

TITLE OF REPORT: Budget and Council Tax Level 2020/21

REPORT OF: **Sheena Ramsey – Chief Executive**
 Darren Collins - Strategic Director, Resources and Digital

Purpose of Report

1. To request Cabinet to recommend to Council on 27 February 2020 the Budget and Council Tax level for 2020/21. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators and Minimum Revenue Provision (MRP) Statement set out in this report. The Budget forms a key element of the Council's strategic approach to making Gateshead a place where everyone thrives and agreeing a balanced budget is fundamental to the financial sustainability of the Council.

Background

2. On 17 October 2019 Council agreed the Medium-Term Financial Strategy (MTFS) that covered the period 2020/21 to 2024/25 which presented an extremely challenging financial position over the medium term and identified an estimated funding gap of £49.9 million over the five-year period. The MTFS identified a financial gap of £8 million to be closed for 2020/21 to legally achieve a balanced budget. The MTFS also identified significant uncertainty in the future funding of the Council by government.
3. On 31 October 2019 the Council responded to the Local Government Finance Settlement Technical Consultation.
4. On 19 November 2019 Cabinet agreed a new prioritised approach to long term budget setting to achieve the thrive agenda.
5. On 21 November 2019 Council agreed the local council tax support scheme for 2020/21 which continues to support a minimum contribution rate of 8.5% for working age benefit claimants that will continue to assist 12,270 council tax payers.
6. On 20 December 2019 the Government announced the provisional local government finance settlement for 2020/21, including council tax referendum principles.
7. On 17 January 2020 the Council responded to the Provisional Local Government Finance Settlement 2020/21 Consultation.
8. On 21 January 2020 Cabinet agreed the council tax and business rates base forecasts for 2020/21.
9. On 21 January 2020 Cabinet agreed a five-year base revenue budget before priority investment and savings.
10. On 6 February 2020 the final local government funding settlement figures were announced. Overall funding was in line with expectations. The final settlement debate and vote by ministers originally scheduled for 12 February is now confirmed for the 24 February.
11. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2020/21.

Proposal

A Budget to Deliver Council Priorities

12. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives provides a framework to demonstrate how the Council makes decisions that are policy and priority led. The approach is predicated on the following pledges:
 - Put people and families at the heart of everything that we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
 - Work together and fight for a better future for Gateshead
13. In November 2019 Cabinet agreed a new approach to budget setting that will involve five-year planning of budgets with a focus on achieving priorities. The Council has developed a set of core principles that will underpin our approach, specifically the approach will be:
 - Priority driven – the Council will focus on what matters most;
 - Performance driven – a focus on measurable outcomes;
 - Council wide rather than service focus;
 - Over an extended budget time horizon of 5 years to enable effective planning;
 - Iterative to reflect a continuous approach;
 - Supported by investment to deliver improvement and efficiencies;
 - Targeted approach to those with the greatest need;
 - Community focussed to maximise local wealth; and
 - Integrated to cover all aspects of the Council's budget including revenue, capital, schools, and housing.
14. The approach will focus on five key areas to drive forward progress in achieving thrive outcomes for targeted improvements in;
 - i. Economy - Strong business growth with good quality jobs at all levels that are accessible to local people and delivery of key developments, such as Gateshead Quays, attracting visitors and business to Gateshead.
 - ii. Health and Housing - Good quality housing with a mix of tenures and affordable options that meet the needs of local people including families and older people enabling them to live healthy lives as well as enabling people to make healthy choices and prevent ill health.
 - iii. Poverty and Inequality – Helping to ensure that everyone gets the opportunities and support they need to thrive.
 - iv. Climate Change – environmentally sustainable policies and approach across council activities to reduce carbon and harmful emissions across Gateshead, reducing waste and securing a better future.
 - v. Transport – A transport system that supports the economy, reduces emissions and encourages more sustainable forms of travel including cycling and public transport.

15. This report proposes a budget in 2020/21 that moves forward a priority driven approach to revenue resource allocation. Unlike previous years, 2020/21 will mark a change from the annual budget proposal cycle to a continuous approach with budget developments brought for consideration to Cabinet throughout the year within a five-year budget planning framework.
16. Government have announced a maximum council tax uplift of up to 4% for council services including another year of the adult social care precept. Councils are expected to do this and the funding resulting from the maximum uplift is included in the funding settlement assumptions.
17. The proposed budget will result in a council tax increase of 1.99% for residents of the Borough of Gateshead in respect of Gateshead Council expenditure plus an additional council tax increase of 2% for residents of the Borough of Gateshead in respect of the Government's charge for adult social care expenditure.
18. This will result in a combined council tax increase of 3.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in under £1 a week rise for the majority of council tax payers in Gateshead living in the lowest value properties (Band A) or £1.35 a week for those in Band D. This report recommends a 3.99% council tax increase in the Council's council tax for 2020/21.
19. The proposed base budget for 2020/21 after investment, savings and budget use of reserves of £3.031m is £220.761 million. Available funding for 2020/21 is £217.731 million based on the settlement. Including a council tax increase of 3.99%, council tax income and collection fund transfers resulting in a budget savings requirement of £0.451 million. This can be summarised as follows:

Budget Savings Requirement 2020/21	£m
Agreed Base Budget and contingency	214.633
Plus, priority growth	3.548
Less budget savings	(0.451)
Plus Budget Funded from Reserves	3.031
Proposed Net Budget 2020/21	220.761
Funded by;	
Local Funding (Council Tax and Business Rates)	(140.471)
Government Funding	(77.259)
Earmarked Reserves	(3.031)
Total Funding 2020/21	(220.761)

20. The Council recognises the impact of the recommended council tax increase on some of the most vulnerable in society and particularly those on fixed incomes. However, a combination of continued cost pressures and significant funding reductions has left the Council with little choice but to increase council tax to protect the delivery of essential Council services to the residents of Gateshead. The Council will continue to provide the current council tax support scheme that enables targeted support for those residents that are likely to be most affected by the increase.

Recommendations

21. Cabinet is requested to make the following recommendations to Council:
- (1) That Gateshead's Band D council tax for 2020/21 is increased by 3.99% (including a 2% adult social care Government charge) to £1,823.91
 - (2) The revenue estimates of £220.761 million for 2020/21 are approved.
 - (3) The budgeted use of £2.498 million Earmarked Reserves in 2020/21 be approved, together with £0.533m previously agreed in the 2019/20 budget report this takes total use of reserves to £3.031 million.
 - (4) That the indicative schools funding presented in Appendix 2 be agreed.
 - (5) To note the conclusions of the Strategic Director, Resources and Digital in respect of the robustness of budget estimates and adequacy of reserves.
 - (6) That the prudential and treasury indicators set out in Appendix 6 to this report be agreed.
 - (7) That the method of calculating the Minimum Revenue Provision (MRP) for 2020/21 as set out in Appendix 7 be approved.
 - (8) That the priority investment and savings included in the budget in Appendix 2 be agreed.
 - (9) That the outcome of budget consultation outlined in appendix 3 be noted.
 - (10) That it be noted that at its meeting on 21 January 2020, Cabinet agreed the following amounts for the year 2020/21 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
 - (a) **52,453.6** being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its Council Tax base for the year;
 - (b) **1,213.1** for Lamesley Parish being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.
 - (11) That the following amounts be now calculated by the Council for the year 2020/21 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011 ('the Act'):
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 - (a) **£577,122,334** being the aggregate total of the expenditure amounts, which the Council estimates for the items, set out in Section 31A (2) of the Act taking into account the precept issued by Lamesley Parish Council
 - (b) **(£481,440,320)** being the aggregate total of the income amounts, which the Council estimate for the items, set out in Section 31A (3) of the Act
 - (c) **£95,682,014** being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year including Lamesley Parish Council

- (d) **£1,824.1267** being the amount at (c) above, all divided by the amount at (10)(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its Council Tax for the year including Lamesley Parish Council
- (e) **£11,530.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) **£1,823.9069** being the amount at (d) less the result given by dividing the amount at (e) above by the amount at (10)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Lamesley Parish Council) relates
- (g) Part of the Council's area: Lamesley Parish
£1,833.4069 being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (10)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items (Lamesley Parish Council) relate
- (h)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	6.34	1,215.94
B	7.39	1,418.59
C	8.45	1,621.25
D	9.50	1,823.91
E	11.62	2,229.22
F	13.73	2,634.53
G	15.84	3,039.84
H	19.00	3,647.81

being the amounts given by multiplying the amounts at (f) and (g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (12) That it be noted that for the year 2020/21, the Police and Crime Commissioner for Northumbria, and Tyne and Wear Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	91.33	55.98
B	106.56	65.31
C	121.78	74.64
D	137.00	83.97
E	167.44	102.63
F	197.89	121.29
G	228.33	139.95
H	274.00	167.94

- (13) That, having calculated the aggregate in each case of the amounts at (11) (h) and (12) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2020/21 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,369.59	1,363.25
B	1,597.85	1,590.46
C	1,826.12	1,817.67
D	2,054.38	2,044.88
E	2,510.91	2,499.29
F	2,967.44	2,953.71
G	3,423.96	3,408.12
H	4,108.75	4,089.75

- (14) That under section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), the Council's relevant basic amount of council tax for 2020/21 is not excessive in accordance with the principles determined under section 52ZC of the Act.

For the following reason:

- To fulfil the Council's statutory duty to set the Budget and Council Tax for 2020/21.

CONTACT: Darren Collins, extension 3582

PLAN REF:

Policy Context

1. The Council has approached the budget for 2020/21 within a framework for achieving the Council's strategic approach 'Making Gateshead a Place Where Everyone Thrives'.
2. The Council recognises there are huge financial pressures on not just council resources, but those of partners, local businesses and residents. To deliver on the new strategic approach over the next five years, the Council will need to be resolute and dynamic in its determination to make Gateshead a place where everyone thrives. The strategy was agreed with the Council's purpose and beliefs in mind, along with what matters most to the people of Gateshead.
3. The Medium-Term Financial Strategy (MTFS) provides the financial planning framework for supporting the allocation of available resources to deliver strategic plans. It also ensures a sustainable Gateshead through the best use of available resources to deliver services and long-term financial sustainability for the Council.
4. Full 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

5. This budget follows a period of ten years of austerity and major government policy changes including welfare reform, housing and schools reform, finance reforms as well as unfunded cost pressures such as national living wage, care act duties and the apprenticeship levy. This has resulted in huge pressures on local authority budgets. The Council recognises there are huge financial pressures on not just council resources, but also those of partners, local businesses, residents and the voluntary and community sector.
6. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives was agreed in March 2018. The approach provides a framework to demonstrate how the Council will work and make decisions that are policy and priority led. The approach is aligned to the timeframe of the Council's MTFS and is predicated on the following pledges:
 - Put people and families at the heart of everything that we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
 - Work together and fight for a better future for Gateshead
7. To deliver on the strategic approach, the Council will need a radical rethink about how it works, how resources are spent, how the Council works with partners, organisations, businesses, trade unions, employees and the local people and communities of Gateshead. The new strategic approach will set the major policy directions for the Council within the resources available and seek new funding sources to redress the imbalance of inequality, champion fairness and social justice.

8. In November 2019 Cabinet agreed a new approach to budget setting that will involve five-year planning of budgets with a focus on achieving priorities. The Council has developed a set of core principles that will underpin our approach, specifically the approach will be:
- Priority driven – the Council will focus on what matters most;
 - Performance driven – a focus on measurable outcomes;
 - Council wide rather than service focus;
 - Over an extended budget time horizon of 5 years to enable effective planning;
 - Iterative to reflect a continuous approach;
 - Supported by investment to deliver improvement and efficiencies;
 - Targeted approach to those with the greatest need;
 - Community focussed to maximise local wealth; and
 - Integrated to cover all aspects of the Council's budget including revenue, capital, schools, and housing.
9. The approach will focus on five key areas to drive forward progress in achieving thrive outcomes for targeted improvements in;
- Economy
 - Health and Housing
 - Poverty and Inequality
 - Climate Change
 - Transport
10. The ability to invest in priority areas will initially require additional resources. Ultimately this investment will need to be resourced from other areas of the Council where services could be recommissioned and delivered differently or stopped. Areas of cross council efficiencies and service delivery models will be developed to ensure the Council is focused on delivering priorities and statutory functions in the most effective way and making the best possible use of resources. The Council intends to take a longer-term approach to the shift in resources to achieve priority outcomes. Five-year plans will set out intentions for redirection of resource to support the Thrive agenda.
11. In January 2020 Cabinet agreed an indicative five-year revenue budget prior to priority growth and savings. The starting base budget for 2020 was £214.288m.
12. The Council's budget estimates for 2020/21 attached at Appendix 2 have been prepared in accordance with the new priority approach and after consideration of the outcome of budget consultation.

