Build forward better

Our medium-term plan for 2021-22 and 2022-23

Appendix 1 – Revenue and capital plan 2021-22

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Newcastle City Council

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1. Introduction

We spend in the region of £1 billion each year across the General Fund, Housing Revenue Account and capital programme. Revenue expenditure on day-to-day services is funded by a combination of specific government grants, Council Tax, business rates, rents, third party contributions and income from sales, fees and charges. Approximately £140 million of this is ring-fenced to schools, £130 million is used to pay housing benefit to residents of the city on behalf of the government, and £110 million is ring-fenced to services for council tenants. This leaves us with around £500 million to meet our wide range of statutory requirements and to meet the needs of our citizens, communities and city. Our capital expenditure on our physical assets (such as buildings) is separate to revenue expenditure on day-to-day services and amounts to approximately £120 million per annum and is funded from a combination of specific government grants, third party contributions, capital receipts from the sale of assets and borrowing. It should be noted that it is not permissible to use borrowing or capital receipts to fund revenue expenditure on day-to-day services.

2. General Fund revenue budget

2.1 General Fund medium-term position

Government-imposed funding cuts coupled with unfunded cost pressures has resulted in us needing to achieve savings of £335 million since 2010 (to the end of 2021-22). We have sought to do this in a controlled manner and by taking a medium-term rather than a short-term approach.

As well as meeting our legal responsibility to set a balanced budget, the benefits of medium-term planning are:

- Ensuring resources are allocated to our priorities.
- Improving value for money.
- Maintaining financial stability.
- Managing significant financial risks.

The medium-term plan is underpinned by the following key principles:

- Prudent assessment of future resources and unfunded cost pressures.
- Maximisation of income generated across all areas of the council and prompt collection of all amounts owed to us/minimisation of bad debts.
- Prudent assessment of provisions required to mitigate potential future liabilities.
- Risk-assessed level of reserves and balances held corporately to mitigate potential financial liabilities/commitments.
- Prudent and planned use of reserves to fund permanent expenditure.
- Maximisation of capital receipts from disposals where this is the most cost-effective option.
- Maximisation of external grant funding that meets our priorities.
- Prudent use of our borrowing powers to undertake capital investment that is not funded by capital receipts, grants or contributions from third parties.
- Promotion of invest to save opportunities funded by prudential borrowing via risk-assessed business cases.
- Effective management and forecasting of our day-to-day and longer-term cash flow requirements.
- Minimisation of treasury management risks, including smoothing out the debt maturity profile.
- Full integration of revenue and capital financial decision-making processes, to ensure the revenue implications of capital projects are accurately reflected in the medium-term plan and the annual budget.
- Production of detailed implementation plans for all savings proposals.
- Sign-off of all revenue budgets by the relevant senior manager before the start of the financial year.
- Regular monitoring of revenue budgets by the relevant manager and robust management action to address any unplanned variances that arise.

The following tables show how these principles have been translated into our medium-term plan. In summary, our net revenue budget is determined by the level of business rates and Council Tax collected locally and the amount of Section 31 grants, Revenue Support Grant and Business Rates Top Up Grant received from government.

Table 1 – net revenue budget in 2020-21, 2021-22 and 2022-23

All figures in £ million	2020-21	2021-22	2022-23
Revenue Support Grant	26.6	26.8	25.9
Business rates	92.6	87.9	90.0
Council Tax	115.4	116.4	119.1
Net revenue budget	**234.6**	**231.1**	**235.0**

As can be seen from Table 1, the net revenue budget is expected to decrease from £234.6 million in 2020-21 to £231.1 million in 2021-22 due mainly to an assumed decrease in business rates, and then increase to £235.0 million in 2022-23 due mainly to assumed increases in business rates and Council Tax. However, as can be seen from Table 2, significant savings are required in both years due to unfunded cost pressures; further details of these savings are set out later in this document and in Appendix 2 – Summary of service proposals 2021-22 and 2022-23.

Table 2 – assumed budget changes in 2021-22 and 2022-23

All figures in £ million	2021-22	2022-23
Previous year's net revenue budget	234.6	231.1
Unfunded cost pressures	27.1	13.3
Savings requirement	(30.6)	(9.4)
This year's net revenue budget	**231.1**	**235.0**

