

TITLE OF REPORT: Budget and Council Tax Level 2021/22**REPORT OF: Sheena Ramsey – Chief Executive
Corporate Management Team**

Purpose of Report

1. To request Cabinet to recommend to Council on 25 February 2021 the Budget and Council Tax level for 2021/22. 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 and is required by statute.

Background

2. On 19 November 2020 Council agreed the Medium-Term Financial Strategy (MTFS) that covered the period 2021/22 to 2025/26 which presented an extremely challenging financial position over the medium term and identified an estimated funding gap of £54.8 million over the five-year period. The MTFS identified a financial gap of £18.6 million to be closed for 2021/22 to achieve a legally balanced budget. The MTFS also identified significant uncertainty in the future funding of the Council by Government.
3. On 15 December 2020 Council agreed the local council tax support scheme for 2021/22 which continues to support a minimum contribution rate of 8.5% for working age benefit claimants that will continue to assist 12,300 council taxpayers. It is anticipated that these numbers will significantly increase as the longer term impacts of covid become clearer over the coming months.
4. On 17 December 2020 the Government announced the provisional local government finance settlement for 2021/22, including council tax referendum principles.
5. On 15 January 2021 the Council responded to the Provisional Local Government Finance Settlement 2021/22 Consultation.
6. On 19 January 2021 Cabinet agreed the council tax and business rates base forecasts for 2021/22.
7. On 4 February 2021 the final local government funding settlement figures were announced. The final settlement debate and vote by parliament took place 10 February 2021. Overall funding was in line with the provisional settlement.
8. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2021/22.

Proposal

A Budget to Deliver Council Priorities

9. 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
10. 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.
11. 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.

12. This report proposes a balanced budget in 2021/22 that moves forward a priority driven approach to revenue resource allocation. The annual budget savings cycle will be a continuous approach with budget developments brought to Cabinet for consideration throughout the year to allocate resources to Services and consider consultation outcomes.
13. Government have announced a maximum council tax uplift of up to 5% for council services including another year of the adult social care precept. The maximum uplift is included in the funding settlement assumptions.
14. 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 3% for residents of the Borough of Gateshead in respect of the Government's charge for adult social care expenditure.
15. This will result in a combined council tax increase of 4.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in £1.17 a week rise for the majority of council tax payers in Gateshead living in the lowest value properties (Band A) or £1.75 a week for those in Band D. This report recommends a 4.99% council tax increase in the Council's council tax for 2021/22.
16. The proposed balanced base budget for 2021/22 after investment, savings and budgeted use of reserves of £29.106 million is £246.875 million. Available funding for 2021/22 is £238.758 million based on the settlement. Including a council tax increase of 4.99%, council tax income and collection fund transfers resulting in a budget savings requirement of £8.117 million. This can be summarised as follows:

Budget Savings Requirement 2021/22	£m
Agreed Base Budget and contingency	241.694
Plus, priority growth	2.639
Less budget savings	(8.117)
Plus Budget Funded from Earmarked Reserves	2.542
Proposed Net Budget 2020/21	238.758
Funded by;	
Local Funding (Council Tax and Business Rates)	(120.614)
Government Funding	(89.038)
Reserves Supporting Business Rates	(26.564)
Earmarked Reserves	(2.542)
Total Funding 2021/22	(238.758)

17. Proposed areas of budget identified for savings are outlined in the appendices to this report. Cabinet will receive future reports to consider the outcome of consultations and potential redirection or alternative budget savings.
18. 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

19. Cabinet is requested to make the following recommendations to Council:
- (1) That Gateshead's Band D council tax for 2021/22 is increased by 4.99% (including a 3% adult social care Government charge) to £1,914.92.
 - (2) The revenue estimates of £238.758 million for 2021/22 are approved.
 - (3) That Cabinet approve to extend a council tax hardship scheme into 2021/22 using £2.779m of support grant as set out in the report.
 - (4) The budgeted use of £29.106 million Earmarked Reserves in 2021/22 be approved (includes £26.564m ringfenced covid support to retained business rates).
 - (5) That the indicative schools funding presented in Appendix 2 be agreed.
 - (6) To note the conclusions of the Strategic Director, Resources and Digital in respect of the robustness of budget estimates and adequacy of reserves.
 - (7) That the prudential and treasury indicators set out in Appendix 6 to this report be agreed.
 - (8) That the method of calculating the Minimum Revenue Provision (MRP) for 2021/22 as set out in Appendix 7 be approved.
 - (9) That the initial proposed areas of priority investment and savings included in the budget in Appendix 2 be agreed with further specific consultation and reporting to Cabinet to take place throughout the year as required.
 - (10) That the outcome of initial budget consultation outlined in appendix 3 be noted.
 - (11) That it be noted that at its meeting on 19 January 2021, Cabinet agreed the following amounts for the year 2021/22 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
 - (a) **52,483.9** 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) **1,198.4** 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.

(12) That the following amounts be now calculated by the Council for the year 2021/22 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'):

- (a) **£604,606,039** 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) **(£504,091,243)** 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) **£100,514,796** 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) **£1,915.1549** being the amount at (c) above, all divided by the amount at (11)(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) **£12,105.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) **£1,914.9243** being the amount at (d) less the result given by dividing the amount at (e) above by the amount at (11)(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
£1,925.0253 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 (11)(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	6.73	1,276.62
B	7.86	1,489.38
C	8.98	1,702.15
D	10.10	1,914.92
E	12.34	2,340.46
F	14.59	2,766.00
G	16.83	3,191.54
H	20.20	3,829.84

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.

- (13) That it be noted that for the year 2021/22, 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	95.89	57.09
B	111.88	66.61
C	127.86	76.12
D	143.84	85.64
E	175.80	104.67
F	207.77	123.70
G	239.73	142.73
H	287.68	171.28

- (14) That, having calculated the aggregate in each case of the amounts at (12) (h) and (13) 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 2021/22 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish	All other parts of the Council's area
	£	£
A	1,436.33	1,429.60
B	1,675.73	1,667.87
C	1,915.11	1,906.13
D	2,154.50	2,144.40
E	2,633.27	2,620.93
F	3,112.06	3,097.47
G	3,590.83	3,574.00
H	4,309.00	4,288.80

- (15) 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 2021/22 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 2021/22.

Policy Context

1. Making Gateshead a Place Where Everyone Thrives sets the policy direction for the Council, redressing the imbalance of inequality, championing fairness and social justice. This approach determines future budget proposals and the development of business planning for each of the Council's Services.
2. Full Council is responsible for approving the Council's annual budget following recommendation from Cabinet, in line with the budget and policy framework outlined within Gateshead Council's constitution.

Background

3. 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.
4. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives 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
5. 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 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.
6. 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.

7. 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
8. 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 reduced, 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.
9. The Council's budget estimates to achieve a balanced budget for 2021/22 are attached at Appendix 2 and have been prepared in accordance with the new priority approach and after consideration of the outcome of the initial budget consultation. Further formal consultation will take place throughout the financial year on specific proposals and the outcome reported to Cabinet.

Considerations

10. In finalising the budget and council tax for 2021/22, the following issues require consideration and are set out in the body of this appendix: -
 - Medium Term Financial Strategy context;
 - Final settlement 2021/22;
 - Projected revenue outturn 2020/21;
 - Budget guidance and base budget requirements 2021/22;
 - Areas of proposed budget growth and savings 2021/22; (See also appendix 2)
 - Projected business rates 2021/22;
 - Council tax 2021/22;
 - Adequacy of reserves and robustness of budget estimates;(See also appendix 5)
 - Agreed use of reserves 2021/22;
 - Approval of prudential indicators for 2021/22 (see also appendix 6);
 - Minimum Revenue Provision (MRP) (see also appendix 7).

Medium Term Financial Strategy

11. 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 2020 and is based on a financial forecast over a rolling five-year timeframe to 2025/26. This sets the financial context for the Council's resource allocation process and budget setting.
12. Due to proposed funding reforms for local government there is no certainty of funding levels beyond 2021/22 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 and future impacts arising from the pandemic adds to the potential for financial volatility and risk.

Final Settlement 2021/22

13. On 4 February 2021, the final local government funding settlement was announced. Overall funding was in line with expectations from the provisional settlement. The final settlement debate and parliamentary vote took place on 10 February.
14. The announcement stated that the government will “revisit the priorities for finance reform in time for the next Spending Review, taking account of wider work on the future of business rates and how best to organise and finance adult social care.” No announcements have been made in respect of the planned timing of the next Spending Review, but further details may be announced alongside the Budget on 3 March 2021.
15. 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.
16. 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.
17. 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 local government statutory duties at a time of significantly reducing funding.
18. The Council has been able to close the £18.621m financial gap and set a balanced budget through revisiting the MTFs cost pressures, unforeseen additional funding and a review of the revenue cost of capital investment alongside a savings requirement of £8.117m

Projected Revenue Outturn 2020/21

19. The agreed net revenue budget for 2020/21 is £243.507m. On 19 January 2021, Cabinet received a report on projected spending considering performance to 30 November 2020. The 2021/22 projected outturn at the third quarter shows a projected overspend of £0.531m for the year.
20. 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.
21. This has been a uniquely challenging year due to the impacts arising on services and wider economy from a world pandemic. The outturn will reflect one off government Covid grants and unique variations to budgets arising from increases or decreases in demand, loss of income as well as savings.
22. The final outturn position will be reported to Cabinet in June 2021 and due to active budget management, it remains the intention that the outturn will be delivered within budget estimates.