Considerations

13. In finalising the budget and council tax for 2020/21, the following issues require consideration and are set out in the body of this appendix: -
- Medium Term Financial Strategy context;
 - Final settlement 2020/21;
 - Projected revenue outturn 2019/20;
 - Budget guidance and base budget requirements 2020/21;
 - Budget growth and savings proposals 2020/21; (See also appendix 2)
 - Projected business rates 2020/21;
 - Council tax 2020/21;
 - Adequacy of reserves and robustness of budget estimates;(See also appendix 5)
 - Agreed use of reserves 2020/21;
 - Approval of prudential indicators for 2020/21 (see also appendix 6);
 - Minimum Revenue Provision (MRP) (see also appendix 7).

Medium Term Financial Strategy

14. The Council has adopted a longer-term approach to its strategic and financial planning. The Medium-Term Financial Strategy (MTFS) was updated and agreed by Cabinet in October 2019 and is based on a financial forecast over a rolling five-year timeframe to 2024/25. This sets the financial context for the Council's resource allocation process and budget setting.
15. Due to proposed funding reforms for local government there is no certainty of funding levels beyond 2020/21 and an absence of guidance in this area. The hugely challenging financial context is expected to continue over the medium term and the general uncertainty around future funding reforms and the economy following the UK exit from the European Union on 31 January 2020 will add to the potential for financial volatility and risk.

Final Settlement 2020/21

16. On 6 February 2020, the final local government funding settlement was announced. Overall funding was in line with expectations. The final settlement debate and vote by ministers originally scheduled for 12 February is now confirmed for the 24 February. There remains no certainty or guidance on future funding levels.
17. It was confirmed that the existing improved Better Care Fund funding is to be maintained at 2019/20 levels, and now incorporates the £240m which was allocated as ringfenced Winter Pressures Grant in 2019/20 and is no longer ringfenced. Levels of social care support grant were confirmed which is un-ringfenced grant.
18. There remains a substantial funding gap facing children's and adult social care both nationally and locally. There continues to be huge funding pressures facing local authorities to continue to protect the vital services which care for older and disabled people, protect children and support families. Long term planning for these vital services is undermined through a lack of information on the levels of future funding available. It should be a priority of Government to secure a longer-term funding stream for care services.
19. It is essential that all new burdens should be funded, including the potentially significantly higher cost of the Living Wage over the next few years.
20. It is vital that any future funding approach for local government is fair and provides recognition of the support required in those areas of greatest need. Government must consider the impacts of their policy decisions and the level of statutory duties at a time of significantly reducing funding.
21. In the immediate short term for 2020/21 the additional resource allocated on a one-off basis for social care by Government in the final settlement and the results of the triennial review of the Tyne and Wear pension fund have resulted in a position where the budget for next year can be balanced without recourse to savings. The threat to the financial sustainability of the Council over the medium term remains as evident and challenging as ever.

Projected Revenue Outturn 2019/20

22. The agreed net revenue budget for 2019/20 is £207.262m. On 21 January 2020, Cabinet received a report on projected spending considering performance to 31 December 2019. The 2019/20 projected outturn at the third quarter shows a projected overspend of £1.810m for the year.

23. Given the significant financial challenges ahead, work is being undertaken in year to reduce costs, increase income and achieve underspends wherever feasible. This is good financial management that aids financial sustainability. The Council has an exceptionally strong track record of delivering the outturn within budget.
24. The final outturn position will be reported to Cabinet in June 2020 and due to active budget management, it remains the intention that the outturn will be delivered within original budget estimates.

Base Budget Requirement 2020/21

25. The following key assumptions have been made in development of the 2020/21 budget;
- Budget uplifts for general inflation on areas such as utilities and additional budget to cover increased service demands. Resources have been included in relation to potential pay award and salary increments (£3.972m)
 - Provision has been made in the budget for the North East Combined Authority Transport, Environment Agency and Port of Tyne Levies. The agreed reduction in the NECA levy has been included (£0.061m) reducing budget provision to £10.888m.
 - Revenue support grant increase from £15.012m to £15.256m
 - An estimation of funding available to support the budget from retained business rates and Section 31 business rates grant based on the NNDR1 return to Government.
 - An increase to £95.670m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£0.681m) and agreement of the proposed council tax increase (£3.671m).
 - The pay award for 2020/21 has yet to be announced, the draft Budget includes provision for up to a 3% pay award within contingency.
 - On 31 December 2019 the Government announced that low paid workers will receive a 6.2% pay rise with a new National Living Wage of £8.72 from the start of April 2020. The estimated budget impact of this increase for the Authority for 2020/21 is £0.745m, which is an additional unfunded growth pressure.
 - The amount of Improved Better Care Fund payable via Clinical Commissioning Group is unconfirmed to date but is expected to be a minimum of 2019/20 funding levels. The Spending review announced a 3.4% increase in this funding, and this is the basis of the funding estimate used in budget setting.
 - A real term increase in the public health budget was announced in the Spending Round 2019. However, the Provisional Settlement did not include information about the national total, or individual authority allocations of the Public Health Grant for 2020/21. Therefore, this grant has been assumed at 2019/20 levels in the absence of an announcement from the Department of Health.
 - If final allocations of these grants differ from the estimates the impact will be managed through contingency or an amendment to budget requested through Council.

26. Growth in the Council budget has been kept to a minimum with provision being made in a contingency of £9.2m (4% of total net budget) to protect against one off in year unforeseen events and provide for budget allocations in relation to the pay award, budget pressures from changes in the national living wage, workforce, risk and demand pressures. This is consistent with MTFS principles and good financial management.
27. The base budget figures and proposals are presented in Appendix 2, including all comparative figures for 2019/20. Appendix 2 starting base budget includes some budget virements that have taken place after the indicative base budget was set. This is to reflect movement of budget between groups due to agreed changes in roles or responsibilities.

Budget Growth and Savings Proposals 2020/21

28. Work has begun to consider the shift in resources needed to achieve priority outcomes through five-year planning. 2020/21 marks the first year and start of a change in approach to budget setting. To support delivery of priorities, several areas have received investment to allow for different ways of working and to generate savings. (See appendix 2 for further details) These areas are;
- Adult Social Care investment to support a five-year plan to reduce demand and achieve budget savings through early intervention;
 - Children's Services investment to support a five-year plan to reduce demand and achieve budget savings through early intervention;
 - Investment to develop capacity in the voluntary community sector and neighbourhoods through implementing the information and advice review recommendations, developing intelligence and data to help determine targeted resource decisions and focusing Council neighbourhood resource on Thrive priorities;
 - Investment in economic growth and redevelopment to help create more and better jobs and employment skills;
 - Investment to drive community wealth building and commission for complexity;
 - Investment to support public service reform, improved research and intelligence, customer experience, improved performance management and support the development and implementation of cross Council reviews.
 - Investment in housing to enable successful communities and neighbourhoods and improve housing stock and prevent homelessness;
 - Investment in a detailed strategy and plan for climate change activity to help achieve Council aspirations;
 - A targeted investment plan delivered over three years for environmental improvements in the borough plus tree planting to help combat the effects of climate change.

29. Early work has identified some areas of budget saving that can be taken in 2020/21 to start the process of budget redirection. These will arise from contract savings across the Council, facilities management and savings from a move to a Corporate Landlord model of ensuring a productive use of land and assets to deliver Thrive outcomes.
30. In addition, consideration has been given to areas that would benefit from a cross council review to ensure efficiency and effectiveness and fit for purpose. Incorporating budget consultation feedback a number of these reviews will commence in 2020 namely;
- a. Print Point
 - b. Civic Catering
 - c. Support Services
 - d. Regulatory and Technical Services
 - e. Services to Schools
 - f. Leisure and Culture
 - g. Traded Environmental Services
 - h. Fleet
 - i. HR Framework and Employee Allowances (including sickness absence policies and procedures)
 - j. Management Reviews (below chief officer)
31. Any proposals arising from these review areas and any subsequent budget proposals will be the subject of future reports to be agreed throughout the year.

Projected Business Rates 2020/21

32. As part of the 2020/21 settlement, the Government provided a baseline figure for retained business rates of £43.114m. The National Non-Domestic Rates Return 1 (NNDR1) 2020/21 submitted to the Ministry of Housing, Communities and Local Government on 31 January 2020 estimated that the Council's retained element will be £43.181m (adjusted for cost of collection). An additional estimate of £5.745m is included in the base budget funding in relation to reliefs which are reimbursed through a S31 grant.

Council Tax 2020/21

Statutory Requirements: Calculation of Council Tax Requirement

33. Section 30 of the Local Government Finance Act 1992 requires the Council to set an amount of Council Tax for each financial year for each category of dwellings in its area. The council tax must be set before the 11 March in the preceding financial year. For a category of dwellings, the amount of Council Tax is the aggregate of: -
- (i) the amount of tax in relation to the year that the Authority itself has calculated, and
 - (ii) the sum of the amounts of tax in relation to the year that major precepting authorities have calculated in precepts issued to the authority by major precepting authorities.
34. Sections 31A, 31B and 34 to 36 of the 1992 Act (the 1992 Act) require the Authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its council tax requirement. In calculating its council tax requirement, the Authority must make the following calculations: -

35. (1) In relation to each financial year a billing authority in England must make the calculations required by the section 31A of the 1992 Act.
- (2) The Authority must calculate the aggregate of: -
- (a) the expenditure which the Authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a Business Improvement District (BID) Revenue Account, for the year in accordance with proper practices;
 - (b) such allowance as the Authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices;
 - (c) the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;
 - (d) such financial reserves as are enough to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not already been provided for;
 - (da) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with regulations under section 97(2B) of the Local Government Finance Act 1988 Act (the 1988 Act);
 - (e) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97 (4) of the 1988 Act;
 - (f) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.
- (3) The aggregate of: -
- (a) the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices;
 - (aa) any amounts which it estimates will be transferred in the year from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act;
 - (b) any amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97 (3) of the 1988 Act;
 - (c) any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
 - (d) the amount of the financial reserves which the authority estimates it will use to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.

- (4) If the aggregate calculated under (2) above exceeds that calculated under (3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year.
- (5) In making the calculation under subsection (2) above the authority must ignore payments which must be met from its collection fund under section 90(2) of the 1988 Act or from a trust fund and, subject to paragraphs (da), (e) and (f) of subsection (2) above, sums which have been or are to be transferred from its general fund to its collection fund.
- (6) In estimating under subsection (2)(a) above the authority must consider: -
- (a) the amount of any expenditure which it estimates it will incur in the year in making any repayments of grants or other sums paid to it by the Secretary of State, and
 - (b) the amount of any precept issued to it for the year by a local precepting authority and the amount of any levy or special levy issued to it for the year.
- (7) But (except as provided by regulations under section 41 of the 1992 Act or regulations under section 74 or 75 of the 1988 Act) the authority must not anticipate a precept, levy or special levy not issued.
- (8) For the purposes of subsection (2)(c) above an authority's estimated future expenditure is: -
- (a) that which the authority estimates it will incur in the financial year following the year in question, will charge to a revenue account for the year in accordance with proper practices and will have to defray in the year before the following sums are sufficiently available: -
 - i. sums which will be payable for the year into its general fund and in respect of which amounts will be credited to a revenue account for the year in accordance with proper practices, and
 - ii. sums which will be transferred as regards the year from its collection fund to its general fund, and
 - (b) that which the authority estimates it will incur in the financial year referred to in paragraph (a) above or any subsequent financial year in performing its functions and which will be charged to a revenue account for that or any other year in accordance with proper practices.
- (9) In making the calculation under subsection (3) above the authority must ignore: -
- (a) payments which must be made into its collection fund under section 90(1) of the 1988 Act or to a trust fund, and
 - (b) subject to paragraphs (aa), (b) and (c) of subsection (3) above, sums which have been or are to be transferred from its collection fund to its general fund.

