a risk that not all growth pressures have been identified in the 2017/18 proposed Budget.</p>	<p>Detailed proposals have been put forward by each Head of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.</p>
<p>There is a risk that demand - led pressures exceed Budget provision.</p>	<p>Demand - led pressures continue in areas such as Adults and Children's Social Care and the impact of the Living Wage on our care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these initial Budget proposals.</p>
<p>There is a risk that specific factors arising during 2016/17 have not been fully taken into account when preparing the 2017/18 Budget.</p>	<p>The 2016/17 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to Senior Leadership Team. This process ensures factors arising during the year are highlighted.</p>
<p>There is a risk that the in year pressures being reported through the 2016/17 financial management process impact on the deliverability of the 2017/18 budget.</p>	<p>As at 30 September 2016, a pressure of £4.744m was reported against the 2016/17 budget. All services continue to develop and deliver actions to mitigate</p>



	<p>these financial pressures and expect the out-turn forecast to improve as we move through the year. In addition, non essential spend continues to be minimised along with a detailed review of demand led projections in order to reduce the over-commitment. Progress will be monitored through bi-monthly reporting to Cabinet and monthly reporting to Senior Leadership Team.</p>
<p>There is a risk that the contingency provision included in the Financial Plan for 2017/18 is insufficient.</p>	<p>The review of the base budget and the reflection of the 2016/17 pressures into 2017/18 are considered to be such that no further specific contingency is required.</p>
<p>There is a risk that there are insufficient levels of reserves and balances.</p>	<p>A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring process and planning process.</p>
<p>There is a risk that the level of capital receipts included in the Budget proposals are not deliverable.</p>	<p>Capital receipts of £0.663m are included in the financing of the 2017/18 Investment Plan. There are a number of actions being progressed that are expected to realise this requirement.</p>
<p>There is a risk that the Council will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the Housing Revenue Account. Government policy on Welfare Reform is resulting in a number of direct challenges to rent collection; the Spare Room Subsidy and the Benefit Cap have already had an impact. Further Welfare Reform changes, including the implementation of Universal Credit and its revised payment period, and changes proposed in the new Welfare Reform and Work Act 2016; reducing social housing rents by 1% each year for the next 4 years from April 2016. This has the potential financial impact of reducing rental income by approximately £27m over the 4 year period of the rent reduction from April 2016, and by over £400m over a 30 year period.</p>	<p>A financial inclusion strategy will set out how the Council and its partners will support its residents to better manage their finances and maximise their income. In addition, a review of the way tenants pay their rents is being carried out which should result in easier payment methods e.g. the introduction of more direct debit payments, which will ensure that rents are collected. Through the implementation of self service and agile working overall costs should be reduced.</p>
<p>There is a risk for a small number of schools that increasing Budget deficits will result in an unsustainable education offer.</p>	<p>Robust challenge and support arrangements are progressing across a number of schools from both the Local Authority and the wider school community.</p>
<p>There is a risk that North Tyneside may be placed at a disadvantage following the decision to leave the European Union in both financial and economic growth terms. The full extent of the impact will not be clear until we know the</p>	<p>The potential impact from leaving the EU has been included in the Council's Financial Strategy. This is helping to ensure that potential areas of impact following the EU exit are highlighted and included (where relevant) in budget</p>

precise trade terms which will apply once we formally leave the EU.	planning. The Council is a member of various regional groups which will help us keep up to speed on progress and have the opportunity to exert any influence that we can.
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## 5.9 Conclusions

The Budget Sub-group can only consider and comment on the information that has been provided to them. Concerns were raised that some of the information received had not been comprehensively completed especially with regards to risks associated to some businesses cases.

Although assurances were given that all business cases would be completed fully before agreeing the final budget.

The Authority is facing an incredibly tough and challenging time and is faced with steeply declining government funding as well as relentless pressure on our already reduced budgets.

The initial budget proposals were developed to protect and improve essential services for the people of North Tyneside, invest in the future of the borough, grow the local economy, creating more jobs and opportunities and build a more modern Authority that enables people to do more for themselves.

The proposals aim was to protect essential services and make sure that the Authority operates in as efficient a way as possible, providing excellent value for money for local taxpayers.

However the following will continue to impact the Authority's finances:

- The increase in rent arrears and the number of people seeking help due to homelessness following Welfare reform and benefit changes.
- The gaps in social care and with government moves to allow local authorities to increase a Council Tax precept of 2%, in order to fund care services on top of the basic increase in Council Tax.
- There are great concerns that Social Care could become unviable if not properly funded and the affects to those most in need with a shortage of suitable housing and social care packages.
- Where government grants were coming to and end (such as the Waste Weekly Collection Support Grant) and with the development of the strategy to deliver fairer and cost effective parking solutions.

A great deal of work has been undertaken in relation to these two issues and the sub-group requests that a clear vision to how these will be delivered be communicated and implemented at the earliest practicable time be made to realise savings that can then be redirected to supplement the delivery of services to those in the community with most need.

- The loss of experienced officers from all sectors of the Authority was also a concern with its potential risk to future services delivery.

## **6. Presenting Officers**

The following officers presented to the sub-group:

Janice Gillespie - Head of Finance

Haley Hudson - Senior Manager Wellbeing Governance and Transformation

Mark Taylor - Strategic Commissioning Manager, Children and Families

Sheila Watson - Strategic Commissioning Manager, Adults and Older People

Gill Baker - Senior Manager, Early Help & Vulnerable Families

Mark Barrett - Senior Manager Education to Employment

Jonathon Chicken - Senior School Improvement Officer, Primary Achievement

Kath Robinson - Principal Manager of the Integrated Disability and Additional Needs Service

Samantha Dand - Environment Housing and Leisure Management

Alison Campbell - Senior Business Partner

Dave Foster - Environment Housing and Leisure Management

Darrell Campbell – Principal Accountant

Jacqui Old - Head of Health, Education, Care and Safeguarding

## **7. Background Information**

The following documents have been used in the compilation of this report and may be inspected at the offices of the author:

*2017-2020 Financial Planning and Budget Process: Cabinet's Initial Budget proposals*

*2017/20 Business Cases for:*

- a. Cared For*
- b. Ready for School and Ready for Work*
- c. Fit for Purpose*
- d. Maximising Resources*
- e. Great Place*
- f. Housing Revenue Account*
- g. Investment Plan*