Base Budget Requirement 2021/22

23. The budget requirement has been kept to a minimum. Budgets funded from temporary covid grant in 2020 have been removed and pressures will be reviewed. The following key assumptions have been made in development of the 2021/22 budget;
- Budget uplifts for general inflation on areas such as utilities and contractual inflation. Resources have been included in relation to pay pressures (£5.5m)
 - Budget provision for service pressures identified within the MTFS such as social care, waste services and home to school transport (£4.5m)
 - 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 (£0.073m) reducing budget provision to £10.8m.
 - Revenue support grant inflationary increase from £15.2m to £15.3m
 - An estimation of funding available to support the budget from retained business rates and Section 31 business rates grant based on the National Non-Domestic Rates Return (NNDR1) return to Government.
 - An increase to £100.5m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£0.06m) and agreement of the proposed council tax increase (£4.8m).
 - The pay award for 2021/22 has yet to be announced, the draft Budget includes provision for a pay award within contingency.
 - The amount of Improved Better Care Fund payable via Clinical Commissioning Group is unconfirmed to date but is expected to be a minimum of 2020/21 funding levels.
 - Maintained levels of public health budget were announced in the Spending Round 2020. However, the Provisional Settlement did not include information about the national total, or individual authority allocations of the Public Health Grant for 2021/22. Therefore, this grant has been assumed at 2020/21 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.
24. Growth in the Council budget has been kept to a minimum with provision being made in a general contingency of £9.1m (3.8% 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.
25. A budget savings mitigation contingency of £2.7m has been provided for within the budget. This is to facilitate the fact that budget consultation will be required throughout 2021/22 and some specific savings will not be deliverable from 1 April. This contingency will be allocated as appropriate to service areas upon consideration of consultation outcomes and reasonable timings of full saving delivery.

26. The base budget figures and draft proposals are presented in Appendix 2, including all comparative figures for 2020/21.

Budget Growth and Savings Proposals 2021/22

27. Work continues to consider the shift in resources needed to achieve priority outcomes through five-year planning. This year the approach to budget setting is different. A balanced budget will be agreed by Cabinet and Council including savings that will be subject to further formal consultation. To support delivery of priorities, several areas have received investment to allow for different ways of working and to generate future savings. These areas are;
- £1m investment to continue social work in schools and to address increased demand in children's social care looked after children
 - £1.1m intervention to address pressures and different ways of working in locality hubs, working with the voluntary sector as well as digital and IT services, economy and jobs.
 - £0.440m investment in parks and open spaces
28. The consultation issues raised through the initial budget consultation process have been considered. Following consideration of many factors including the consultation responses themselves, the deliverability the overall financial position of the Council and specific potential impact of this proposal, it is proposed not to take forward the commissioning of a long term home care service and all service users / family carers have been directly notified of that decision.
29. Any subsequent changes to budget proposals following formal consultation will be the subject of future reports to be agreed throughout the year.

Projected Business Rates 2021/22

30. As part of the 2021/22 settlement, the Government provided a baseline figure for retained business rates of £43.114m. The National Non-Domestic Rates Return 1 (NNDR1) 2021/22 submitted to the Ministry of Housing, Communities and Local Government on 31 January 2021 estimated that the Council's retained element will be £20.439m (adjusted for cost of collection). Unlike previous years this will be supported with Section 31 grants of £26.564m received in 2020 and held in reserves to support the collection fund from the pandemic impacts. An additional estimate of £5.604m is included in the base budget funding in relation to reliefs which are reimbursed through a Section 31 grant.

Council Tax 2021/22

Statutory Requirements: Calculation of Council Tax Requirement

31. 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.

32. 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: -
 - (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 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).

Local Council Tax Support Scheme

33. 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 and into revenue support grant means that Government funding for this area has been significantly reduced. The current scheme means that approximately 12,300 council taxpayers will continue to pay no more than 8.5% of their council tax (around £121 per year/£2.33 per week). This is based on current numbers of claims. It is anticipated that these numbers will significantly increase as the longer term impacts of covid become clearer over the coming months. A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.

Council Tax Support Hardship Fund

34. In 2020/21 funding of £2.67m was received by the council with the expectation that billing authorities would provide all recipients of working age Council Tax Support (CTS) with a further reduction in their annual council tax bill of £150, using their discretionary powers to reduce the liability of council tax payers outside of their formal CTS scheme during 2020/21.
35. Grant conditions also allowed councils to use some funding to deliver increased financial assistance through other local support mechanisms, having considered local circumstances. The guidance allowed councils to provide:
- Council tax relief using existing discretionary discount and hardship policies
 - Additional support outside the council tax system through Local Welfare or similar schemes;
 - A higher level of council tax reduction for those working age LCTS recipients whose annual liability exceeds £150.
36. To date the Council Tax Hardship funding has been allocated to 16,610 accounts in receipt of council tax support to date with over 10,000 claimants liability reduced to nil. As per the guidance, cases have also been identified where residents are financially struggling but are not eligible for council tax support and any remaining funding will be used to increase support for winter fuel and hardship.

37. The spending review announced that a further £670 million of un-ringfenced grant nationally would be provided to local authorities aimed directly at supporting councils to meet the anticipated costs of additional costs of providing Local Council Tax Support (LCTS) in 2021/22, resulting from increased unemployment. Unlike the 2020 funding it is at the Council's discretion how this grant is utilised.
38. The council is expected to receive £2.779m council tax support grant funding in 2021/22 and it is proposed that Cabinet agree for this to be made available to continue the hardship fund for 2021/2022 with allocations following the same approach as 2020/21 in order to continue support for those in need.

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 2021/22" 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;
 - in addition to the core principle, a continuation of the adult social care precept, with an additional 3% flexibility available for social care authorities with the option to defer some or all of the 3% ASC Precept increase until 2022/23.
 - Police and crime commissioners (PCCs) allowed increases of up to £15 on a band D from their 2020/21 level;
 - The Government proposed to continue with no referendum principles for town and parish Councils in 2021/22 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 2021/22, this report recommends that Gateshead Council agrees a council tax increase of 4.99% (including a 3% 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 2021/22 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2021/22

47. In calculating the council tax requirement as required by the legislation, the local Parish precept and use of reserves must be considered.
48. The Parish of Lamesley agreed at the parish meeting of 8 February 2021 to issue a budget precept for 2021/22 of £12,105 which is a 4.99% increase on the 2020/21 precept of £11,530. However, due to a reduction in the council tax base level this means a band D precept increase of 6.3% is required to result in a £12,105 precept value.
49. 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.
50. Any amount transferred to or from the collection fund and the general fund in relation to council tax must also be deducted or added. For 2021/22 this figure has been estimated to be a £0.328m deficit transfer from the general fund.

51. The 2021/22 Council Tax Requirement (including Lamesley), based on an increase of 4.99% is £100,514,796, summarised as follows: -

	£
Net Budget 2021/22 Gateshead Council	238,758,169
<i>Less - Use of Earmarked Reserves</i>	(2,542,480)
<i>Add - Lamesley Parish Precept</i>	12,105
Budget Requirement 2021/22 (including Lamesley Parish Precept)	236,227,794
<i>Less - Settlement Funding Assessment (SFA)*</i>	(51,134,354)
<i>Less - Use of Reserves Supporting Retained Rates**</i>	(26,564,000)
<i>Public Health</i>	(16,540,836)
<i>Other Grants</i>	(41,801,353)
<i>Balance to be raised locally</i>	100,187,251
<i>Transfer from Collection Fund (Council Tax)</i>	327,545
Council Tax Requirement (including Lamesley Parish Precept)	100,514,796

**Includes transfer to/from Collection Fund for retained business rates*

*** Covid grant support to Collection Fund see report for details*

Council Tax Resolution

52. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 52,483.9 This calculation gives a basic amount of council tax of £1,915.15. However, from this figure, the legislation requires the Parish element to be deducted (£0.23). This gives a Band D Council Tax for Gateshead of £1,914.92. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D.
53. 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 3% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,276.62
B	1,489.38
C	1,702.15
D	1,914.92
E	2,340.46
F	2,766.00
G	3,191.54
H	3,829.84

54. 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 £10.10 for Lamesley Parish area in 2021/22
55. 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	6.73
B	7.86
C	8.98
D	10.10
E	12.34
F	14.59
G	16.83
H	20.20