- (10) The Secretary of State may by regulations do either or both of the following: -
- (a) alter the constituents of any calculation to be made under subsection (2) or (3) above (whether by adding, deleting or amending items);
 - (b) alter the rules governing the making of any calculation under subsection (2) or (3) above (whether by deleting or amending subsections (5) to (9) above, or any of them, or by adding other provisions, or by a combination of those methods).
- (11) Calculations to be made in relation to a particular financial year under this section must be made before 11 March in the preceding financial year, but they are not invalid merely because they are made on or after that date.
- (12) This section is subject to section 52ZS of the 1992 Act (which requires a direction to a billing authority that the referendum provisions in chapter 4ZA of the 1992 Act are not to apply to the authority for a financial year to state the amount of the authority's council tax requirement for the year).

Calculation of Basic Amount of Tax

- (13) In relation to each financial year a billing authority in England must calculate the basic amount of its council tax by applying the formula: -

$$\frac{R}{T}$$

where: -

- R is the amount calculated (or last calculated) by the authority under section 31A (4) of the 1992 Act as its council tax requirement for the year;
- T is the amount which is calculated by the authority as its council tax base for the year and, where one or more major precepting authorities have power to issue precepts to it, is notified by it to those authorities ("the major precepting authorities concerned") within the prescribed period.
- (14) Where the aggregate calculated (or last calculated) by the authority for the year under subsection (2) of section 31A does not exceed that so calculated under subsection (3) of that section, the amount for item R above is to be nil.
- (15) The Secretary of State must make regulations containing rules for making for any year the calculation required by item T above; and a billing authority must make the calculation for any year in accordance with the rules for the time being effective (as regards the year) under the regulations.
- (16) Regulations prescribing a period for the purposes of item T above may provide that, in any case where a billing authority fails to notify its calculation to the major precepting authorities concerned within that period, that item must be determined in the prescribed manner by such authority or authorities as may be prescribed.

- (17) The Secretary of State may by regulations do either or both of the following:
- (a) alter the constituents of any calculation to be made under subsection (13) (whether by adding, deleting or amending items);
 - (b) provide for rules governing the making of any calculation under that subsection (whether by adding provisions to, or deleting or amending provisions of, this section, or by a combination of those methods).

Council Tax Bandings

36. There are eight council tax bands ranging from Band A for dwellings valued at less than £40,000 on 1 April 1991 to Band H for dwellings valued at more than £320,000 on that date. Within an authority, the council tax for each valuation band is a fixed ratio to that for Band D. Dependent on their assigned council tax band dwellings pay a proportion of the Band D council tax set for the authority and local authorities set their council tax based on the number of Band D equivalent properties in their area. Bands are assigned by the Valuation Office Agency (VOA).
37. Band D council tax is the usual standard measure of council tax and is the council tax payable on a Band D dwelling occupied as a main residence by at least two adults, before any reductions due to discounts, exemptions or local council tax support schemes. This definition is widely regarded as a benchmark when comparing council tax levels in different areas or over time. In addition to measuring council tax by Band D it can also be measured in average council tax per dwelling terms.

Local Council Tax Support Scheme

38. The Council's approach is to operate a support scheme to mitigate the impact on working age claimants by utilising council resources. Removal of the ring-fence within Government funding for scheme operation means that Government funding for this area has been significantly reduced. The best estimate of the Council's overall subsidy in relation to the scheme is approximately £7.5 million. The current scheme means that approximately 12,270 council tax payers will continue to pay no more than 8.5% of their council tax (around £116 per year/£2.22 per week). A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.

Council Tax Referendums

39. A council tax bill is made up of several different elements. Alongside the element to fund council services which includes the costs Councils pay in levies or special levies to any number of bodies, there can be precepts which consist of council tax that will be redistributed to bodies to provide specific services to the area. For Gateshead these are for the Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and Lamesley Parish.
40. Each year ministers set out in advance what they deem to be an excessive tax rise. This report has been prepared in accordance with published guidance "The referendums relating to council tax increases (Principles) (England) report 2020/21" and the principles outlined in annex A of the guidance.

41. The following council tax referendum principles were announced:
- a core principle of up to 2% applying to local authorities and fire and rescue authorities;
 - plus, a continuation of the adult social care precept, with an additional 2% flexibility available for social care authorities.
 - Police and crime commissioners (PCCs) allowed increases of up to £10 on a band D in 2020/21;
 - The Government proposed to continue with no referendum principles for town and parish Councils in 2020/21 but have said they will keep this matter under active review for future years.
42. Where a major precepting authority determines that its council tax increase is excessive it must notify the billing authority to which it issues a precept. The billing authority will then be required to make arrangements to hold a referendum in relation to the precepting authority's council tax increase. The costs of holding the referendum are the sole responsibility of the authority which triggered it. Consequently, billing authorities are entitled to recover from a precepting authority the expense incurred in holding a referendum on its behalf.
43. This year no principles are specified for local precepting authorities (Lamesley Parish), However, the usual general administrative law principles will apply to the Parish Council's own decision setting the budget i.e. they must act reasonably; they will have to take the decision based on all material considerations, discarding immaterial considerations and the incurring of expenditure must be relevant to the needs of the Parish as well as being in accordance with their own financial rules.
44. The consequences of setting an increase in the relevant basic amount of council tax which is excessive would mean that the Council would have to make arrangements to hold a referendum and make "substitute calculations" of a relevant basic amount of council tax which does not exceed the excessiveness principles. The substitute calculations would automatically take effect if voters reject the Council's increase.
45. Against the backdrop of continued Government funding reductions, new burdens and spending pressures which cumulatively are having a significant impact on the Council's ability to deliver its priorities during 2020/21, this report recommends that Gateshead Council agrees a council tax increase of 3.99% (including a 2% adult social care charge) This will mean the Council will be exempt from the Government's excessiveness principles.
46. The proposed council relevant basic amount of council tax for 2020/21 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2020/21

47. The Localism Act 2011 requires the Council to set a council tax requirement.
48. In calculating the council tax requirement as required by the legislation, the local Parish precept and use of reserves must be considered.
49. The Parish of Lamesley agreed at the parish meeting of 13 January 2020 to issue a budget precept for 2020/21 of £11,530 which is a 3.5% increase on the 2019/20 precept of £11,140. However due to an increase in the council tax base level this means a band D precept increase of 1.8% is required to result in a £11,530 precept value.
50. In arriving at the Council's council tax requirement, general grants such as Settlement Funding Assessment (revenue support grant, retained business rates and top up grant), other grants in revenue spending power and public health must be deducted.
51. Any amount transferred from the collection fund to the general fund in relation to council tax must also be deducted. For 2020/21 this figure has been estimated to be £1.619m.
52. The 2020/21 Council Tax Requirement (including Lamesley), based on an increase of 3.99% is £95.682m, summarised as follows: -

	£
Net Budget 2020/21 Gateshead Council	220,761,413
<i>Less - Use of Earmarked Reserves</i>	<i>(3,030,617)</i>
<i>Add - Lamesley Parish Precept</i>	<i>11,530</i>
Budget Requirement 2020/21 (including Lamesley Parish Precept)	217,742,326
<i>Less - Settlement Funding Assessment (SFA)*</i>	<i>(73,791,982)</i>
<i>Public Health</i>	<i>(16,080,000)</i>
<i>Other Grants</i>	<i>(30,568,460)</i>
<i>Balance to be raised locally</i>	<i>97,301,884</i>
<i>Transfer from Collection Fund (Council Tax)</i>	<i>(1,619,870)</i>
Council Tax Requirement (including Lamesley Parish Precept)	95,682,014
<i>*Includes transfer from Collection Fund for retained business rates</i>	

Council Tax Resolution

53. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 52,453.6 (agreed at Cabinet on 21 January 2020). This calculation gives a basic amount of council tax of £1,824.13. However, from this figure, the legislation requires the Parish element to be deducted (£0.22). This gives a Band D Council Tax for Gateshead of £1,823.91. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D.

54. The amount payable for dwellings in different valuation bands is calculated using the following proportions for each valuation banding: -

A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

Thus, giving the following council tax amounts for the Gateshead area, (including a 2% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,215.94
B	1,418.59
C	1,621.25
D	1,823.91
E	2,229.22
F	2,634.53
G	3,039.84
H	3,647.82

55. The council tax for the Parish area is calculated by dividing the Parish precept by the council tax base for the Parish area. This calculation gives a Band D precept of £9.50 for Lamesley Parish area in 2020/21
56. These result in the following additional council tax amounts for the Lamesley Parish area (excluding Police and Crime Commissioner and Fire precepts):

Valuation Band	Lamesley Parish £
A	6.34
B	7.39
C	8.45
D	9.50
E	11.62
F	13.73
G	15.84
H	19.00

57. To these must be added the precepts of the Police and Crime Commissioner (PCC) for Northumbria and the Tyne and Wear Fire and Rescue Authority. On 4 February 2020 the Police and Crime Panel agreed to increase the Band D charge by £2.67 which is permitted under the current referendum principles of up to £10. The Tyne and Wear Fire and Rescue Authority agreed a precept increase of 1.9% at their meeting on 17 February 2020. These are as follows;

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	91.33	55.98
B	106.56	65.31
C	121.78	74.64
D	137.00	83.97
E	167.44	102.63
F	197.89	121.29
G	228.33	139.95
H	274.00	167.94

58. These result in the following total council tax amounts (including precepts);

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,369.59	1,363.25
B	1,597.85	1,590.46
C	1,826.12	1,817.67
D	2,054.38	2,044.88
E	2,510.91	2,499.29
F	2,967.44	2,953.71
G	3,423.96	3,408.12
H	4,108.76	4,089.76

Schools Budget

59. The Council will receive an indicative £153.6m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £50.6m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2-year olds is estimated at £2.3m in 2020/21 and will be confirmed in June 2020 based on actual take up.
60. The Pupil Premium for 2020/21 will be £1,320 for primary school children and £935 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,300 per eligible child. Service Children Pupil Premium is £300 per eligible pupil. The estimated entitlement for schools in Gateshead is £9m, of which an estimated £3m will be recouped for academies.
61. Early Years Pupil Premium for eligible 3 & 4-year olds have been confirmed at £302 per pupil for a full financial year. This will be paid on a participation basis of £0.53 per hour and the DfE have provided an estimated allocation within the DSG of £0.163m.
62. The DfE have acknowledged this pressure by providing an additional £2.3m for the HNB, and Schools Forum agreed to top-slice the Schools Block by £0.58m to support the overspending HNB.
63. The number of schools with projected deficits is increasing and schools continue to reduce staff numbers. Increased pressure on Government has resulted in additional grants being provided to schools which will continue to at least 2021/22, the teachers' pay grant and teachers' pension grant. Mainstream school funding also increased by £5.5m and every mainstream school will receive at least 1.84% increase in per pupil funding. The increase in funding is expected to continue for 2021/22 and 2022/23 at a similar level, but no detailed announcements have been made.

Adequacy of Reserves and Robustness of Budget Estimates

64. The Council keeps a level of reserves to strengthen its financial position so that it has enough reserves and balances to protect against the risk of any uncertainties or unforeseen events without jeopardising key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the MTFS.
65. The Local Government Act 2003 requires the Strategic Director, Resources and Digital to undertake an assessment of the robustness of budget estimates and the adequacy of reserves. In assessing the robustness of the budget, the Strategic Director, Resources and Digital has considered the following issues:
 - The general financial standing of the Council
 - The adequacy of the budget monitoring and financial reporting arrangements
 - The adequacy of the Council's internal control system
 - The future budget pressures faced by the Council, as identified in the Council's MTFS
 - The impact of reduced income and funding
 - The proposed Capital Programme
 - The delivery of agreed budget cuts/income targets

66. In addition to the above, the Strategic Director, Resources and Digital has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for inflationary increases. Further details are shown at Appendix 4.
67. The Strategic Director, Resources and Digital has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. The Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 April 2019 and an estimate of reserves through to 31 March 2021 subject to the proposals in this report. The position on reserves will be further reviewed following revenue outturn in June 2020 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.
68. The Council maintains a general fund reserve which acts as a contingency and allows the Council to meet any unforeseen expenditure. This currently stands at £17.070m. This figure includes £6.249m LMS Schools reserves which are ring-fenced and £10.821m General Reserve which is above the minimum level of 3% net revenue budget.
69. Some reserves are agreed by Council to be earmarked and held for specific strategic purposes. This may be to help achieve key priorities or held for specific purposes primarily to mitigate unforeseen events, risks or provide insurance. Other reserves are ring fenced and committed to be used for specific projects or activities, usually prescribed by Government, and cannot support the general Council budget such as school's reserves, developer contributions and the Public Health reserve.
70. The proposed 2020/21 base budget includes £3.031m budgeted use of the following earmarked reserves;
- Budget Sustainability £0.484m
 - Economic, Housing and Environmental Investment £2.202m
 - Poverty, Health and Equality Investment £0.345
71. Reserves can only be used once and are therefore not a sustainable source of financing without placing the Council's financial position at risk. This is an area of interest to external audit who will look at both how the Council has planned to use and actually uses its reserves. Due to the reduced funding from Government coupled with increasing demand, the Council will be required and is intending to, find a permanent solution to the funding gap, rather than a short-term solution by using reserves, a fundamental principle of the MTFS.
72. The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced a financial resilience index in an attempt to objectively compare reserve levels with Local Authorities and measure financial risk. Comparisons available of Gateshead's reserves to nearest neighbours show a relatively low level of available reserves but a stable level. Reserve sustainability shows a medium to high risk.
73. The Strategic Director, Resources and Digital confirms that, after taking account of these issues, the revenue estimates are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Council in the medium term. This assessment is based on the requirement that spending will be reduced to meet the funding gap in the MTFS as any shortfall will put the Council's sustainable financial position at risk.

