



TITLE OF REPORT: Base Revenue Budget 2020 - 2025

REPORT OF: Darren Collins, Strategic Director, Resources and Digital

Purpose of the Report

1. To request Cabinet to agree an indicative five-year base revenue budget that will provide the basis for supporting delivery of the Council's thrive objectives.

Background

2. A new budget approach is required to realign limited resources to invest in council priorities, to support delivery of the Thrive agenda and to achieve a sustainable, balanced budget going forward.
3. On 19 November 2019 Cabinet approved an overall framework for a new budget approach that will support the delivery of the Council's thrive objectives. This included a draft base budget into Cabinet in December to reflect the longer-term planning horizon and the Council's new structure agreed by Cabinet in October 2019. This report proposes a five-year draft base. This is to be followed by a report in January to propose a revised base, reflecting investment in priorities resourced by areas for recommissioning.
4. While the statutory budget setting process will continue to be on an annual basis, a longer-term approach is essential if the Council is to deliver on its priorities and remain financially sustainable. The greater the uncertainty about future government policy then the greater the need to demonstrate the long-term financial resilience of the Council given the risks attached to its core funding.
5. The creation of an indicative base budget over a five year period will establish a foundation for effective budget setting to support financial sustainability.
6. The Chartered Institute of Public Finance and Accountancy (CIPFA) plan to introduce a Financial Management Code with full implementation expected by April 2021, setting out specific standards to assist local authorities in demonstrating financial sustainability. An objective of the code is to demonstrate there is leadership, capacity and knowledge to plan effectively. The new approach to budget setting will provide a strong evidence base to demonstrating the Council's ability to manage longer term finances and have the financial resilience to meet demand and manage unexpected cost pressures.

Proposal

7. It is proposed that Cabinet agree an indicative base budget for the five-year period which is included as appendix 2. The base revenue budget includes the estimated

MTFS cost pressures covering service specific demand and inflation. These estimates will be reviewed alongside any revisions to the MTFS in July 2020.

8. The Base budget will extend to five years and it will provide the overall starting position to the revenue budget to which investment and savings will be added each year to assist in the direction of resources to priorities and in bringing spending in line with available funding.

Recommendations

9. Cabinet is requested to agree the indicative five-year revenue estimates prior to investment and recommissioning as set out in the appendix.

For the following reasons:

- (i) to contribute to the good financial management practice of the Council;
- (ii) to assist the financial sustainability of the Council over the medium to long term.

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Policy Context

1. Making Gateshead a Place Where Everyone Thrives sets the major policy directions for the Council, redressing the imbalance of inequality, championing fairness and social justice. This approach determines future budget proposals and sets out the priorities for the Council over the timeframe of the Medium Term Financial Strategy.
2. Council is responsible for approving a budget following recommendations from Cabinet, in line with the budget and policy framework outlined within Gateshead Council's constitution.

Background

3. The Council is facing unprecedented financial and demand pressures following a decade of austerity. Achieving financial sustainability is critical to protect outcomes for the community and local economy.
4. Gateshead's strategic approach of Making Gateshead a Place Where Everyone Thrives was agreed with the council's purpose and beliefs in mind, along with what matters most to the people of Gateshead. Due to insufficient funding and increasing demands, the council will be forced to make difficult choices in the years ahead about which services to prioritise for investment.
5. As a consequence of the high degree of uncertainty, the Council will continue to keep the MTFS under review to assess the potential impact of government policies and funding reforms on budget decisions.
6. While much has been done to date to transform services, streamline and become more efficient the nature of the annual savings exercise has hampered longer term decision making and prevented a more holistic view being taken. Outlining five year revenue spending plans will support wider engagement both with key stakeholders and within the Council to plan ahead and carefully consider budget choices.