56. 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 3 February 2021 the Police and Crime Panel agreed to increase the Band D charge by £6.84 which is permitted under the current referendum principles of up to £15. The Tyne and Wear Fire and Rescue Authority agreed a precept increase of 1.99% (£1.67 on band D) at their meeting on 15 February 2021. These are as follows;

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	95.89	57.09
B	111.88	66.61
C	127.86	76.12
D	143.84	85.64
E	175.80	104.67
F	207.77	123.70
G	239.73	142.73
H	287.68	171.28

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,436.33	1,429.60
B	1,675.73	1,667.87
C	1,915.11	1,906.13
D	2,154.50	2,144.40
E	2,633.27	2,620.93
F	3,112.06	3,097.47
G	3,590.83	3,574.00
H	4,309.00	4,288.80

Schools Budget

58. The Council will receive an indicative £168.5m 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 £55.7m. 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 £2.2m in 2021/22 and will be confirmed in June 2021 based on actual take up.
59. The Pupil Premium for 2021/22 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 £9.7m, of which an estimated £3.7m will be recouped for academies.
60. 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 £0.182m.
61. The number of schools with projected deficits is increasing, but with the current turbulent times and the additional Covid-19 related grants the position is difficult to estimate. Increased pressure on Government has resulted in some increased funding to mainstream schools however the majority of this funding relates to teacher's pay and pension grants being added to the DSG. Every mainstream school will receive at least 2% increase in per pupil funding. The increase in funding is expected to continue for 2022/23 at a similar level, but no detailed announcements have been made.

Adequacy of Reserves and Robustness of Budget Estimates

62. 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.
63. 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
64. 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.
65. 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 2020 and an estimate of reserves through to 31 March 2022 subject to the proposals in this report. The position on reserves will be further reviewed following revenue outturn in June 2021 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.
66. 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 £16.538m. This figure includes £5.479m LMS Schools reserves which are ring-fenced and £11.059m General Reserve which is at the minimum level of 5% net revenue budget.
67. The proposed 2021/22 base budget includes £2.542m budgeted use of the following earmarked reserves;
 - Financial Risk and Resilience £0.388m
 - Economic, Housing and Environmental Investment £1.566m
 - Poverty, Health and Equality Investment £0.588

68. It is possible that the MTFS requirement of a 5% minimum (£12m) general reserve level will be met after deployment of reserves to support the 2021/22 Budget. There are several alternatives to address this, which will be reviewed. A full review of reserves will take place at outturn, which will include a review of the earmarked reserves.
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. 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.
71. 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.
72. 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

73. There are several proposals put forward for consultation that will, if agreed, have an impact on the Council's workforce. Where applicable these are expressed as FTEs (full-time equivalents). This means posts totalling this FTE figure would have to be deleted permanently from the Council's employee establishment to make the identified saving from staffing budgets.
74. In accordance with the statutory redundancy process as set out under section 188, Trade Union and Labour Relations (Consolidation) Act 1992, consultation must be undertaken with the appropriate trade union representatives of employees who may be affected by any of the proposals.

75. The statutory redundancy consultation period is either 30 days, or 45 days if more than 100 redundancies are proposed. The Council's Redundancy Policy states that *where there is the potential for large-scale redundancies, the Council will endeavour to apply a 90-day consultation period*. Since in 2021/22, it is proposed that formal detailed redundancy consultation on a service by service basis commences **after** the Cabinet meeting on 23 February, a 45-day consultation will be undertaken. This will allow for full and constructive consideration to be given to how redundancies might be avoided; how the number of redundancies might be reduced; and mitigating the consequences of any redundancies.
76. In order to minimise the number of compulsory redundancies, applications for voluntary redundancy will be considered in areas not at risk of redundancy. The Council has a modestly enhanced redundancy payment scheme which is applicable to both voluntary and compulsory redundancies, and where an employee volunteers for redundancy to provide an employment opportunity for an employee otherwise at risk themselves (i.e. a 'bumped redundancy') or an efficiency saving.
77. Employees will also be encouraged to consider whether a reduction in hours might be appropriate for them, thereby enabling savings to be made from staffing budgets which are not dependent on redundancies.
78. Any voluntary redundancy application and applications for reduced hours will only be approved if they are in the best interests of the service, balanced against employees' preferences. Such applications will be considered constructively with a view to agreement if possible.
79. Where compulsory redundancies are implemented, all reasonable efforts will be made to secure alternative employment in accordance with the Council's Redeployment Policy.
80. A range of support measures are also in place to offer employees at risk, or on notice of redundancy, which are detailed in the Council's Redundancy Policy.

Reform of Local Government Exit Payments

81. The statutory provisions governing exit payments to public sector workers are in the process of reform.
82. Revised draft statutory provisions have been published which are currently subject to a national legal challenge. Unlike the £95k cap regulations (which have recently been rescinded), these provisions will affect workers with much smaller severance payments i.e. potentially all cases where pension is released with a redundancy payment. Proposed changes include:
 - Preventing an employer making a discretionary redundancy payment in addition to a payment of the pension strain cost, except in very limited circumstances.
 - Provisions to limit payments an employer can make into the LGPS (pension strain cost) where an employee receives a statutory redundancy payment (by reducing the strain cost payment by the amount of the statutory redundancy payment).

83. New Regulations were expected early in 2021, however, recent information from the LGA indicates that as there are several legal challenges to the Regulations, clarification on the final position may not be available until later this year. In addition, the government has emphasised that it is *'vital that exit payments deliver value for the taxpayer'*, stating that *'employers should always consider whether exit payments are fair and proportionate'*. It has also been announced that HM Treasury will be *'bringing forward proposals at pace to tackle unjustified exit payments'*. What this means in practice is yet to be confirmed.
84. These changes and the uncertainty as to what the final outcome will be make it extremely difficult to manage a redundancy process at this time. Until the government provides clarity on its proposals the Council is unable to advise employees, with any certainty, on the specific implications in relation to their pension benefits and redundancy payments, especially for proposals that may take effect later in the year.

Prudential and Treasury Indicators

85. 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 part 1 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.

86. 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)

87. 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 2021/22 is attached at Appendix 7.

Consultation

88. 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 20 January 2021.
89. There has been initial online public consultation on the council tax and budget proposals and responses are included at Appendix 3 of this report.
90. Unlike in previous years, formal consultation on specific savings will be ongoing throughout the 2021/22 financial year. At this stage the full impact of any changes identified in the budget have not been assessed in detail. The Council's budget decision will identify the areas of spending upon which it proposes to concentrate including the potential areas in which savings may be made. Cabinet retain discretion over the detail of how such savings are made (subject to the outcome of the consultations envisaged). Since this different approach is being taken to consultation in 2021/22, Cabinet should
- note, in respect of statutory or common law duties to consult arising from a changes in services including under the Public Sector Equality Duty and other service specific consultation obligations, that the duty to consult will arise when identifiable changes to services and spending on them are proposed; and
 - note that in relation to redundancy consultation, it is proposed that 45-day consultation periods are applied following approval of the Council's budget. This period may be extended should a Service Director, in consultation with HR, agree it is necessary to enable meaningful consultation
91. 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.

92. Although recognising the budget planning process this year has been exceptional the Council remains committed to continual constructive engagement with its recognised trade unions, whose contributions are welcomed and valued. The trade unions have been fully consulted on all proposals within the report and have been thanked for their engagement to date and the representation they have made.
93. Councillors have been consulted on the draft budget proposals through a Corporate Advisory Group, portfolio meetings and briefing sessions.

Alternative Options

94. 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

95. 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 to achieve a legally balanced budget for the start of 2021/22. 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 financial 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.

96. **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.

97. **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 Councils 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.