Workforce Management

74. The Council has policies, procedures and guidance in place to manage changes in the workforce whether they come from budgetary pressures or other operational or organisational changes.
75. The Council remains a major employer and it will continue its existing good employment practices and further develop its commitment to its workforce, in providing our employees with opportunities to learn and upskill so they can deliver high quality efficient services and embrace new ways of working. The Council will continue to work with employees and trade union partners to protect priority services and ensure, as part of the Workforce Strategy, that employees have the skills they need to work efficiently and effectively. Through the application of the Council's commissioning framework, new ways in which to deliver best value for the community will be considered, including new business models and delivery vehicles.
76. The Council remains committed to seeking to avoid compulsory redundancies (CRs),

Prudential and Treasury Indicators

77. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 3 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services. The Prudential Framework for Local Authority Capital Investment was refreshed in 2017 to include a greater focus on non-treasury investments and commercial activities the Council may undertake.

The key objectives of the Codes are: -

- To ensure that the capital investment plans of local authorities are affordable, prudent and sustainable;
- To ensure that treasury management decisions are taken in line with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council;
- To ensure consistency with the organisational strategy and resources and ensure that decisions are being made with enough regard to the long-term financial implications and potential risks to the Council. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.

The Prudential Code and the Code of Practice for Treasury Management in the Public Services sets out a range of prudential and treasury indicators that need to be agreed by the Council. In setting and revising prudential and treasury indicators, the Council is required to take account of the following issues: -

- affordability, including the impact on council tax;
- prudence and sustainability;
- value for money;
- stewardship of assets and asset management planning;
- service objectives;
- practicality.

78. Appendix 6 to this report details the prudential indicators required under the Prudential Code and the Code of Practice for Treasury Management in the Public Services recommended for approval.

Minimum Revenue Provision (MRP)

79. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. It is proposed that the Council continues to use the annuity method for charging MRP in respect of PFI contracts and the asset life method on self-financed expenditure. The Council's annual MRP statement for 2020/21 is attached at Appendix 7.

Consultation

80. Section 65 of the 1992 Act requires the Council to consult with persons or bodies subject to non-domestic business rates in Gateshead about spending proposals. A meeting was held with the North-East Chamber of Commerce on 21 January 2020.
81. There has been online public consultation on Council priorities and the council tax proposals and responses are included at Appendix 3 of this report.
82. As the longer-term budget approach is developed, the Council will ensure that there is appropriate engagement throughout the year at the right time and in the right way, where proposals may have an impact on employees, residents, businesses, the voluntary and community sector or other stakeholders. Engagement activities will vary and may be broad in their focus or primarily targeted at a specific group of service users.
83. Councillors have been consulted on the draft budget proposals through a Corporate Advisory Group, portfolio meetings and briefing sessions. The trade unions have also been fully consulted on all proposals within the report.

Alternative Options

84. There are no alternative options. The Council is statutorily required to agree a lawfully balanced budget each year. To not identify budget cuts and additional income in order to bridge the funding gap, would be to jeopardise this requirement and put the Council's financial sustainability at risk.

Implications of Recommended Option

85. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital confirms that these are set out in the report and appendices to reflect the position for the start of 2020/21. Due to the new long term and corporately owned approach to budget further reports will be brought forward for consideration on an ongoing basis throughout the financial year as proposals are finalised and implications clarified.
- b. **Human Resource Implications** – The Strategic Director, Corporate Services and Governance confirm that implications for the Council's workforce are considered within the report. Further reports will be brought forward for consideration on an ongoing basis throughout the financial year as proposals are finalised and human resource implications confirmed.

- c. **Property Implications** – The Strategic Director, Economy, Innovation and Growth confirms the implications for the Council's asset portfolio will be set out in detail in future separate reports. The Council will continue to implement its Asset Management Strategy and seek to reduce the costs associated with buildings and property through a corporate landlord model and seek to use the Council's assets to deliver the Thrive agenda and to help deliver the corporate priorities.
86. **Risk Management Implications** – Appendix 4 to this report is a financial risk assessment of the budget. This seeks to capture risks and identify mitigation where possible. Overall the financial context faced by the Council, as identified in the MTFS, poses significant risks to the Council's continued ability to provide essential services to the residents of Gateshead over the medium term. This risk is mitigated to an extent by effective financial management and planning that supports delivery of council priorities identified within the new strategic approach.
87. **Equality and Diversity Implications** – Appendix 3 provides an overview of the new approach to using Integrated Impact Assessments (IIA's) to consider how proposals that emerge as part of the Council's 5-year budget approach may impact on protected characteristics, health, environment or socioeconomic disadvantage or cumulatively. Any IIA will be developed as part of the decision-making process when proposals are taken for consideration.
88. **Crime and Disorder Implications** – The Council has a legal duty under Section 17 of the Crime and Disorder Act 1998 to carry out all its various functions with "due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area". Individual proposals have been assessed as to their impact on crime and disorder and no direct impacts have been identified.
89. **Health Implications** – Appendix 3 highlights health and wellbeing impact.
90. **Sustainability Implications** – The proposals in this report will help ensure a sustainable financial position for the Council.
91. **Human Rights Implications** – The implications of the Human Rights Act must be considered in any decision that involves a change of policy or function, or a Service change that arises from the choices. These will be identified, where necessary, in the IIA's which are available from the Council.
92. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

REVENUE BUDGETS 2020/21

Base Budget and Contingency 2020/21 £000	Group and Service (Net Budgets)	Priority Growth 2020/21 £000	Proposed Savings 2020/21 £000	Budgeted Reserves Use 2020/21 £000	Proposed Budget 2020/21 £000
	<u>Children, Adults and Families</u>				
33,394	Children's Social Care	461	0	0	33,855
3,062	Education, Schools and Inclusion	137	0	0	3,199
6,469	Quality Assurance and Commissioning	92	0	0	6,561
67,304	Adult Social Care	530	0	0	67,834
	<u>Public Health and Wellbeing</u>				
16,080	Public Health	0	0	0	16,080
3,838	Public Health Other	0	0	652	4,490
	<u>Office of the Chief Executive</u>				
978	Office of the Chief Executive	194	0	0	1,172
	<u>Housing, Environment and Healthy Communities</u>				
3,656	Housing, Compliance and Traded Services	579	(51)	501	4,685
400	Housing General Fund	0	0	0	400
13,945	Highways and Waste	0	0	0	13,945
2,606	Environment and Fleet Management	0	0	340	2,946
	<u>Economy, Innovation and Growth</u>				
602	Business, Employment and Skills	60	0	331	993
2,081	Planning, Policy, Climate Change and Strategic Transport	30	0	596	2,707
(3,327)	Major Projects and Corporate Property	0	0	0	(3,327)
	<u>Corporate Services and Governance</u>				
3,423	Legal and Democratic Services	0	0	0	3,423
993	Human Resources and Workforce Development	0	0	394	1,387
15	Corporate Commissioning and Procurement	352	0	0	367
169	Public Service Reform	393	0	0	562
	<u>Resources and Digital</u>				
1,728	Financial Management	0	0	0	1,728
2,398	Customer Experience and Digital	60	0	217	2,675
200	Housing Benefits	0	0	0	200
3,117	IT	0	0	0	3,117
1,223	Commercialisation and Improvement	530	0	0	1,753
1,625	Other Services	130	(400)	0	1,355
9,289	Contingencies	0	0	0	9,289
33,700	Capital Financing Costs	0	0	0	33,700
(5,421)	Investment & Trading Income	0	0	0	(5,421)
11,086	Levies	0	0	0	11,086
214,633	Total Net Budget	3,548	(451)	3,031	220,761
	<u>Financed By</u>				
	Settlement Funding Assessment (SFA)				(73,792)
	Other Grants				(30,568)
	Public Health				(16,080)
	Council Tax (Excluding Parish Precept)				(95,670)
	Collection Fund				(1,620)
	Earmarked Reserves				(3,031)
0	Total Funding	0	0	0	(220,761)

SCHOOLS - ESTIMATES 2020/21

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	149,081	(149,081)	0	156,741	(156,741)	0
Use of Schools Reserves	0	0	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(46,640)	46,640	0	(50,604)	50,604	0
Total Retained in Council	102,441	(102,441)	0	106,137	(106,137)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(29,396)	29,396	0	(31,519)	31,519	0
Schools Budget (Maintained)	73,045	(73,045)	0	74,618	(74,618)	0
Pupil Premium	8,966	(8,966)	0	9,294	(9,294)	0
Less: Academies Recoupment	(2,719)	2,719	0	(2,091)	2,091	0
Pupil Premium (Maintained)	6,247	(6,247)	0	7,203	(7,203)	0
TOTAL SCHOOLS BUDGET 2020/21						0

The Council will also receive an indicative £157m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £51m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations.

Included in the budgets for 2019/20 is additional High Needs Block (HNB) grant funding of £0.42m. For 2020/21 High Needs Block funding increased by £2.3m. The Pupil Premium for 2020/21 will be £1,345 for primary school children and £955 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,345 per eligible child. Service Children Pupil Premium is £310 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.3m, of which an estimated £2.1m will be recouped for academies.

Early Years Pupil Premium for eligible 3 & 4 year olds has been confirmed at £302 per pupil for a full financial year. This will be paid on a participation basis of £0.53 per hour and the DfE have provided an estimated allocation within the DSG of £0.163m.