2020/21 Base Position

7. Base budget estimates have been prepared under the Council's new structure. This has been informed by discussions with Services to align current year's budget following movement in responsibilities.
8. The pay award for 2020/21 has not yet been agreed and as such is not included in the group base position. As usual in this situation it will be held in corporate contingency pending agreement.
9. The draft base position includes a corporate contingency of £9m (£7.3m in 2019/20) in the base to meet the cost of pay award, expected pressures relating to national living wage changes as well as to absorb the cost of any unforeseen pressures in a year.
10. Salary estimates have been prepared using the anticipated lower superannuation rates following the outcome of the 2020 triannual review of the pension fund. This has led to a significant saving to the Council in 2020 lasting until the next valuation

Engagement and Equalities Impact

11. Engagement will be ongoing until such time as the Council's budget is agreed in February 2020. Further engagement and consultation will be necessary throughout 2020 to reflect the continuous and longer-term approach to reach a financially sustainable position based on the Council's priorities.
12. The MTFS sets a financial context for budget consultation. The Council's budget planning framework is supported by the development of integrated impact assessments (IIA) for draft budget proposals. These assessments include identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010 and identify potential mitigation where applicable.

Alternative Options

13. Local authorities are legally obliged to set a balanced budget each year and to ensure they have sufficient reserves to cover any unexpected events. Continuing to balance the budget in the same way as in previous years by reducing service areas to reflect reduced funding availability is no longer sustainable.

Implications of Recommended Option

14. Resources:

- a) **Financial Implications** – the Strategic Director, Resources and Digital confirms that:
 - i. The Council will deliver a balanced budget consistent with legislation that is driven by council policy and which achieves priority outcomes. To achieve this, the Council must close an estimated financial gap of £50m over the medium term. Alongside the savings position the Council will seek to close the financial gap through consideration of other funding options. These other funding options include growth in council tax and business rates funding and consideration of a council tax increase as well as a full review of the cost pressures within MTFS assumptions and the optimum deployment of available reserves.
 - ii. Council will continue to agree the final revenue budget each year in February including areas of investment and budget savings. This work will form part of an ongoing dialogue throughout the year involving engagement and consultation whilst working towards five year spending plans.
- b) **Human Resources Implications** – there are no direct HR implications arising from this report. Any implications arising from the budget approach will be the subject of future reports.
- c) **Property Implications** – there are no direct property implications arising from this report. Any implications arising from the budget approach will be the subject of future reports.

15. **Risk Management Implication** – there are no direct risk implications arising from this report. Any implications arising from the budget approach will be the subject of future reports.
16. **Equality and Diversity Implications** – an integrated impact assessment will be used to assess the equality and diversity and wider implications of the budget approach and will be the subject of future reports.
17. **Crime and Disorder Implications** – there are no direct crime and disorder implications arising from this report. Any implications arising from the budget approach will be the subject of future reports.
18. **Health Implications** – there are no direct health implications arising from this report. Any implications arising from the budget approach will be the subject of future reports.
19. **Sustainability Implications** – The MTFS provides a framework with the express objective of achieving a sustainable financial position over the medium term.
20. **Human Rights Implications** – No direct human rights implications.
21. **Area and Ward Implications** – All areas of the Borough are covered by the budget approach.

Appendix 2

Indicative Budget Forecasts Before Priority Growth and Savings

Indicative Revenue Budget Forecast Summary	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Base Budget Before MTFS Growth	207.262	214.288	225.362	235.751	245.724
Growth	7.026	11.074	10.389	9.973	9.832
Base Budget After MTFS Growth	214.288	225.362	235.751	245.724	255.556
Indicative Budget Before Priority Growth and Savings	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Children, Adults and Families	110.229	115.788	121.893	128.069	134.235
Public Health & Wellbeing	19.918	20.775	21.651	22.545	23.458
Economy Innovation & Growth	(0.477)	(0.130)	0.223	0.585	0.954
Housing, Environment and Healthy Communities	20.442	21.554	22.688	23.844	25.022
Corporate Service and Governance	4.546	4.832	5.125	5.423	5.728
Resources & Digital	8.665	9.162	9.671	10.389	10.917
Office of the Chief Executive	0.977	1.089	1.205	1.323	1.446
Total Indicative Group Revenue Budget	164.300	173.071	182.456	192.179	201.761
Non - Group					
Other Services, Contingency Capital Financing	42.468	44.771	45.775	46.025	46.275
Traded and Investment Income	(3.566)	(3.566)	(3.566)	(3.566)	(3.566)
Levies	11.086	11.086	11.086	11.086	11.086
Total Indicative Council Revenue Budget	214.288	225.362	235.751	245.724	255.556