98. **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.
99. **Health Implications** – Appendix 3 highlights health and wellbeing impact.
100. **Climate Change and Sustainability Implications** –. The draft proposals put forward could impact on activities that support operational and financial sustainability. There is a need to balance short term budgetary requirements with the achievement of medium-term financial sustainability. Addressing Climate Change remains a priority of the Council and this is considered as part of the approach to budget setting.
101. **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.
102. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

Background Information:

- Budget Approach 2020/21 - 19 November 2019
- Budget and Council Tax Level 2020/21 – 25 February 2020
- Gateshead Health and Wellbeing Strategy – 25 February 2020
- Gateshead Council’s response to COVID-19 – Financial update, wider implications and steps towards recovery – 23 June 2020
- Gateshead Council’s response to COVID-19 – steps towards recovery – 14 July 2020
- Medium Term Financial Context 2021/22 – 2025/26 – 20 October 2020
- Budget – Approach to Recovery 2021/22 – 15 December 2020
- Budget 2021/22 - Revenue Savings Proposals – 19 January 2021

REVENUE BUDGETS 2021/22

Base Budget and Contingency 2021/22 £000	Group and Service (Net Budgets)	Priority Growth	Proposed Savings	Budgeted Reserves Use	Proposed Budget
		2021/22 £000	2021/22 £000	2021/22 £000	2021/22 £000
	<u>Children, Adults and Families</u>				
36,273	Children's Social Care	1,098	(500)	0	36,871
4,230	Education, Schools and Inclusion	0	0	0	4,230
6,736	Quality Assurance and Commissioning	0	0	0	6,736
71,714	Adult Social Care	0	(4,925)	0	66,789
	<u>Health and Wellbeing (including Public Health)</u>				
20,477	Health and Wellbeing (including Public Health)	0	(1,295)	580	19,762
	<u>Office of the Chief Executive</u>				
1,209	Office of the Chief Executive	0	(203)	0	1,006
	<u>Housing, Environment and Healthy Communities</u>				
3,886	Housing, Compliance and Traded Services	250	(186)	562	4,512
402	Housing General Fund	0	0	0	402
16,031	Highways and Waste	0	(39)	0	15,992
2,771	Environment and Fleet Management	440	0	340	3,551
	<u>Economy, Innovation and Growth</u>				
770	Business, Employment and Skills	405	(63)	129	1,241
2,258	Planning, Policy, Climate Change and Strategic Transport	0	0	209	2,467
(2,602)	Major Projects and Corporate Property	0	(232)	0	(2,834)
	<u>Corporate Services and Governance</u>				
3,640	Legal and Democratic Services	0	0	0	3,640
1,055	Human Resources and Workforce Development	0	(50)	388	1,393
463	Corporate Commissioning and Procurement	0	0	0	463
528	Public Service Reform	0	0	0	528
	<u>Resources and Digital</u>				
1,964	Financial Management	0	(92)	0	1,872
2,673	Customer Experience and Digital	300	(160)	334	3,147
200	Housing Benefits	0	0	0	200
3,719	IT	146	(82)	0	3,783
2,088	Commercialisation and Improvement	0	(50)	0	2,038
1,512	Other Services	0	(240)	0	1,272
9,051	General Contingency	0	0	0	9,051
6,130	COVID Funding	0	0	0	6,130
2,718	Contingency: Savings Mitigation	0	0	0	2,718
2,779	Hardship Funding	0	0	0	2,779
33,427	Capital Financing Costs	0	0	0	33,427
(5,421)	Investment & Trading Income	0	0	0	(5,421)
	<u>Levies</u>				
174	Environment Agency Levy	0	0	0	174
10,816	North East Combined Authority	0	0	0	10,816
23	Port of Tyne Levy	0	0	0	23
241,694	Total Net Budget	2,639	(8,117)	2,542	238,758
	<u>Financed By</u>				
	Settlement Funding Assessment (SFA)				(51,134)
	Other Grants				(41,801)
	Public Health				(16,541)
	Council Tax (Excluding Parish Precept)				(100,503)
	Collection Fund				328
	Reserves to Support Retained Rates				(26,564)
	Earmarked Reserves				(2,542)
0	Total Funding	0	0	0	(238,758)

SCHOOLS - ESTIMATES 2021/22

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	156,604	(156,604)	0	168,449	(168,449)	0
Use of Schools Reserves	0	0	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(50,871)	50,871	0	(55,721)	55,721	0
Total Retained in Council	105,733	(105,733)	0	112,728	(112,728)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(29,859)	29,859	0	(32,346)	32,346	0
Schools Budget (Maintained)	75,874	(75,874)	0	80,382	(80,382)	0
Pupil Premium	9,294	(9,294)	0	9,696	(9,696)	0
Less: Academies Recoupment	(2,091)	2,091	0	(3,668)	3,668	0
Pupil Premium (Maintained)	7,203	(7,203)	0	6,028	(6,028)	0
TOTAL SCHOOLS BUDGET 2021/22						0

The Council will receive an indicative £168m 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 £56m. 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.

For 2021/22, High Needs Block funding increased by £2.9m. The Pupil Premium for 2021/22 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 £9.7m, of which an estimated £3.7m 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 2021/22

CHILDREN'S SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Social Care	45,973	(10,809)	35,164	47,059	(10,786)	36,273
<u>Priority Growth</u>						
Children's Services				850	0	850
Social Workers in Schools				248	0	248
<u>Savings Proposals Subject to Consultation</u>						
Review of Business Support				(160)	0	(160)
Restructure of Children's Centres				(40)	0	(40)
<u>Savings</u>						
Therapeutic Support Team				(100)	0	(100)
Increase in-house Foster Carers				(200)	0	(200)
				598	0	598
Total Children's Social Care 2021/22				47,657	(10,786)	36,871

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2021/22

EDUCATION, SCHOOLS AND INCLUSION

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Education, Schools and Inclusion	42,006	(38,439)	3,567	43,171	(38,941)	4,230
Total Education, Schools and Inclusion 2021/22				43,171	(38,941)	4,230

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2021/22

QUALITY ASSURANCE AND COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Quality Assurance and Commissioning	7,119	(363)	6,756	7,097	(361)	6,736
Total Quality Assurance and Commissioning 2021/22				7,097	(361)	6,736

CHILDREN, ADULTS AND FAMILIES - ESTIMATES 2021/22

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	97,519	(27,880)	69,639	99,623	(27,909)	71,714
<u>Savings Proposals Subject to Consultation</u>						
Outcome based assessments and targeted reviews				(2,500)	0	(2,500)
Review Client Income				0	(200)	(200)
Closure of one PIC				(300)	0	(300)
Redesign Day Services				(400)	0	(400)
Review of in-house supported living schemes				(75)	0	(75)
<u>Savings</u>						
Continuation of current discharge to assess model				0	(1,000)	(1,000)
Delete/ review vacancies				(200)	0	(200)
Extend the Shared Lives offer				(250)	0	(250)
				(3,725)	(1,200)	(4,925)
Total Adult Social Care 2021/22				95,898	(29,109)	66,789

HEALTH AND WELLBEING (including Public Health) - ESTIMATES 2021/22

Health and Wellbeing (including Public Health)

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Health and Wellbeing (including Public Health)	30,849	(5,278)	25,571	27,293	(6,816)	20,477
<u>Budgeted Use of Reserves</u>						
Go Gateshead Sport & Leisure (Duathlon Event)				10	0	10
Major Sporting Events (Athletics and Cycling Event)				570	0	570
<u>Savings Proposals Subject to Consultation</u>						
Leisure / Libraries / Culture				(1,200)	0	(1,200)
<u>Savings</u>						
Reconfiguration of Arts Team				(46)	0	(46)
Review Community Safety Team				(49)	0	(49)
				(715)	0	(715)
Total Health and Wellbeing (including Public Health) 2021/22				26,578	(6,816)	19,762

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2021/22

OFFICE OF THE CHIEF EXECUTIVE

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Office of the Chief Executive	1,100	(88)	1,012	1,296	(87)	1,209
<u>Savings</u>						
Graphics trading income				0	(5)	(5)
Deletion of posts				(198)	0	(198)
				(198)	(5)	(203)
Total Office of the Chief Executive 2021/22				1,098	(92)	1,006

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2021/22

HOUSING, COMPLIANCE AND TRADED SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing, Compliance and Traded Services	16,740	(11,962)	4,778	16,311	(12,425)	3,886
<u>Priority Growth</u>						
Locality Hubs				250	0	250
<u>Budgeted Use of Reserves</u>						
Community Led Local Development (CLLD) Programme				42	0	42
Community Led Local Development (CLLD) Programme Match Funding				315	0	315
Poverty Programme				25	0	25
Community Advice at Citizens Advice Bureau				40	0	40
Locality Working in Gateshead				140	0	140
<u>Savings Proposals Subject to Consultation</u>						
Remove Thrive Fund				(130)	0	(130)
Corporate Landlord Delivery Review				(56)	0	(56)
				626	0	626
Total Housing, Compliance and Traded Services 2021/22				16,937	(12,425)	4,512

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2021/22

HOUSING GENERAL FUND

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing General Fund	2,090	(1,495)	595	1,897	(1,495)	402
Total Housing General Fund 2021/22				1,897	(1,495)	402

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2021/22

HIGHWAYS AND WASTE

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Highways and Waste	26,686	(9,909)	16,777	26,595	(10,564)	16,031
<u>Savings</u>						
Reduction in Directorate Support				(39)	0	(39)
				(39)	0	(39)
Total Highways and Waste 2021/22				26,556	(10,564)	15,992

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2021/22

ENVIRONMENT AND FLEET MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment and Fleet Management	5,869	(2,561)	3,308	5,472	(2,701)	2,771
<u>Priority Growth</u>						
Parks, Open Spaces & Cycle Ways				440	0	440
<u>Budgeted Use of Reserves</u>						
Bowling Green Savings Mitigation				90	0	90
Environment Investment Plan				250	0	250
				780	0	780
Total Environment and Fleet Management 2021/22				6,252	(2,701)	3,551