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2020/21

CHILDREN'S SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Social Care	43,477	(11,630)	31,847	44,818	(11,424)	33,394
<u>Priority Growth</u>						
Children's Services - Therapeutic Support to Reduce Demand				200	0	200
Children's Services - Foster Plus Early Intervention				217	0	217
Children's Services - Looked After Children Advocate				44	0	44
				461	0	461
Total Children's Social Care 2020/21				45,279	(11,424)	33,855

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2020/21

EDUCATION, SCHOOLS AND INCLUSION

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Education, Schools and Inclusion	39,981	(37,097)	2,884	39,576	(36,514)	3,062
Priority Growth						
Services to Schools - Educational Psychology				137	0	137
				137	0	137
Total Education, Schools and Inclusion 2020/21				39,713	(36,514)	3,199

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2020/21

QUALITY ASSURANCE AND COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Quality Assurance and Commissioning	7,169	(425)	6,744	6,827	(358)	6,469
Priority Growth						
Children's Services - PAUSE Support Service				20	0	20
Voluntary Sector Support				72	0	72
				92	0	92
Total Quality Assurance and Commissioning 2020/21				6,919	(358)	6,561

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2020/21

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	92,957	(27,531)	65,426	94,844	(27,540)	67,304
Priority Growth						
Adult Social Care - Transitions/Extension to MAART				200	0	200
Adult Social Care - Project Delivery Support to Deliver 5 Year Plan				130	0	130
Adult Social Care - Achieving Change Together Capacity				200	0	200
				530	0	530
Total Adult Social Care 2020/21				95,374	(27,540)	67,834

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2020/21

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	16,095	(15)	16,080	16,095	(15)	16,080
Total Public Health 2020/21						
				16,095	(15)	16,080

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2020/21

PUBLIC HEALTH OTHER

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health Other	10,665	(6,748)	3,917	10,641	(6,803)	3,838
<u>Budgeted Use of Reserves</u>						
Go Gateshead Sport & Leisure (Duathlon Event)				20	0	20
Major Sporting Events (Athletics and Cycling Event)				620	0	620
Libraries Digital Innovation Posts				12	0	12
				652	0	652
Total Public Health Other 2020/21				11,293	(6,803)	4,490

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2020/21

OFFICE OF THE CHIEF EXECUTIVE

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Office of the Chief Executive	1,045	(72)	973	1,071	(93)	978
<u>Priority Growth</u>						
Economic Growth and Redevelopment - External Funding				72	0	72
Improved Communications, Research and Intelligence				122	0	122
				194	0	194
Total Office of the Chief Executive 2020/21				1,265	(93)	1,172

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2020/21

HOUSING, COMPLIANCE AND TRADED SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing, Compliance and Traded Services	16,884	(13,213)	3,671	16,624	(12,968)	3,656
<u>Priority Growth</u>						
Corporate Landlord Asset Management				182	0	182
Services to Schools - School Meals				170	0	170
Services to Schools - Building Cleaning				74	0	74
Housing Intervention				153	0	153
<u>Budgeted Use of Reserves</u>						
Community Led Local Development (CLLD) Programme				70	0	70
Community Led Local Development (CLLD) Programme Match Funding				365	0	365
Poverty Programme				25	0	25
Digital Innovation Fund				41	0	41
<u>Savings</u>						
Facilities Management				(51)	0	(51)
				1,029	0	1,029
Total Housing, Compliance and Traded Services 2020/21				17,653	(12,968)	4,685

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2020/21

HOUSING GENERAL FUND

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing General Fund	1,784	(1,370)	414	1,895	(1,495)	400
Total Housing General Fund 2020/21						
				1,895	(1,495)	400

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2020/21

HIGHWAYS AND WASTE

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Highways and Waste	23,817	(11,033)	12,784	24,740	(10,795)	13,945
Total Highways and Waste 2020/21						
				24,740	(10,795)	13,945

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2020/21

ENVIRONMENT AND FLEET MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment and Fleet Management	5,722	(2,723)	2,999	5,329	(2,723)	2,606
Budgeted Use of Reserves						
Bowling Greens Savings Mitigation				90	0	90
Environment Investment Plan				250	0	250
				340	0	340
Total Environment and Fleet Management 2020/21				5,669	(2,723)	2,946

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2020/21

BUSINESS, EMPLOYMENT AND SKILLS

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business, Employment and Skills	3,527	(2,802)	725	3,008	(2,406)	602
<u>Priority Growth</u>						
Economic Growth and Redevelopment - Employment Services				60	0	60
<u>Budgeted Use of Reserves</u>						
Business Support North East Partnership				20	0	20
Work Inspiration Gateshead				62	0	62
Economic Growth Savings Mitigation				170	0	170
Northern Design Centre				15	0	15
National Centre for Immersive Technology				14	0	14
Individual Works				50	0	50
				391	0	391
Total Business, Employment and Skills 2020/21				3,399	(2,406)	993

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2020/21

PLANNING, POLICY, CLIMATE CHANGE AND STRATEGIC TRANSPORT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Planning, Policy, Climate Change and Strategic Transport	5,152	(2,846)	2,306	4,953	(2,872)	2,081
<u>Priority Growth</u>						
Climate Change Audit				30	0	30
<u>Budgeted Use of Reserves</u>						
Climate Change				500	0	500
Chopwell Plan				96	0	96
				626	0	626
Total Planning, Policy, Climate Change and Strategic Transport 2020/21	5,579	(2,872)	2,707			

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2020/21

MAJOR PROJECTS AND CORPORATE PROPERTY

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Major Projects and Corporate Property	2,638	(5,895)	(3,257)	2,518	(5,845)	(3,327)
Total Major Projects and Corporate Property 2020/21						
				2,518	(5,845)	(3,327)

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2020/21

LEGAL AND DEMOCRATIC SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal and Democratic Services	4,751	(1,157)	3,594	4,631	(1,208)	3,423
Total Legal and Democratic Services 2020/21						
				4,631	(1,208)	3,423

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2020/21

HUMAN RESOURCES AND WORKFORCE DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources and Workforce Development	1,954	(572)	1,382	1,565	(572)	993
<u>Budgeted Use of Reserves</u>						
Workforce Development Savings Mitigation				273		273
Workforce Development Leadership Development Programme				73		73
Workforce Development Apprenticeship Coordinator				48		48
				394	0	394
Total Human Resources and Workforce Development 2020/21				1,959	(572)	1,387

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2020/21

CORPORATE COMMISSIONING AND PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning and Procurement	608	(562)	46	577	(562)	15
<u>Priority Growth</u>						
Community Wealth Building				352	0	352
				352	0	352
Total Corporate Commissioning and Procurement 2020/21				929	(562)	367

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2020/21

PUBLIC SERVICE REFORM

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Service Reform	156	0	156	169	0	169
Priority Growth						
Delivery of Thrive in Beacon Lough East				242	0	242
Public Service Reform				132	0	132
Independent Support to Commission for Complexity				19	0	19
				393	0	393
Total Public Service Reform 2020/21				562	0	562

RESOURCES AND DIGITAL - ESTIMATES 2020/21

FINANCIAL MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Financial Management	4,025	(2,065)	1,960	3,804	(2,076)	1,728
Total Financial Management 2020/21						
				3,804	(2,076)	1,728

RESOURCES AND DIGITAL - ESTIMATES 2020/21

CUSTOMER EXPERIENCE AND DIGITAL

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer Experience and Digital	5,151	(2,505)	2,646	4,748	(2,350)	2,398
<u>Priority Growth</u>						
Improved Customer Experience				60	0	60
<u>Budgeted Use of Reserves</u>						
Discretionary Payments				50	0	50
Benefits Officer Posts				47	0	47
Benefits Officer Posts at Citizens Advice Bureau				120	0	120
				277	0	277
Total Customer Experience and Digital 2020/21				5,025	(2,350)	2,675

RESOURCES AND DIGITAL - ESTIMATES 2020/21

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	54,046	(53,846)	200	54,046	(53,846)	200
Total Housing Benefits 2020/21						
				54,046	(53,846)	200

RESOURCES AND DIGITAL - ESTIMATES 2020/21

IT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT	5,419	(2,499)	2,920	5,558	(2,441)	3,117
Total IT 2020/21						
				5,558	(2,441)	3,117

RESOURCES AND DIGITAL - ESTIMATES 2020/21

COMMERCIALISATION AND IMPROVEMENT

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commercialisation and Improvement	1,453	(274)	1,179	1,478	(255)	1,223
Priority Growth						
Gateshead Regional Marketing				250	0	250
Recommissioning Services to redirect resources to priorities				280	0	280
				530	0	530
Total Commercialisation and Improvement 2020/21				2,008	(255)	1,753

RESOURCES AND DIGITAL - ESTIMATES 2020/21

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2019/20			2020/21		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Capital Financing	32,000	0	32,000	33,700	0	33,700
Trading & Investment Income	0	(5,691)	(5,691)	0	(5,421)	(5,421)
Contingencies	6,861	0	6,861	9,289	0	9,289
Other Services	1,439	(83)	1,356	1,673	(48)	1,625
Levies	11,140	0	11,140	11,086	0	11,086
Total	51,440	(5,774)	45,666	55,748	(5,469)	50,279
Priority Growth						
Developing Capacity in VCS				130	0	130
Savings						
Corporate Landlord				(250)	0	(250)
Contract Savings				(150)	0	(150)
				(270)	0	(270)
Total Other Services 2020/21				55,478	(5,469)	50,009

SUMMARY OF BUDGET GROWTH BY COUNCIL PRIORITY		AMOUNT £000S
Economy		564
Poverty and Inequality		1,455
Health and Housing		153
Climate Change		30
Economy		564
Economic Growth and Redevelopment - Employment Services		60
Economic Growth and Redevelopment - External Funding		72
Corporate Landlord Asset Management		182
Gateshead Regional Marketing		250
Poverty and Inequality		1,455
Adult Social Care - Transitions/Extension to MAART		200
Adult Social Care - Project Delivery Support to Deliver 5 Year Plan		130
Adult Social Care - Achieving Change Together Capacity		200
Children's Services - Therapeutic Support to Reduce Demand		200
Children's Services - Foster Plus Early Intervention		217
Children's Services - PAUSE Support Service		20
Children's Services - Looked After Children Advocate		44
Voluntary Sector Support		72
Developing Capacity in VCS		130
Delivery of Thrive in Beacon Lough East		242
Health and Housing		153
Housing Intervention		153
Climate Change		30
Climate Change Audit		30
DELIVERY ACTIONS FOR COUNCIL PRIORITIES		1,346
Recommissioning Services to redirect resources to priorities		280
Improved Communications, Research and Intelligence		122
Improved Customer Experience		60
Services to Schools - School Meals		170
Services to Schools - Building Cleaning		74
Services to Schools - Educational Psychology		137
Community Wealth Building		352
Public Service Reform		132
Independent Support to Commission for Complexity		20
BUDGET GROWTH Total		3,548
SUMMARY OF SAVINGS		AMOUNT £000S
Corporate Landlord		(250)
Contract Savings		(150)
Facilities Management		(51)
SAVINGS Total		(451)

Budget 5 Year approach – Priorities, Investment and Savings

Council Priority Making Gateshead Thrive	Area	Investment (Invest to Save) and Priorities	Estimated Savings / Additional Income	
			20/21	21/25
POVERTY AND INEQUALITY	Social Care Five Year Plans			
	1. Adult Social Care – Children to Adult Transitions	£200,000	£1,218,000 Reduce overspend	£3,241,000 minimum (total for adult social care) (5-year plan proposals)
	2. Adult Social Care – Project Delivery Supporting 5 Yr Plan	£130,000		
	3. Adult Social Care – Achieving Change Together Capacity	£200,000		
	4. Children’s Services – Therapeutic Support	£200,000	0	£4,000,000 total for Children’s Services (£1,400,000 net) (5-year plan proposals)
	5. Children’s Services – Foster Plus	£217,000 (half-year effect; £433,000 full-year effect)		
	6. Children’s Services – PAUSE support service	£20,000		
	7. Children’s Services – Looked After Children Advocate	£44,000		
	8. Developing capacity in Voluntary Community Sector and approach to Information, Advice and Guidance Review of Neighbourhood Management Delivery of Thrive in Beacon Lough East and implications for rolling out to other parts of the Borough	£322,000 plus £50,000 one off funding in 20/21	0	£350,000 Secure external funding – target to be established Additional savings target to be established
	9. Support to Voluntary Community Sector – to form part of the review	£72,000	0	0

Council Priority Making Gateshead Thrive	Area	Investment (Invest to Save) and Priorities	Estimated Savings / Additional Income	
			20/21	21/25
ECONOMY	10. Economic Growth & Redevelopment <ul style="list-style-type: none"> Create more and better jobs Ensure Gateshead residents have the skills and opportunities to access employment Fair distribution of wealth <i>Also link to Community Wealth Building including co-operatives and mutuals</i>	£60,000 £72,000 £250,000	0	Target for income from to be set from <ul style="list-style-type: none"> External Funding Investment Business rates
	11. Corporate Landlord (Asset Review) Productive use of Land and Assets to deliver Thrive outcomes: <i>Community Wealth Building; Capital receipts; Housing; Economic growth; Consolidation and savings.</i> (Link to Facilities Management)	£182,000 (Asset maintenance)	Capital £250,000 (Additional to current Capital Receipts £1m income target) Revenue £250,000	£3,000,000
	12. Facilities Management (Link to Corporate Landlord)	Asset Maintenance investment above	£51,000	£215,000
HEALTH AND HOUSING	13. Health and Well-being <ul style="list-style-type: none"> Leisure and Culture Falls Prevention 	Potential investment requirement in future years	£307,000 Reduce overspend in leisure	£1,000,000 Leisure
	14. Environment and Street Scene A targeted investment plan delivered over three years for environmental improvements in the borough plus tree planting to help combat the effects of climate change.	£250,000 per annum revenue investment from reserves for three years (Total £750,000) £150,000 per annum capital investment for three years (Total £450,000)	0	Target to be established