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2021/22

BUSINESS, EMPLOYMENT AND SKILLS

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business, Employment and Skills	3,418	(2,369)	1,049	3,184	(2,414)	770
<u>Priority Growth</u>						
Economy & Jobs				405	0	405
<u>Budgeted Use of Reserves</u>						
Business Support North East Partnership				41	0	41
Work Inspiration Gateshead				24	0	24
Northern Design Centre				15	0	15
Working Gateshead				49	0	49
<u>Savings</u>						
Riga office development rental income				(63)	0	(63)
				471	0	471
Total Business, Employment and Skills 2021/22				3,655	(2,414)	1,241

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2021/22

PLANNING, POLICY, CLIMATE CHANGE AND STRATEGIC TRANSPORT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	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	5,270	(2,668)	2,602	5,085	(2,827)	2,258
<u>Budgeted Use of Reserves</u>						
Chopwell Plan				64	0	64
Climate Change				145	0	145
				209	0	209
Total Planning, Policy, Climate Change and Strategic Transport 2021/22				5,294	(2,827)	2,467

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2021/22

MAJOR PROJECTS AND CORPORATE PROPERTY

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Major Projects and Corporate Property	6,695	(8,074)	(1,379)	5,784	(8,386)	(2,602)
<u>Savings Proposals Subject to Consultation</u>						
Property Services				(140)	0	(140)
<u>Savings</u>						
Gateshead Energy Company concession charge				(92)	0	(92)
				(232)	0	(232)
Total Major Projects and Corporate Property 2021/22				5,552	(8,386)	(2,834)

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2021/22

LEGAL AND DEMOCRATIC SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal and Democratic Services	4,706	(1,073)	3,633	4,755	(1,115)	3,640
Total Legal and Democratic Services 2021/22				4,755	(1,115)	3,640

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2021/22

HUMAN RESOURCES AND WORKFORCE DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources and Workforce Development	2,011	(544)	1,467	1,601	(546)	1,055
<u>Budgeted Use of Reserves</u>						
Workforce Development Savings Mitigation				273	0	273
Workforce Development Apprenticeship Coordinator				41	0	41
Workforce Development Counselling Support				4	0	4
Workforce Development Leadership Development Programme				70	0	70
<u>Savings Subject to Consultation</u>						
Reduce Mileage Budgets				(50)	0	(50)
				338	0	338
Total Human Resources and Workforce Development 2021/22				1,939	(546)	1,393

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2021/22

CORPORATE COMMISSIONING AND PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning and Procurement	644	(190)	454	1,072	(609)	463
Total Corporate Commissioning and Procurement 2021/22				1,072	(609)	463

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2021/22

PUBLIC SERVICE REFORM

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Service Reform	334	0	334	528	0	528
Total Public Service Reform 2021/22				528	0	528

RESOURCES AND DIGITAL - ESTIMATES 2021/22

FINANCIAL MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Financial Management	3,866	(2,152)	1,714	4,017	(2,053)	1,964
Savings						
Reduction to Establishment				(72)	0	(72)
Early Payment Programme				(20)	0	(20)
				(92)	0	(92)
Total Financial Management 2021/22				3,925	(2,053)	1,872

RESOURCES AND DIGITAL - ESTIMATES 2021/22

CUSTOMER EXPERIENCE AND DIGITAL

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer Experience and Digital	5,404	(1,524)	3,880	5,071	(2,398)	2,673
<u>Priority Growth</u>						
Customer Experience & Digital Investment				300	0	300
<u>Budgeted Use of Reserves</u>						
Discretionary Payments				50	0	50
Benefits Officer Posts				124	0	124
Welfare Benefits Posts at Citizens Advice Bureau				120	0	120
Specialist Welfare Benefits Advisor at Citizens Advice Bureau				40	0	40
<u>Savings</u>						
Reduced management				(55)	0	(55)
Cease Systems Contract				(45)	0	(45)
E-billing for Council Tax and Benefits				(60)	0	(60)
				474	0	474
Total Customer Experience and Digital 2021/22				5,545	(2,398)	3,147

RESOURCES AND DIGITAL - ESTIMATES 2021/22

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	53,148	(52,726)	422	52,926	(52,726)	200
Total Housing Benefits 2021/22				52,926	(52,726)	200

RESOURCES AND DIGITAL - ESTIMATES 2021/22

IT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT	5,644	(2,441)	3,203	6,086	(2,367)	3,719
Priority Growth						
IT Strategic Action Plan				146	0	146
Savings						
MFD Contract / Reduction in Print				(50)	0	(50)
Software Budget Consolidation and Removal of Backup Internet connection				(32)	0	(32)
				64	0	64
Total IT 2021/22				6,150	(2,367)	3,783

RESOURCES AND DIGITAL - ESTIMATES 2021/22

COMMERCIALISATION AND IMPROVEMENT

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commercialisation and Improvement	1,986	(255)	1,731	2,254	(166)	2,088
<u>Savings</u> Reduction to Performance Management team				(50)	0	(50)
				(50)	0	(50)
Total Commercialisation and Improvement 2021/22				2,204	(166)	2,038

RESOURCES AND DIGITAL - ESTIMATES 2021/22

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2020/21			2021/22		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Capital Financing	33,700	0	33,700	33,427	0	33,427
Trading & Investment Income	0	(4,535)	(4,535)	0	(5,421)	(5,421)
Contingencies	12,804*	0	12,804*	9,051	0	9,051
COVID Funding	0	0	0	6,130	0	6,130
Other Services	1,678	(48)	1,630	1,560	(48)	1,512
Levies	11,086	0	11,086	11,013	0	11,013
Savings Mitigation	0	0	0	2,718	0	2,718
Hardship Funding	0	0	0	2,779	0	2,779
Total	59,268	(4,583)	54,685	66,678	(5,469)	61,209
Savings						
Insurance				(240)	0	(240)
				(240)	0	(240)
Total Other Services 2021/22				66,438	(5,469)	60,969

* includes COVID funding pending allocation £2.9m

SUMMARY OF BUDGET GROWTH BY COUNCIL PRIORITY		AMOUNT £000S
Economy		405
Poverty and Inequality		1,348
Economy		405
Economy & Jobs		405
Poverty and Inequality		1,348
Locality Hubs		250
Children's Services		850
Social Workers in Schools		248
DELIVERY ACTIONS FOR COUNCIL PRIORITIES		886
Customer Experience & Digital Investment		300
IT Strategic Action Plan		146
Parks, Open Spaces & Cycle Ways		440
BUDGET GROWTH Total		2,639

SUMMARY OF BUDGETED USE OF RESERVES	AMOUNT £000S
Budget Sustainability Reserve	388
Workforce Development Savings Mitigation	273
Workforce Development Apprenticeship Coordinator	41
Workforce Development Counselling Support	4
Workforce Development Leadership Development Programme	70
Economic, Housing and Environmental Investment Reserve	1,566
Community Led Local Development (CLLD) Programme	42
Community Led Local Development (CLLD) Programme Match Funding	315
Business Support North East Partnership	41
Work Inspiration Gateshead	24
Bowling Green Savings Mitigation	90
Go Gateshead Sport & Leisure (Duathlon Event)	10
Major Sporting Events (Athletics and Cycling Event)	570
Chopwell Plan	64
Climate Change	145
Environment Investment Plan	250
Northern Design Centre	15
Poverty, Health and Equality Investment Reserve	588
Discretionary Payments	50
Benefits Officer Posts	124
Welfare Benefits Posts at Citizens Advice Bureau	120
Working Gateshead	49
Poverty Programme	25
Specialist Welfare Benefits Advisor at Citizens Advice Bureau	40
Community Advice at Citizens Advice Bureau	40
Locality Working in Gateshead	140
BUDGETED USE OF RESERVES TOTAL	2,542

SUMMARY OF SAVINGS	AMOUNT £000S
Savings proposals subject to consultation:	
Public Health and Wellbeing	
Leisure / Libraries / Culture	(1,200)
Children, Adults and Families	
Review of Business Support	(160)
Outcome based assessments and targeted reviews	(2,500)
Review Client Income	(200)
Closure of one PIC	(300)
Redesign Day Services	(400)
Review of in-house supported living schemes	(75)
Restructure of Children's Centres	(40)
Housing, Environment and Healthy Communities	
Remove Thrive Fund	(130)
Corporate Landlord Delivery Review	(56)
Economy, Innovation and Growth	
Property Services	(140)
Corporate Services and governance	
Reduce Mileage Budgets	(50)
Savings	
Office of the Chief Executive	
Graphics trading income	(5)
Deletion of posts	(198)
Public Health and Wellbeing	
Reconfiguration of Arts Team	(46)
Review Community Safety Team	(49)
Housing, Environment and Healthy Communities	
Reduction in Directorate Support	(39)
Economy, Innovation and Growth	
Riga office development rental income	(63)
Gateshead Energy Company concession charge	(92)
Resources and Digital	
Reduction to Establishment	(72)
Insurance	(240)
Early Payment Programme	(20)
Reduced management	(55)
Cease Systems Contract	(45)
E-billing for Council Tax and Benefits	(60)
MFD Contract / Reduction in Print	(50)
Software Budget Consolidation and Removal of Backup Internet connection	(32)
Reduction to Performance Management team	(50)
Children, Adults and Families	
Therapeutic Support Team	(100)
Increase in-house Foster Carers	(200)
Continuation of current discharge to assess model	(1,000)
Delete/ review vacancies	(200)
Extend the Shared Lives offer	(250)
Total	(8,117)

Gateshead Council Budget Consultation 2021/22 Feedback and Impact Assessment Statements

Introduction

1. The Council sought views its budget options as part of the Budget setting process for 2021/22.
2. With an estimated funding gap of £58.4m anticipated over the next five years, and £18.6m identified for 2021/22, a set of budget options were developed using the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium Term Financial Strategy.
3. From 19 January views on the budget options and council tax proposals were sought online, with a closing date of 9 February 2020.

Method

4. An online budget survey ran from 19 January until 9 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, budget approach and budget options.
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. Formal submissions in response to the budget consultation have been received from key stakeholders including Connected Voice - on behalf of the VCS, Healthwatch Gateshead, GMB and Unison trade unions .

Public Consultation

8. Overall, there has been a good response in the number of people who have engaged with the Council on its budget consultation.
9. The following data has been gathered from the council website, social media and emails:
 - Council budget news article webpage views totalled 3,893
 - Budget consultation webpage views totalled 7,203
 - Gateshead Now email featured the budget consultation on two occasions, with a total of 3,107 clicks
 - Seven Twitter posts received 13,452 impressions and 473 engagements
 - Seven Facebook posts achieved a reach of 54,236 people (9,151 liked, commented or shared the posts and there were 399 comments)
 - 15 emails received into budgetconsultation@gateshead.gov.uk

10. There were 425 respondents by Gateshead residents, via the consultation portal, to the questions regarding Council Tax.
 - 48% said they tend to agree or strongly agree with applying a 3% increase to Council Tax for the adult social care precept, with 47% 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 45% saying tend to disagree or strongly disagree
11. There were 489 comments received via the consultation portal, on the Council's budget options, and a further 154 general comments submitted, the results of which are attached at **Appendix 3a below**.
12. 440 respondents answered the question should the Council target its resources to support the most vulnerable residents in Gateshead, with 59% saying strongly agree or tend to agree, whilst 35% saying strongly disagree or tend to disagree.
13. The most commented on budget options highlighted by respondents to the consultation were the public health and wellbeing offer review, e-billing of council tax and benefit notifications, review of day services, removal of the thrive fund and commission a long-term home care service.
14. In addition, there were a significant number of general comments made by respondents to the budget consultation. Initial analysis of these shows the greatest numbers of comments were on not increasing council tax, how to make efficiencies within the council and against the reduction of budget for leisure and libraries.

Trade Unions

15. Although recognising the budget planning process this year has been exceptional (see consultation section within appendix 1), the Council remains committed to continual constructive engagement with its recognised trade unions, whose contributions are welcomed and valued. While consultation on the proposals was indeed later than in previous years, this was the case for all stakeholders, including Cabinet and the wider Council membership. As highlighted in the workforce management section of appendix 1, formal redundancy consultation will take place, as necessary, when proposals for service changes relating to budget reductions are developed at appropriate times throughout the year.
16. Trade Unions have been thanked for their engagement to date and the representation they have made.

Other public consultation

17. Over the past twelve months there have been a number of consultations undertaken by the Council that have helped to inform council policy, including:
 - Covid-19 Household Impact survey
 - Tackling Climate Change in Gateshead
 - School Admission Arrangements for 2022
 - Making Spaces for Growing Places 2020
 - Kingsmeadow Community School Sixth Form Consultation
 - Sports and Leisure Facility Management Customer Satisfaction Survey 2020
 - Gateshead Home Adaptations Policy
 - Young Persons Drug and Alcohol Service Review
 - Public Space Protection Order in Gateshead Town Centre 2020

- Gateshead Quays Multi-Storey Car Park and Baltic Quarter North/South Link Road
- Planning Obligations Supplementary Planning Document - Second Review

Integrated Impact Assessment

18. 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.
19. 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
20. 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
21. 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 2021/22 could change service provision that directly supports the protected characteristics as defined under the Equality Act 2010.
22. An integrated impact assessment (IIA) will be developed for any budget 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.
23. Updated impact assessments have been published following feedback from the budget consultation survey and initial engagement undertaken with employees, service users and stakeholders.
24. This year a number of budget proposals will be undertaking additional consultation and engagement as part of a review of the council service or activity. At this point it is not possible to identify the likely impact on employees or service users until reviews have developed specific proposals in more detail. Impact assessments will be reviewed throughout the development of these budget options during 2021/22 and updated as knowledge of any likely impact is understood.
25. The consultation issues raised through the initial budget consultation process have been considered. Following consideration of many factors including the consultation responses themselves, the deliverability and impact of the budget options, the overall financial position of the Council, and the specific potential impact of this proposal, it is proposed not to take forward the commissioning of the Council's long term home care service and all service users / family carers were directly notified of that decision.

¹ Index of Multiple Deprivation, MHCLG 2019

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

Voluntary and Community Sector

26. The Council continues to value the contribution of the community and voluntary sector in Gateshead and the significant impact that is made in supporting residents across the borough. The Council will engage, support and collaborate with the voluntary sector leaders groups and through developing relationships with key community partners look to mitigate the impact of the Council's budget proposals by bring forward new ways of working to meet the needs of residents and securing funding from external sources.
27. The Strategic Lead for Poverty and Inequality has and will continue to forge new relationships establish pre pandemic and as part of the community response to Covid-19 to ensure ongoing support to residents who are vulnerable and continue to require help and support with the assistance of the Neighbourhood Management and Volunteering Team.
28. The Council's relationship with Connected Voice remains strong and the collective capacity building that results will ensure the VCSE continues to receive help and support from the Council and this key partner.

Alice Wiseman, Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Proposals (2021/22)

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 and Covid-19
- 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 which has been amplified by the impact of the Covid-19 pandemic, this health impact approach aims to:

1. Understand which proposals will result in the least negative impact.
2. Understand any negative consequences, which may require mitigation.

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 but recognising the complexity brought about by the Covid-19 pandemic. 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

The council is required to close a gap of £58.4m over the next five years with an £18.6m gap to be closed in 2021/22. A new budget approach which seeks to reduce this gap over a five-year period has been agreed. A set of budget options were developed using the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium Term Financial Strategy.

In addition, some areas of budget saving were taken in 2020/2021 but activity paused due to covid. 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. These proposals may impact on the Council's ability to improve the health and wellbeing of Gateshead's residents. As this is the start of the process of ongoing consultation and engagement for some 2021/22 budget options, impact will be looked at as services further identify and develop how delivery may change in the future. In response the Council will assess possible impacts via Integrated Impact Assessments, including any health implications, to be considered as each saving proposal is brought forward for decision in-year.

Overview

In the year when COVID-19 entered our lives, the link between inequalities and poor health outcomes has become increasingly clear. As we are still in the pandemic phase, we are unable to fully quantify the impact of COVID-19 in Gateshead, but there are some early observations to make about the likely impacts on local people.

Recently published data suggests that the most deprived areas of England have twice the rate of deaths involving COVID-19 than the most affluent. But COVID-19 is not unique in this respect: inequalities in mortality have long been evident. Indeed, deaths from suicide, conditions such as liver disease and cancer as well as overall mortality rates, all show that death rates for people living in the most deprived areas of the country are higher than those in the least deprived. Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Around 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England.

As Director of Public Health for Gateshead I am concerned that the Government funding for local authorities is under enormous pressure. Even prior to the pandemic funding had been constrained and 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.

Evidence suggests that COVID-19 may have a disproportionate impact on people from Black, Asian and minority ethnic (BAME) groups. The relationship between ethnicity and health is complex and likely to be the result of a combination of factors. People of BAME communities are likely to be at increased risk of acquiring the infection.

BAME communities are also likely to be at increased risk of poorer outcomes if they acquire COVID-19. For example, people of Bangladeshi and Pakistani background have higher rates of cardiovascular disease than people from White British ethnicity, and people of Black Caribbean and Black African ethnicity have higher rates of hypertension compared with other ethnic groups.

COVID-19 has affected different sections of the population to different degrees. As the pandemic goes on, we are becoming more aware of groups who are at risk for many different reasons.

We also know that during the COVID-19 lockdown that social stress coupled with restricted movement and social isolation measures, has resulted in increased levels of gender-based violence. Many have been forced to 'lockdown' at home with an abusive partner while services to support survivors are being disrupted or made inaccessible. Our understanding of the impacts of COVID-19 will become clearer in the future as we are better able to analyse and understand the data and experiences of different groups.