Council Priority Making Gateshead Thrive	Area	Investment (Invest to Save) and Priorities	Estimated Savings / Additional Income	
			20/21	21/25
	15. Housing <ul style="list-style-type: none"> The Gateshead Housing Company Homelessness: Better help and support for those currently homeless; Eradication of homelessness in Gateshead via comprehensive enquiry and reform 	£153,000 (current intervention likelihood of further investment)	0	Target to be established
CLIMATE CHANGE	16. Climate Change	£30,000 (one off funding) for climate change audit £500,000 allocated from reserves for investment Redirect existing resources (staffing)	0	0
DELIVERY ACTIONS FOR COUNCIL PRIORITIES	16a Recommissioning services to redirect resources to priorities including <ul style="list-style-type: none"> Public Service Reform: Understanding opportunity cost of prevention through support Public Service Reform: Prevention through support: building case working capability in communities <ul style="list-style-type: none"> Print Point Civic Catering Support services Regulatory and Technical Services HR Framework (Services to Schools see 17) (Management Reviews See 19) (Leisure and Culture see 12) Traded Services Fleet 	£280,000	£247,000 (initial reduction in overspend)	£500,000 Further targets to be agreed

Council Priority Making Gateshead Thrive	Area	Investment (Invest to Save) and Priorities	Estimated Savings / Additional Income	
			20/21	21/25
	16b Improved Communications, Research & Intelligence - Citizen and place shaped data (Public Service Reform) - Understanding assets of citizens and places (Public Service Reform)	£122,000	0	Target to be established
	16c. Improved Customer Experience (including Public Service Reform: Reforming Citizens' Experience)	£60,250	0	£500,000
	16d. Public Service Reform	£132,000	0	Targets to be established
	17.Services to Schools - (invest in services – school catering, Education psychologists and Building cleaning)	£381,000	0	£300,000
	18. <i>Community Wealth Building</i> –Progressive Procurement for Goods & Services/ Commissioning for Complexity)/ Procurement and contract spend analysis	£351,500 £19,500	£150,000	£1,800,000
	19. Management Reviews (Non-chief officers)	0	0	£1,500,000
Total		£3,548,250 Revenue Budget Plus, Reserves funding; £500,000 Climate change £750,000 Environment Plus, Capital Investment; £450,000 Environment £5,248,250 TOTAL Investment	£2,473,000 (£1,772,000 Cost Reductions, £451,000 Revenue, £250,000 Capital)	£16,606,000 total estimated savings

Gateshead Council Budget Consultation 2020/21 Feedback and Impact Assessment Statements

Introduction

1. The Council sought views on a prioritised budget approach as part of the Budget setting process for 2020/21.
2. With an estimated funding gap of £49.9m anticipated over the next five years, and £8m identified for 2020/21, the prioritised budget approach was developed using the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium Term Financial Strategy and its themes of Economic Growth, Managing Demand, Income Generation and Efficiencies and Savings.
3. From 21 January views on the budget approach and council tax proposals were sought online, with a closing date of 11 February 2020.

Method

4. An online budget survey ran from 21 January until 11 February, with feedback enabled via the Council's consultation portal.
5. Promotion of the consultation was carried out using social media and Gateshead Now and was also publicised through Council News articles on the council website.
6. A Corporate Advisory Group was held for councillors to consider and comment on the context and budget approach.
7. Discussions have been held with key stakeholders including trade unions, community and voluntary sector organisations, as well as the North-East England Chamber of Commerce.

Public Consultation

8. Overall, there has been a good response in the number of people who have engaged with the Council on its prioritised budget approach.
9. The following data has been gathered from the council website, social media and emails:
 - Council budget news article webpage views totalled 1,498
 - Gateshead Now email featured the budget consultation on one occasion, with a total of 826 clicks
 - Four Twitter posts received 5,287 impressions and 151 engagements
 - Four Facebook posts achieved a reach of 40,004 people (7,061 liked, commented or shared the posts)
10. There were 895 respondents by Gateshead residents, via the consultation portal, to the questions regarding Council Tax.
 - 57% said they tend to agree or strongly agree with applying a 2% increase to Council Tax for the adult social care precept, with 41% saying tend to disagree or strongly disagree
 - 51% said they tend to agree or strongly agree with a 1.99% increase in Council Tax (Council's element) to assist in the funding of essential local services next year, with 46% saying tend to disagree or strongly disagree

11. There were 1032 responses received via the consultation portal, on the Council's 5 priorities, the results of which are attached later in the appendix. 72% strongly agreed or tended to agree with the 5 priorities put forward.
12. When asked what specific things the council needs to prioritise to make a difference to Gateshead, 833 respondents gave their views. The most common themes highlighted outside of the council's 5 priorities were;
 - safety, crime, anti-social behaviour
 - clean streets
 - social care, and support for people with disabilities and vulnerable adults and children
 - education
13. Initial analysis from the comments made by respondents to the budget consultation who either tended to disagree or strongly disagree with the 5 priorities were as follows, in addition to the themes above;
 - council efficiencies, including salaries and expenses
 - road and pavement maintenance (potholes)
 - environmental maintenance e.g. grass cutting, weeding
14. Some respondents to the consultation highlighted the need to invest in the NHS and policing and other non-Council services. Respondents were either not clear on the role and remit of local government or were highlighting broader priorities.

Other public consultation

15. Over the past twelve months there have been a number of consultations undertaken by the Council that have helped to inform council policy, including:
 - Elective Home Education Strategy 2020-25
 - School Admission Arrangements for 2021
 - Gateshead High Street South Regeneration
 - Armed Forces and Armed Forces Reserves survey
 - Air Quality proposals
 - Gateshead Quays Development Framework
 - Safer Gateshead survey
 - Gibside School relocation
 - Gateshead Town Centre survey
 - Review of polling districts and polling places
 - Capital Allocation Fund for pupils with SEND
 - Learning pathways and educational provision for young people with SEND Aged 16+
 - Public Space Protection Order for School Parking

Integrated Impact Assessment

16. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives identifies a commitment to reduce the levels of inequality that are apparent within the borough.
17. Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Nearly 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 62,555 (31%) live in the 20% most deprived areas.¹

¹ Index of Multiple Deprivation, MHCLG 2019

18. The population of Gateshead is ageing: it is projected that by 2041 there will be an additional 12,100 people aged 65 or older, an increase of 31%. There will also be a slight decrease in the number of children and young people aged 0-15 of around 1,100 or 3.2%.²
19. To achieve a balanced budget in 2020/21, the Council has reviewed its base budget. This has resulted in a 5-year approach identifying growth or invest to save to help achieve council priorities. Some proposals to be developed during 2020/21 could change service provision that directly supports the protected characteristics as defined under the Equality Act 2010.
20. Appendix 2 identifies three potential areas of budget saving, totalling £451,000, that can be taken in 2020/21. These arise from;
 - contract savings across the council following procurement and contract spend analysis,
 - adopting a Corporate Landlord model to ensure productive use of land and assets,
 - facilities management removal of dedicated relief caretaking service for schools
21. An integrated impact assessment (IIA) will be developed for any individual proposal brought forward for decision. This IIA approach considers any impact, whether negative or positive, on the protected characteristics alongside health, environment, socio-economic disadvantage and takes into account cumulative impact. The Council's role will be to mitigate the levels of disproportionate impact identified in the integrated impact assessments, wherever possible, following implementation of proposals.
22. The Facilities Management proposal IIA highlights a neutral impact as the relief caretaking service will continue to be offered to schools, if required, but will no longer have dedicated posts held against this function.
23. The other two areas of saving will develop IIA's as work is undertaken during 2020/21 to identify any impacts arising from outcomes of contract reviews and proposals for use of land and assets. Consultation and engagement will take place as appropriate alongside this.

Voluntary and Community Sector

24. In line with the longer-term 5-year budget setting we are holding conversations with the VCSE about the budget approach as part of the scheduled meeting timetable going forward. The Strategic Lead for Poverty and Inequality will be leading these conversations in partnership with Connected Voice. The first two will take place on the 25th February and 5th March as part of the VCSE engagement about the Advice Review.
25. The VCSE will be engaged in development of the 5-year plans for each of the agreed Council's priorities by the corporate leads. The VCSE will also be engaged and consulted on any savings proposals or outcome of reviews, as appropriate, when they are developed in-year, rather than at traditional budget consultation times.

² ONS 2016 based sub national population projections, 2016 (ONS website).

Alice Wiseman, Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Proposals (2020/21)

Purpose of the Health Impact Statement

This statement:

- provides a brief overview of current health and wellbeing challenges in Gateshead in the context of austerity and welfare reform
- highlights the potential health impact of the Council's budget proposals on the delivery of the Thrive agenda and sets out key areas relevant for mitigation.

The Council takes its statutory duty, 'to protect and improve the public's health', seriously and recognises that many Council activities impact upon health and wellbeing. Consequently, it is important that an assessment of the health and wellbeing impact of all the Council's budget proposals is undertaken.

In the context of a prolonged period of austerity, most budget proposals in recent years have been unlikely to benefit to the health and wellbeing of people in Gateshead. While a new approach is being applied in 2020/21 it is still imperative that we assess how this might impact on public health and wellbeing as part of our decision-making process.

The health impact approach aims to:

1. Understand which proposals will result in the least negative impact.
2. Understand any negative consequences to enable the identification of measures to mitigate the impact.

The purpose of this statement is to reflect on work undertaken across the Council to assess the impact of the budget approach and provide a **high-level overview** statement of impact and mitigation.

Principles of a health impact assessment

This health impact assessment statement has been completed to help the Council to consider the impact of the budget proposals (both positive and negative) on health and wellbeing, consistent with its Thrive agenda. This includes:

- Direct impact on physical health, mental health and wellbeing e.g. it would cause or worsen ill health, or affect social inclusion, independence and participation;
- Impact on social, economic and environmental living conditions that would indirectly affect health e.g. it would affect housing, transport, child development, education, employment opportunities, green space or climate change;
- The effect on people's ability to improve their own health and wellbeing e.g. it would affect their ability to be physical active, choose healthy food, reduce drinking and smoking; or
- Change in demand for or access to health and social care services e.g. Primary Care, Hospital Care, Community Services, Mental Health and Social Services.

These impacts may be observable in the short, medium or long term depending upon the nature of the proposal itself. The impacts may be felt by individuals or communities or by the population of Gateshead as a whole.

Budget Approach

A new budget approach which seeks to reduce the financial gap over a five-year period has been agreed. 2020/21 will be the first year of this approach which will see a number of areas identified with a view to redirecting resources to support the achievement of the Council's priorities.

To support delivery of priorities a number of areas will receive investment to allow for different ways of working or to invest to save. Priority areas for investment include:

- Adult Social Care and Children's Services to support a 5-year plan to reduce demand and achieve savings
- Capacity development in the voluntary community sector and neighbourhoods to focus on the Thrive priorities
- Economic growth & redevelopment to help create more and better jobs and employment skills
- Housing to ensure successful communities and neighbourhoods
- An investment plan for climate change activity
- A targeted investment plan for the improvement of the environment

In addition, some areas of budget saving to be taken in 2020/21 have been identified as a way to start the process of budget redirection. These arise from contract savings across the Council, facilities management and savings from a move to a Corporate Landlord model of ensuring a productive use of land and assets to deliver Thrive outcomes. These proposals may impact on the Council's ability to improve the health and wellbeing of Gateshead's residents. In response the Council will assess possible impacts via Integrated Impact Assessments, including any health implications for any individual proposal brought forward for decision.

Overview

Communities in the North of England experience poorer health outcomes when compared to communities in the South with people in the North dying sooner and living more of their lives with an illness or disability. This variance can be largely explained by socio-economic differences between the North and South. As such, health outcomes for people in Gateshead continue to be poor in comparison to other parts of England. In line with national trends, previous increases in life expectancy and healthy life expectancy have stalled in recent years. In Gateshead healthy life expectancy is 59.6 years for men and 59.1 for women. This is 4 years and 4.5 years less (respectively) than the England average. Overall life expectancy is 77.5 for men and 81.4 for women, and in both cases, this is less than the national average.

There are also unfair differences between communities in Gateshead itself, with those living in more affluent areas consistently achieving higher levels of health and wellbeing than those living in less affluent areas. Healthy life expectancy for men living in Felling is 14.9 years less than for men living in Whickham South and Sunniside while two babies, born on this day in Gateshead, could have as much as a 10-year difference in life expectancy due entirely to the circumstances into which they are born. The kind of life a person is born into, where they live, play and work all affects both their life chances and experience of health and wellbeing. In fact, these health inequalities are unfair and unjust, and therefore must be a consideration in all decisions we make.