The longer-term and largest consequences of the 'lockdown' for health inequalities will be through political and economic choices. Economists fear that the economic impact will be far greater than the financial crisis of 2007/2008, and they say that it is likely to be worse in depth than the Great Depression.

The economic pain inflicted by COVID-19 will be felt unequally across the UK. Compared to the UK as a whole, the North East and the North West of England both have a higher proportion of employment in 'shutdown sectors' such as retail and manufacturing.

The closure of our schools will potentially increase educational inequality, as it is most likely to impact the most disadvantaged young people through their time in education and into the workplace.

In Early Years education, even in normal circumstances, the poorest children are already 11 months behind their better-off peers before they even start at school. There are significant risks of both short term and long-term impacts on the most disadvantaged children, who may not have a suitable home learning environment. Extra support will be needed for many children when returning to school.

Early research suggests that the pandemic and subsequent measures are having significant impacts on the mental health of children and young people. This group are already at higher risk of developing mental health issues compared with adults. Children are experiencing increased anxiety and stress about the virus, and school closures and social distancing measures have led to a loss of structure and social contact. Such circumstances, coupled with reductions in support services, will lead to a range of poor mental health outcomes.

Children and young people from certain groups (such as those from poorer households, young carers and those with disabilities) are already disproportionately affected by higher levels of mental health issues. For example, one study found that children from the poorest 20% of UK households are four times as likely to have serious mental health difficulties by the age of 11 as those from the wealthiest 20%. Experts express concern that the COVID-19 outbreak may widen these mental health inequalities, as well as increasing the overall prevalence of mental health issues in children.

Women make up almost 80% of the health and social care workforce and as such they are most exposed to COVID-19. This has impacted on women's mental well-being and inequalities, particularly amongst women who are single mothers. Single mothers are less likely to own houses, cars, and the most at risk for depression. The complexity of these many stresses on family life and the impact of these inequalities, will become apparent in the future.

In combination, austerity, welfare reform and the impact of Covid-19 provide a perfect storm, where outcomes for those most disadvantaged in Gateshead are set to get progressively worse.

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 2021-22 Survey results

Response (489 comments received on individual proposals and a further 154 general comments)	No. of comments
Review of Business Support (Children's Social Care)	18
Restructure of Children's Centres	17
Reduction in high cost placements from the recruitment of a Therapeutic Support Team - attraction of funding from CCG for clinical staff (Invest to Save agreed)	13
Increase the number of in-house foster carers particularly for sibling groups	12
Continuation of current discharge to assess model	13
Outcome based assessments and targeted reviews	13
Review Client Income and potentially increase some client charges. Remove automatic entitlement to some payments so they are more bespoke.	19
Extend the Shared Lives offer to improve the independence and outcomes for clients.	11
Close one Promoting Independence Centre (PIC) in preparation for the new build in 2022.	19
Redesign of all day services to develop an Activity Based Care function which will reduce the use of building based care but enable a more bespoke programme to be offered to clients which meets their interests and needs.	33
Review of in house supported living schemes. Commission three schemes from external providers. Develop complex reablement function for transitions, hospital discharge and people moving out of residential care.	20
Commission long term home care service	27
Public Health Wellbeing Offer - total budget 20% reduction (Leisure/ Libraries/ Culture)	135
Corporate Landlord Delivery Review	14
Remove the Thrive Fund	28
Property Services (Review of Corporate Property database)	17
Reduction to the establishment (Review of Financial Management)	20
Early Payment Programme	13
E-billing for council tax and notifications for benefits	47
I want to give general comments about the budget proposals	154

Analysis of general comments about the budget proposals	No. of comments
Council Tax should not be increased (reduce salaries, expenses, Cllrs etc.)	57
Make efficiencies e.g. sell land and property assets	25
Don't reduce budget for Leisure and Libraries	23
Don't spend on traffic schemes e.g. 20 mph zones / temp cycle lanes	18
The proposals are difficult to understand - need to be clearer	13
Don't reduce support for Children and Families	10
Spend more on clearing litter	8
Overall support / recognise difficult decisions	8
Save money through working in partnership more e.g. other authorities, VCS	7
Don't support the uneven distribution of resources across the borough	7
Don't support big projects e.g. further development of Gateshead Quays	5
More affordable housing needed	3
Invest more in parks	2
Other	6

Q. Are you a Gateshead resident?**(i.e. You pay your Council Tax to Gateshead Council)****This single response question was answered by 448 respondents.**

Response	Number of Respondents	Percentage of Respondents
Yes	425	94.9%
No	23	5.1%

Q. To what extent do you agree or disagree that the Council should apply a 3% increase to Council Tax for the adult social care precept which will contribute towards the cost of services for older and vulnerable residents? (This will mean for most properties in Gateshead, which have a band A Council Tax, an increase of 70p per week)

This single response question was answered by 442 respondents.

Response	Number of Respondents	Percentage of Respondents	% of Respondents (combined)
Strongly agree	90	20.4%	48.2%
Tend to agree	123	27.8%	
Tend to disagree	56	12.7%	47.3%
Strongly disagree	153	34.6%	
Don't know	20	4.5%	4.5%

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? (This will mean for most properties in Gateshead, which have a band A Council Tax, an increase of 47p per week)

This single response question was answered by 440 respondents.

Response	Number of Respondents	Percentage of Respondents	% of Respondents (combined)
Strongly agree	105	23.9%	51.1%
Tend to agree	120	27.3%	
Tend to disagree	59	13.4%	44.5%
Strongly disagree	137	31.1%	
Don't know	19	4.3%	4.3%

Q. To what extent do you agree or disagree that the Council should target its resources to support the most vulnerable residents in Gateshead?

This single response question was answered by 440 respondents.

Response	Number of Respondents	Percentage of Respondents	% of Respondents (combined)
Strongly agree	115	26.1%	59.1%
Tend to agree	145	33.0%	
Tend to disagree	81	18.4%	34.8%
Strongly disagree	72	16.4%	
Don't know	27	6.1%	6.1%



Mr M Barker
Strategic Director Corporate Services & Governance
Gateshead Council
Civic Centre
Regent Street
Gateshead
NE8 1HH

10th February 2021

Dear Mike,

Budget Response – 2021/25

Below is the joint Trade Union response to the recently received budget proposals. We would again like to stress that these proposals were presented with no prior discussion or input from the TUs, which has been common practice for many years. This clearly moves away from the Council's stance of working in partnership with TU's on all matters – including budget setting. It should, by now, be well noted that we object in the most strenuous terms to this change but we are providing it again here in our formal response and would like this recorded in the TU response section of the upcoming reports to both Cabinet and Council.

Some of the proposals include again the potential outsourcing of services. This could see the transfer of services for some of Gateshead's most vulnerable residents into external providers, some of whom have inexcusable and proven employment and service delivery reputations implicitly designed to extract profit over care. Back in 2017 a huge amount of time effort was spent disputing both the budget savings and operational validity – whilst at the same time TU members deployed significant operational efficiencies. It is hugely disappointing and must be a source of concern these types of duplicitous and misleading proposals have emerged again.

We reiterate again that the council's unit cost for salaries is high due to the inflated overheads imposed by the Council. The only other ways the private sector can carry out these roles cheaper is by either reducing the service, offering staff poor wages and terms and conditions or more likely both.

Furthermore, additional savings have been sought from those areas Gateshead residents 'see and value' the most - especially during the incredibly troubling times we are now living through.

In response to specific proposals, we put forward the following;

1. **Adult Social Care - Transitions.** The TU's welcome this proposal, we have supported many similar initiatives over many years now. We would therefore appreciate regular updates on the effectiveness of this 'new' approach and the progress linked to the savings target.
2. **Adult Social Care - Project Delivery Support.** For many years now budget savings in this area have been linked to a categorised 'overspend.' However, we believe the council spend in this area is broadly consistent with other local authorities especially those who have **not** undertaken mass Adult Social Care outsourcing exercises. We would therefore again welcome a timely update on the data that suggests the council is overspending in this area. In response to the broader proposal - we have, and will continue to, support the council to make services efficient and effective, including reducing demand. However, reducing the overall cost of care cannot include outsourcing which results in the burden being picked up by some of our members in reduced pay, pension provision etc. whilst at the same time, vulnerable people receive a worse service. It's worth noting there is a growing resentment to outsourcing; a view shared by the leader who has repeatedly stated 'there are no real savings only a fragmented, worse service'. Observations we categorically agree with.

A56 Promoting Independence Centre (PIC) – Close one Unit.

TU's and members have worked constructively and understood the reasoning for creating one future PIC centre, however the decision to close one of the three PIC's before the new building has been created is creating concerns. It appears to be rushed due to budget pressures and has come as a shock to those staff who have worked tirelessly during the pandemic. Capacity concerns have also been raised i.e. demand for the service exceeds the new capacity and alternative provision will have to be sourced at a cost.

A58 Activity based Day services/reduction of buildings.

No discussions have taken place, therefore we would appreciate timely detailed discussions to be quickly arranged by the budget holder/Director to discuss these proposals in detail.