The last 11 years of austerity and welfare reform have had a huge impact across all Local Authorities; however, we know that these changes have impacted disproportionately on the people of Gateshead. We have lost nearly half of our previous funding, the equivalent of £900 less to spend per year on every household in Gateshead. Our data tells us that, during 2019, 40% of our population were in vulnerable, or very vulnerable, situations with a further 29% just coping.

As Director of Public Health for Gateshead I remain concerned that the Government settlement is fundamentally unfair due to its failure to appropriately acknowledge need. Therefore, the greatest funding reductions continue to fall on the most deprived areas of the country. In response to this the Council, like many others, has been forced into decisions to make savings in the short-term which are likely to have a detrimental impact on future sustainability. Furthermore, the Council has received no indication of future funding beyond next year which presents a significant challenge to the effective management of the resourcing of vital services.

Whilst the Council will fulfil its responsibilities regarding duties set out in the Equality Act, I am concerned that protected groups may not be sufficiently protected due to the disproportionate cuts imposed on areas with high levels of deprivation. The Joint Strategic Needs Assessment demonstrates the levels of inequality currently being experienced by Gateshead's residents with high numbers of looked after children, poor health outcomes for both men and woman and increasing use of foodbanks amongst residents.

In addition to Government cuts on local authority spending many of our residents face additional pressures from welfare reform. As a direct result of welfare reform, Gateshead's residents stand to lose £70m per year. Individual families are now over £100 a week worse off due to the benefits cap and changes to Child Benefit and Child Tax Credit may cause potential losses of £54 a month for larger families (with children born after April 2017) as they are only able to claim for two children. We also know that the two-child cap will impact differently in different communities. Universal Credit was rolled out in Gateshead in 2017 and has had negative effects on the residents of Gateshead, especially those most vulnerable and in need. This serves to amplify health inequalities. Research commissioned by Gateshead Council found that Universal Credit has had profound detrimental effects on claimants especially those with vulnerabilities, disabilities and health conditions. These findings suggest that there will be wider costs to the health and care system that are yet to be measured.

In combination, austerity and welfare reform provide a perfect storm where outcomes for those most disadvantaged in Gateshead are set to get progressively worse. It is therefore commendable that the Council is attempting to take a more balanced approach by planning for the next five years.

Mitigation

It is noted that any savings have the potential to be detrimental to health and wellbeing. Therefore, our decisions on how and where to implement those savings should be consistent with the five Council Pledges as part of the Thrive agenda to:

- Put people and families at the heart of everything we do
- Tackle inequality so people have a fair chance
- Support our communities to support themselves and each other
- Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
- Work together and fight for a better future for Gateshead.

In addition, consideration should be given to the aims of the new Health and Wellbeing Strategy for Gateshead:

- Give every child the best start in life (with a focus on the first 3 years of a child's life)
- Enable all children, young people and adults to maximise their capabilities and have control over their lives
- Create the conditions for fair employment and good work for all

- Ensure a healthy standard of living for all, in accordance with international law on economic and social rights
- Create and develop sustainable places and communities
- Strengthen the role and impact of ill health prevention

While the Council has no choice but to make savings to meet the budget cuts allocated by central Government, the identification of priority areas is positive and as they are set out above these are congruent with improved public health and wellbeing as part of the Thrive agenda. However, they should be closely monitored during their implementation to ensure that the desired positive outcomes are being realised. If this is not the case, then there needs to be flexibility built in to enable timely changes to prevent any detrimental impact.

The five strategic mitigations identified in 2019/20 remain pertinent and the decision to invest in priority areas over a five-year period suggests progress on them has been made. I believe that they should continue to be applied as the Council progresses with more integrated approaches in support of Thrive:

- 1. Health in all policies** – I consider that the Thrive pledges provide a strategic framework for the Council, and its partners, to prioritise the health and wellbeing of our community in all our decision-making processes. Implementation of a health in all policies approach will ensure that negative impacts are understood so mitigation can be implemented where possible.
- 2. Proportionate resourcing based on need** – The pledge to put people and families at the heart of everything we do and tackle inequality, so people have a fair chance underpins everything we do and should remain central to the budget decisions. In this context it is vital that the Council considers those proposals, however unpalatable, that will have the ‘least worst’ impact on the communities, families and individuals most in need. This means that difficult decisions will have to be made so that resources are proportionately used based on need (e.g. those who are most in need will receive the greatest level of support).
- 3. Working with and for communities** – With regard to mitigating the potential negative impact, I consider that our partners and our communities will be able to design and/or offer some solutions to the challenges faced by our communities. There are many examples where the community and VCS organisations have been able to effectively take on some of the work that was previously done by the council (e.g. asset transfers for Community Centres and responsibility for maintenance of parks and leisure spaces). A focus should be on enabling those communities that are able to do more for themselves to have greater freedom to lead work in their local community. At the same time, we must ensure support is proportionately targeted to communities which require more assistance in gaining the confidence to lead work in their community.
- 4. Strengthen our partnerships** – It is vital that our focus remains on nurturing and strengthening the partnerships and relationships that we have. In view of the pledge to work together and to fight for a better future for Gateshead, we need to work together as a whole system including with local partners and communities. This will go some way to minimise the impacts of the proposed budget reductions and help to protect the people of Gateshead.
- 5. Focus on the whole budget** – In the future I would recommend a continued focus on maximising the use of the remaining budget, for the benefit of the health and wellbeing of people living in Gateshead, rather than focusing specifically on cuts.

Budget 2020-21 Survey results

Q. To what extent do you agree or disagree with the Council's 5 priorities? [1,032 responses]			
	No.	%	%
Strongly agree	222	21.5%	72.2%
Tend to agree	523	50.7%	
Tend to disagree	176	17.1%	25.3%
Strongly disagree	85	8.2%	
Don't know	26	2.5%	2.5%

Q. What specific things do you think we need to prioritise to make a difference in Gateshead?

[833 responses]

Respondents made a number of suggestions for what specifically we need to prioritise. These have been grouped into key themes, many of which corresponded directly with one or more of the priorities.

Overall, the top ten most common themes were as follows:

- Transport
- Housing
- Economy
- Safety, Crime, Anti-social behaviour and policing
- Clean streets
- Social care, and support for people with disabilities and vulnerable adults and children
- Health
- Poverty and Inequality
- Climate Change
- Education

For those respondents who either tended to disagree or strongly disagree with the Council's 5 priorities, the top ten most common themes were as follows:

- Clean streets
- Safety, Crime, Anti-social behaviour and policing
- Social care, and support for disabled and vulnerable adults and children
- Education
- Transport
- Housing
- Council efficiencies, including salaries and expenses
- Health
- Road and pavement maintenance (potholes)
- Environmental maintenance e.g. grass cutting, weeding etc.

Q. To what extent do you agree or disagree that the Council should apply a 2% increase to Council Tax for the adult social care precept which will contribute towards the cost of services for older and vulnerable residents?

[Responses from 895 Gateshead residents]

	No.	%	%
Strongly agree	216	24.1%	57.4%
Tend to agree	298	33.3%	
Tend to disagree	127	14.2%	40.9%
Strongly disagree	239	26.7%	
Don't know	15	1.7%	1.7%

Q. To what extent do you agree or disagree that the Council should also apply a 1.99% increase to Council Tax to fund essential local services?

[Responses from 888 Gateshead residents]

	No.	%	%
Strongly agree	181	20.4%	51.2%
Tend to agree	274	30.9%	
Tend to disagree	169	19.0%	45.6%
Strongly disagree	236	26.6%	
Don't know	28	3.2%	3.2%

N.B. Percentages may not sum due to rounding

Financial Risk Assessment

Risk	Likelihood	Impact	Risk Management
Collection rates for retained business rates and council tax are lower than anticipated and therefore shortfall of funding to the collection fund	Possible	High	<ul style="list-style-type: none"> • Regular review of bad debt provisions • Regular monitoring of the collection fund performance • Collection rates are monitored by senior management
The impact of appeals is higher than expected affecting the amount of business rate funding projected	Possible	High	<ul style="list-style-type: none"> • Earmarked risk reserve • Financial monitoring framework • Modelling of potential impacts is used to inform financial planning and completion of the NNDR1 estimates.
The cost of pay awards, fee increases, and price inflation is higher than assumed leading to a budget shortfall in service	Possible	Medium	<ul style="list-style-type: none"> • Contingency budget set aside for this purpose. • Monitoring of Brexit impacts by officers.
Future spending plans are underestimated leading to a budget shortfall	Possible	Medium	<ul style="list-style-type: none"> • Service planning process identifies future budget pressures, and these inform indicative budget forecasts and planned into the MTFS.
Anticipated savings, efficiencies or income targets not achieved leading to significant overspends	Possible	High	<ul style="list-style-type: none"> • Robust budgetary control, regular monitoring and reporting takes place • Non-achievement of savings requires performance managed action plans and compensating reductions in planned spending within services. • Contingency sums and general reserve funds are available to cover any significant unforeseen events. • Full review of fees and charges undertaken on an annual basis
Budget monitoring not effective leading to a Council overspend position putting a strain on the general reserve	Unlikely	High	<ul style="list-style-type: none"> • High risk budgets are monitored monthly. • Robust budgetary control, regular monitoring and reporting takes place • Action plans developed to address problem areas. Regular reports to senior management and Cabinet. Strong track record of delivering budget.
Insufficient general and earmarked reserve balances leading to insufficient funds to deal with unforeseen cost pressures	Unlikely	High	<ul style="list-style-type: none"> • 3% minimum general reserve balance of the net revenue budget. • The General Reserve is supplemented by earmarked reserves that are set aside to cover material risk or events. • Reserves are reviewed annually both in budget setting and in the Council's MTFS.

Risk	Likelihood	Impact	Risk Management
Loss of principal deposit leading to a loss of Council reserves. Reputational risk to the Council.	Unlikely	Medium	<ul style="list-style-type: none"> • Treasury Management Strategy controls prioritise security of deposit over returns. • Diverse portfolio with top rated institutions and internal funding. • Investment limits in place so that only counterparties who have government backing are used • A maximum of £20m invested with any one counterparty.
Interest rates lower than expected leading to lower investment income being realised to revenue than budgeted.	Unlikely	Low	<ul style="list-style-type: none"> • Regular review, monitoring and reporting on interest rates. Prudent approach and consideration of scenarios to inform financial planning.
Increase in PWLB borrowing interest rates leading to the Council paying higher interest rates on borrowing than budgeted.	Possible	Medium	<ul style="list-style-type: none"> • Regular review of borrowing requirement to fund the capital programme and imminent loan maturities. • Forecast interest rate increases built into budget setting.
Lack of internal controls leading to rogue spend and overspend of budget	Unlikely	Medium	<ul style="list-style-type: none"> • The Council's system of internal control is set out in the Council's Constitution. • Internal control system is continuously reviewed by the Council's Internal Audit service, which gives an overall annual assessment of the adequacy of the Council's internal control systems to inform the Council's Annual Governance Statement (AGS) • All managers have a responsibility to install and maintain effective internal control systems demonstrated through AGS • Service Directors are required to confirm annually that they have in place effective financial planning and budgetary control procedures in place
Revenue cost of capital is higher than expected leading to a budget shortfall	Unlikely	Low	<ul style="list-style-type: none"> • Capital bid framework identifies revenue implications, and these are assessed and considered in scenario planning. • Monitoring of capital projects funding is reported to Cabinet on a quarterly basis as part of the capital monitoring process. • Use of the Council's treasury management advisors to assist in determining the most appropriate time to undertake new borrowing and rescheduling of existing loans.
Changes to Government policy including health and social care integration and welfare reform impacting on cost of services	Likely	High	<ul style="list-style-type: none"> • Best estimates of funding impacts related to Government policy are factored into the MTFS. Estimates are prudent and based upon consideration of finance networks experience. Any specific areas of uncertainty are identified and subject to focussed activity and review.