A59 Review Inhouse Independent supported Living Schemes.

As previously highlighted the TU's are disappointed this proposal has been submitted again given all the work that was undertaken in previous budget rounds. It became obvious then that outsourcing the service does not make the necessary savings and employees have worked hard with service users to reduce level of care and thus reducing the cost of the service. Evidentially, there is clearly no incentive for private providers to work with service users and their families to make them more independent - which ultimately reduces the level of care packages.

A510 Externalisation of the Long-Term Domiciliary Care Service.

Whilst we understand the service is progressing to a reablement based service we do have concerns about the proposal to outsource the remaining long- term provision before the care plans would naturally come to an end. Vulnerable residents would

undergo a big change, creating enormous levels of upset – all to achieve a relatively small saving.

3. **Children's Services - Therapeutic Support/4. Foster Plus/5. PAUSE.** We welcome this broad significant investment across the range of critical areas, However, we would welcome further discussions to look at the FTE implications over the five year plan.

6. **Children Services - LAC Advocate Post.** We welcome this initiative, however we would like to highlight for many years the TU's have challenged the continuous reductions in Youth Worker posts. Therefore, we would welcome timely discussions to establish why this investment is now needed to deal with a 'consequential impact on adolescences' when every stakeholder repeatedly highlighted these cuts made no logical sense.

7. **VCS.** No discussions have taken place. We would therefore welcome early discussions specifically around the review of Neighbourhood Management, promoting IAG and the detail around the redirection of resources and the additional savings target.

8. **Economic Growth and Redevelopment/9. Corporate Landlord.** No discussions have taken place, therefore we would appreciate timely detailed discussions to be quickly arranged by the budget holder/Director to discuss, these proposals in detail.

10. **Facilities Management.** We have and will continue to work closely with the service to develop an efficient, effective and compliant FM service. However, we would welcome ongoing discussions especially related to the proposed savings of 11 FTEs.

11. **Health and Well-being.** Again, we have concerns that £307,000 has been categorised as an overspend. We believe a significant amount of this overspend is as a direct result of costs associated to Gateshead Stadium. We would therefore welcome further discussions on the strategic plan for the stadium. The Health and Well-being service will never be able to come within budget whilst effectively subsidising the stadium and its external customers. If the Council are determined to retain GIS as a status symbol or to attract events then it should be removed from the HWB budget and funded centrally. A further point to note is libraries and culture have seen significant budget reductions for over a decade now and many of these remaining facilities/services are the last 'outposts' in our communities - any further reductions will have a devastating impact. With coronavirus highlighting socio-economic and digital divides, publicly accessible buildings with access to digital devices and well-informed staff who help facilitate this access is vital. We strongly object to any further proposed closures

12. **Environment and Street Scene.** We welcome these proposals especially the investment to tackle the stark and saddening reductions in environmental standards across Gateshead. We

further welcome this will be achieved employing local people and good quality apprenticeships.

13. **Housing.** No discussions have taken place, therefore we would appreciate timely detailed discussions to be quickly arranged by the budget holder/Director to discuss these proposals.
14. **Climate change.** We welcome this proposal and would appreciate having sight of the audit on its completion.
15. **a Recommissioning** - previous response attached. **b Communication Research and Intelligence** – previous response attached **c. Improved Customer Experience** - we would appreciate timely detailed discussions to be quickly arranged by the budget holder/Director to discuss, in detail - these proposals.
16. **Services to Schools** - we would appreciate timely detailed discussions to be quickly arranged to discuss these proposals.
17. **Community Wealth Building** - No discussions have taken place, therefore we would appreciate timely detailed discussions to be quickly arranged by the budget holder/Director to discuss these proposals.
18. **Management Reviews** - No discussions have taken place, therefore we would appreciate timely detailed discussions to be quickly arranged by the budget holder/Director to discuss these proposals in detail.

As always we are committed to working closely with the Council for the benefit of our members and the communities we live in. Historically, the Council itself and, by implication, the wider community we all serve have benefitted from close collaboration with the recognised Trade Unions and, once again, we must emphasise our strong wish that such co-operation can be restored to see us through the current challenges.

Yours Sincerely,

Dave Smith
Karen McArthur
Kim Convery
UNISON

Dave Newton
GMB

Mark Gallon
UNITE

UNISON
Basement Office, Civic Centre
Regent Street
Gateshead
NE8 1HH

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 • All budget managers have access to real time financial information via the council's financial system. • 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"> • 5% 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 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.
Significant financial impacts arising from COVID-19	Likely	High	<ul style="list-style-type: none"> • Regular financial monitoring of impact on revenue and capital. • Maximising the government support and grants available to claim • Regular impact returns submitted to Government. • Lobbying through network groups such as LGA, SIGOMA etc

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 PROJECTIONS		
	Balance		Balance		Balance
Gateshead Reserves	1-Apr-20	Movement	31-Mar-21	Movement	31-Mar-22
	£000s	£000s	£000s	£000s	£000s
General Fund					
General Reserve	(11,059)	0	(11,059)	0	(11,059)
LMS (School) Budget Share Reserve *	(5,479)	(500)	(5,979)	1,000	(4,979)
Total General Fund Reserve	(16,538)	(500)	(17,038)	1,000	(16,038)
Earmarked Fund Reserves					
Financial Risk and Resilience	(14,161)	353	(13,808)	388	(13,420)
Economic, Housing and Environmental Investment	(8,404)	762	(7,642)	1,566	(6,076)
Poverty, Health and Equality Investment	(7,293)	402	(6,891)	588	(6,302)
COVID Funding	(7,593)	7,593	0	0	0
Developers' Contributions *	(1,762)	192	(1,570)	444	(1,125)
Dedicated Schools Grant *	(1,211)	0	(1,211)	0	(1,211)
Unapplied Revenue Grants *	(1,316)	200	(1,116)	447	(670)
Public Health *	(1,651)	108	(1,543)	321	(1,222)
Total Earmarked Fund Reserves	(43,391)	9,610	(33,781)	3,754	(30,026)
Total Reserves	(59,929)	9,110	(50,819)	4,754	(46,064)

* 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 5% of its net budget as a minimum which is circa £11m.

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. The key financial risks identified include grant clawback, business rates, insurance and workforce pressures.

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 2019/20 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2019/20 £000 Actual	2020/21 £000 Estimate	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate
Non-HRA	59,458	57,319	117,265	86,436	47,866	25,060	17,078
HRA	20,070	20,093	25,603	20,720	20,445	18,725	18,775
Total	79,528	77,412	142,868	107,156	68,311	43,785	35,853

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2019/20 are: -

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA	11.08%	17.40%	18.59%	19.97%	20.56%	20.52%	20.76%
HRA	40.51%	44.25%	42.39%	36.64%	35.83%	32.65%	32.15%

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

3. The actual Capital Financing Requirement at 31 March 2020 and estimates of the end of year Capital Financing Requirement (excluding PFI) for the Council for the current and future years are: -

	31/03/20 £000 Actual	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	31/03/26 £000 Estimate
Non-HRA	359,575	378,413	441,220	499,956	521,932	521,735	514,483
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
Total	705,080	723,918	786,725	845,461	867,437	867,240	859,988

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, Resources and Digital reports that the Council had no difficulty meeting this requirement in 2019/20, 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 external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.

	31/03/20 £000 Actual	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	31/03/26 £000 Estimate
Actual gross debt at 31 March	694,738	678,033	743,423	802,159	824,134	823,133	821,930
Capital Financing Requirement	705,080	723,918	786,725	845,461	867,437	867,240	859,988
Under / (over) borrowing	10,342	45,885	43,302	43,302	43,303	44,107	38,058

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 and 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.

Authorised Limit for External Debt					
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Borrowing	865,000	920,000	940,000	940,000	935,000

7. The Strategic Director, Resources and 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 and 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.
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 and 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 and 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 and 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.

<i>Operational Boundary for External Debt</i>					
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Borrowing	850,000	905,000	925,000	925,000	920,000

9. The Council's actual external debt at 31 March 2019 was £650.341m comprising £650.341m 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 2021/22 (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	20%	0%
12 months and within 24 months	19%	0%
24 months and within 5 years	21%	0%
5 years and within 10 years	27%	0%
10 years and within 20 years	22%	0%
20 years and within 30 years	18%	0%
30 years and within 40 years	44%	0%
40 years and within 50 years	46%	0%
50 years and above	16%	0%

Upper and Lower Limits for the Maturity Structure of Variable Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	20%	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>					
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Investments	15,000	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2021/22

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 2021/22 over the different calculation methodologies and components is set out in the table below:

Projected MRP Charge 2021/22		£m
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.5
	Asset Life Method – Equal Instalment	4.0
	Asset Life Method – Annuity Method	8.1
PFI	Annuity Method	3.2
Voluntary Provision	General Fund	0.0
	Housing Revenue Account	0.0
Total Projected MRP Charge		17.8