Significant financial impacts of UK's exit from the European Union on 31 January 2020 and transition period leading to less income or increased costs	Possible	Medium/ High	<ul style="list-style-type: none"> • Collaborative working with treasury advisors and financial networks to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the UK and the EU. New burden costs will be logged and raised with Government. Any known potential implications will be considered annually as part of the council's MTFS review.
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Conclusion;

Although the financial context continues to be increasingly challenging, the Council has a strong track record of identifying and delivering significant savings and delivering the budget supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained.

ESTIMATED USE OF RESERVES

	ACTUAL	ESTIMATED USE			
	Balance		Balance		Balance
<u>Gateshead Reserves</u>	01-Apr-19	Movement	31-Mar-20	Movement	31-Mar-21
	£000s	£000s	£000s	£000s	£000s
<u>General Fund</u>					
General Reserve	(10,821)	(3,891)	(14,712)		(14,712)
LMS (School) Budget Share Reserve *	(6,249)	1,600	(4,649)	500	(4,149)
Total General Fund Reserve	(17,070)	(2,291)	(19,361)	500	(18,861)
<u>Earmarked Reserves</u>					
Financial Risk and Resilience	(11,290)	2,290	(9,000)		(9,000)
Budget Sustainability	(10,215)	614	(9,601)	484	(9,117)
Economic, Housing and Environmental Investment	(5,000)	770	(4,230)	2,202	(2,027)
Poverty, Health and Equality Investment	(3,500)	509	(2,991)	345	(2,646)
Developers Contributions *	(1,706)	750	(956)	500	(456)
DSG *	(816)	528	(288)	288	0
Unapplied Revenue Grants *	(1,115)	94	(1,021)	510	(511)
Public Health *	(2,192)	549	(1,643)	321	(1,322)
Total Earmarked Fund Reserves	(35,834)	6,104	(29,730)	4,650	(25,080)
Total Reserves	(52,904)	3,813	(49,091)	5,150	(43,941)

* Ring fenced - not available to support the revenue budget & council tax requirement

General Fund

The General Fund is made up of two reserves as follows:

General Reserve

This acts as a contingency and allows the Council to meet any unforeseen expenditure. The Council is required to maintain a General Reserve of 3% of its net budget as a minimum which is circa £7m.

Schools LMS

Combined with the General Reserve, this reserve forms part of the General Fund but use of this reserve is ring-fenced to schools and there is a duty to report planned use to Schools Forum. The reserve is made up of individual balances relating to each maintained school.

Earmarked Reserves**Financial Risk and Resilience**

This reserve was created to set aside funds in respect of key financial risks identified through the risk management process and the savings required as part of the Council MTFS.

Budget Sustainability

This reserve is to be used to support the financial strategy contained within the Council MTFS by allocating investment on a time limited short-term basis in order to generate

future savings, manage demand through investment in prevention strategies and to generate and maximise income.

Economic, Housing and Environmental Investment

This reserve was created to stimulate economic growth and to tackle environmental issues across the borough. It provides funding to support the key themes which underpin the MTFS and the Thrive agenda.

Poverty, Health and Equality Investment

The reserve was created to support the Anti-Poverty Strategy and to alleviate the impact of welfare reform and austerity on the residents of Gateshead, which is consistent with Thrive priorities.

Earmarked Reserves – Ring Fenced

Developer Contributions

This reserve consists of developer contributions in respect of agreed regeneration schemes following Section 38 and 106 agreements. The movement on the reserve will fluctuate depending on the use of the contributions to support regeneration schemes such as play areas in new housing developments.

Dedicated Schools Grant

This reserve is ring-fenced for schools use and cannot be used for other priorities within the Council. Use of this reserve will be agreed by Schools Forum.

Unapplied Revenue Grants / Receipts

This reserve was created as a result of changes to the Accounting Code of Practice whereby unused grants and contributions, without conditions attached, should be appropriated to reserves to fund future expenditure rather than creating creditors on the Balance Sheet. The reserve represents proper accounting treatment.

Public Health

The responsibility for Public Health transferred to local authorities on the 1 April 2013. The funding is ring-fenced for future Public Health use.

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2018/19 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2018/19 £000 Actual	2019/20 £000 Estimate	2020/21 £000 Estimate	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate
Non-HRA	48,648	71,561	87,254	115,187	49,355	18,333	12,239
HRA	25,697	22,331	23,971	23,530	20,129	19,879	18,079
Total	74,345	93,892	110,725	138,717	69,484	38,212	30,318

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2018/19 are: -

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	14.05%	16.50%	17.40%	18.99%	19.55%	19.17%	19.40%
HRA	47.24%	47.30%	44.25%	42.15%	36.80%	35.67%	32.44%

The estimates of financing costs include current commitments and the proposals in this budget report.

3. The actual Capital Financing Requirement at 31 March 2019 and estimates of the end of year Capital Financing Requirement (excluding PFI) for the Council for the current and future years are: -

	31/03/19 £000 Actual	31/03/20 £000 Estimate	31/03/21 £000 Estimate	31/03/22 £000 Estimate	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate
Non-HRA	344,229	379,092	435,607	458,426	461,930	469,436	481,090
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
Total	689,734	724,597	781,112	803,931	807,435	814,941	826,595

4. The Capital Financing Requirement measures the Council's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. The Council has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowing and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the Council's underlying need to borrow for a capital purpose.

5. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence: -

"In order to ensure that over the medium-term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years."

The Strategic Director, Corporate Resources reports that the Council had no difficulty meeting this requirement in 2018/19, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The following table shows the actual and estimated external debt against the underlying capital borrowing need (the Capital Financing Requirement as at Q2 2019/20), highlighting any over or under borrowing.

	31/03/19 £000 Actual	31/03/20 £000 Estimate	31/03/21 £000 Estimate	31/03/22 £000 Estimate	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate
Actual gross debt at 31 March	670,567	699,039	755,554	778,373	781,877	789,383	801,037
Capital Financing Requirement	689,734	724,597	781,112	803,931	807,435	814,941	826,595
Under / (over) borrowing	19,167	25,558	25,558	25,558	25,558	25,558	25,558

6. In respect of its external debt, it is recommended that the Council approves the following Authorised Limits for its total external debt gross of investments for the next five financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities. The Council is asked to approve these limits and to delegate authority to the Strategic Director, Resources & Digital within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the Council. Any such changes made will be reported to the Council at its next meeting following the change.

<i>Authorised Limit for External Debt</i>					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Borrowing	880,000	900,000	900,000	905,000	910,000

7. The Strategic Director, Resources & Digital reports that these Authorised Limits are consistent with the Council's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing and with its approved treasury management policy statement and practices. The Strategic Director, Resources & Digital confirms that they are based on the estimate of most likely, prudent but not worst-case scenario, with sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes. These limits include amounts in relation to The Gateshead Housing Company.
8. The Council is also asked to approve the following Operational Boundary for external debt for the same time period. The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit, but reflects directly the Strategic Director, Resources & Digital estimate of the most likely, prudent but not worst-case scenario, without the additional headroom included within the Authorised Limit to allow, for example, for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The Operational Boundary represents a key management tool for in year monitoring by the Strategic Director, Resources & Digital. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to the Strategic Director, Resources & Digital within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the Authorised Limit. Any such changes will be reported to the Council at its next meeting following the change. These limits include amounts in relation to The Gateshead Housing Company.

<i>Operational Boundary for External Debt</i>					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Borrowing	865,000	885,000	885,000	890,000	895,000

9. The Council's actual external debt at 31 March 2019 was £670.567m comprising £670.567m borrowing and no other long-term liabilities. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.
10. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2020/21 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
11. The Council shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium-term forecast. In assessing affordability the Council will consider the council tax implications of its capital programme, borrowing and investment decisions.
12. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2017), which requires key Treasury Management indicators.

13. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However, if these indicators were set to be too restrictive, they will impair the opportunities to reduce costs.
14. It is recommended that the Council sets upper and lower limits for the maturity structure of its fixed and variable rate borrowings as follows: -

Upper and Lower Limits for the Maturity Structure of Fixed Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	30%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	30%	0%
10 years and within 20 years	30%	0%
20 years and within 30 years	25%	0%
30 years and within 40 years	50%	0%
40 years and within 50 years	50%	0%
50 years and above	25%	0%

Upper and Lower Limits for the Maturity Structure of Variable Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	25%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and within 20 years	20%	0%
20 years and within 30 years	20%	0%
30 years and within 40 years	20%	0%
40 years and within 50 years	20%	0%
50 years and above	20%	0%

15. It is recommended that the Council sets an upper limit on its principal sums invested for periods longer than 365 days for the next five years as follows: -

<i>Upper Limit on amounts invested beyond 365 days</i>					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Investments	15,000	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2020/21

The Minimum Revenue Provision (MRP) is the charge made to the revenue account to reflect the repayment of borrowing where the Council has a positive Capital Financing Requirement (CFR). This is the mechanism by which council tax payers fund capital expenditure that has been supported by borrowing.

In accordance with regulations and statutory guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003, the Council is required to calculate an amount of MRP each year which is considered to be prudent. The guidance includes four options with the broad aim of a prudent provision being to ensure that debt is repaid over a period that is reasonably commensurate with the period where the capital expenditure is expected to provide benefits.

The legislation requires the Council to prepare a statement of its policy on making MRP before the start of each financial year.

Supported Borrowing MRP

From 2017/18 MRP relating to capital expenditure financed from borrowing taken before 1 April 2008 is calculated at a fixed 2% of the opening CFR relating to capital expenditure incurred prior to 1 April 2008. This will make provision to fully repay the borrowing over a 50-year term.

Unsupported or Prudential Borrowing MRP

MRP relating to capital expenditure financed from borrowing taken after 1 April 2008 will be calculated using the Asset Life method. This makes provision over the estimated life of the asset for which the borrowing is undertaken.

The MRP will normally commence in the financial year following the one in which the expenditure is incurred, but in accordance with the guidance an additional MRP holiday can be taken until the period in which the asset becomes operational, particularly in the case of complex major projects.

The estimated useful life is aligned to the Council's asset register where possible, however the Council does have the flexibility to assign an alternative life to capital expenditure, provided this satisfies the requirement to make a prudent provision and is considered to reasonably reflect the anticipated period of the benefits arising from the investment.

If no life can reasonably be attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land may be treated as equal to that of the structure where this exceeds 50 years. The estimated life of the asset is determined in the year that MRP commences and is not usually subject to further revision.

Where borrowing is used to meet expenditure, which is treated as capital expenditure by virtue of a capitalisation direction, the life is set at a maximum of 20 years in accordance with the statutory guidance.

For assets with an expected life of less than 25 years, MRP is calculated using the Equal Instalment method. This makes a fixed provision each year over the life of the asset.

For assets with an expected life in excess of 25 years, primarily major projects and construction works to significant value assets, MRP is calculated using the Annuity method. This approach is used where the flow of benefits from an asset is expected to increase over time, as the MRP is lower in earlier years and increases over the lifetime of the asset. The MRP is the principal element for the year of the annuity required to repay the capital investment in the asset that has been funded using borrowing.

Housing Revenue Account MRP

In managing the HRA debt and considering the HRA business plan there is no mandatory requirement to make provision in the HRA for annual MRP payments. The provision to repay debt within the HRA is balanced with the need for investment in the stock and any voluntary provision to repay debt will be determined when closing the HRA subject to affordability considerations.

PFI Assets and assets held as Finance Leases

For assets accounted for as on-balance sheet relating to PFI contracts and finance leases (or, when applicable, leases where a right-of-use asset is on the balance sheet) the MRP charge is based upon the annual principal payment specified within the financial model. No additional charges are included above those within the contract. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

Long-Term Capital Loans

The Council has provided capital loans within the Capital Programme to facilitate additional development within Gateshead, particularly relating to affordable housing. The annual repayments of the principal amounts are treated as capital receipts and set aside to reduce the Council's underlying need to borrow, rather than making a revenue MRP charge.

Voluntary Provision

In accordance with the guidance, the Strategic Director, Resources and Digital has the discretion to make additional voluntary provision, subject to affordability considerations, which can result in reductions to the MRP charge for future years.

Projected MRP Charge

An analysis of the projected MRP Charge for 2020/21 over the different calculation methodologies and components is set out in the table below:

Projected MRP Charge 2020/21		£m
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.5
	Asset Life Method – Equal Instalment	4.6
	Asset Life Method – Annuity Method	7.9
PFI	Annuity Method	3.0
Voluntary Provision	General Fund	0.0
	Housing Revenue Account	0.0
Total Projected MRP Charge		18.0