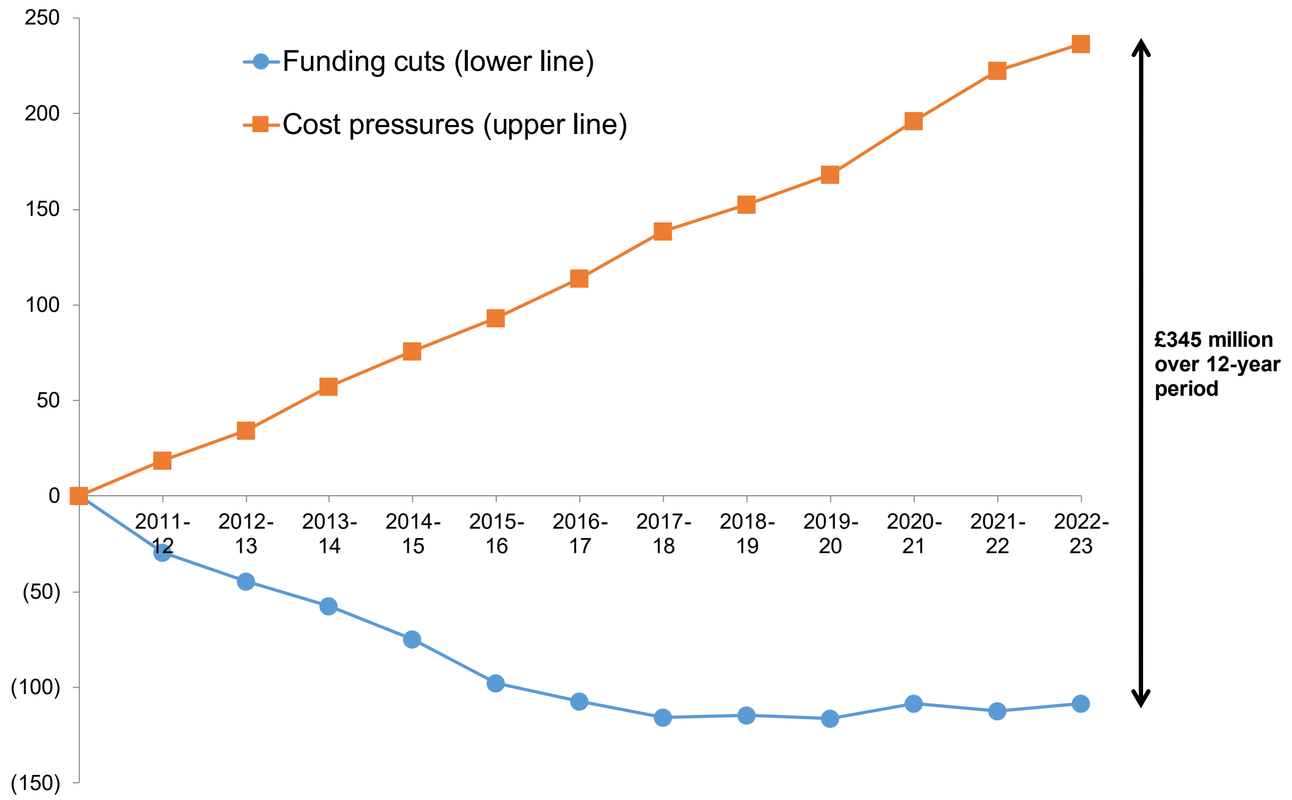
2.2 General Fund savings required to date

The savings required to balance the 2021-22 and 2022-23 budgets should be seen in the context of what was required to balance the budget in previous years.

Over the last ten years, we have needed to make savings of £305 million (equivalent to £2,270.92 per household) to balance our budget in the face of funding cuts and unavoidable and unfunded cost increases (referred to as cost pressures within this report). Many of these budget reductions have had an impact on services, however, many have been achieved by finding alternative and more cost-effective ways to deliver the same level of service, or by improving efficiency without any detriment to service delivery, as well as generating more income. However, the options for achieving budget reductions in this way are becoming more limited.

The savings requirement for 2021-22 and 2022-23 is £30.6 million and £9.4 million respectively. These savings requirements have been built into Chart 1, which shows the total savings required since 2010.

Chart 1 – cumulative savings required from 2011-12 to 2022-23 (all figures in £ million)



It should be noted that that the figure for 2011-12 also includes the in-year funding cuts announced in the 2010-11 Emergency Budget.

2.3 General Fund projected outturn for 2020-21

The plans for achieving savings in 2021-22 and 2022-23 should also be seen in the context of the projected outturn position for 2020-21.

The council has robust management arrangements in place to monitor and control revenue expenditure and this has resulted in the achievement of a balanced budget in the last few years (i.e. overall underspend of £0.3m in 2019-20). Before the start of the financial year, progress on achieving planned budget reductions is closely monitored at both officer and councillor level. This monitoring continues throughout the year and is enhanced by our formal budget monitoring process that looks at overall performance against the budget and not just delivery of specific budget reductions. Detailed budget monitoring reports are considered by directorate management teams and directors' team on a regular basis and management action is taken to address any financial pressures that occur.

However, the COVID-19 pandemic and resulting restrictions, which commenced in late-March 2020, has had a devastating impact on the council's ability to implement its 2020-21 revenue budget proposals. We have also experienced significant additional cost pressures (e.g. additional payments to residential care home providers), significant income shortfalls (e.g. car parking) as well as large-scale disruption to the achievement of planned budget savings. In addition to these service-related financial pressures, we have also experienced income shortfalls in relation to Council Tax and business rates.

To date the government has allocated four tranches of funding to mitigate the impact of these financial pressures, the fourth of which was announced only recently. An income guarantee scheme has also been established, which will provide further funding for the council.

This government funding, however, will not be sufficient to off-set the financial pressures we are facing in the current year as a result of COVID-19 lockdown and so the council has taken additional management actions in-year to deliver a balanced budget.

As a result of the actions taken, the council is projecting a potential pressure of only £0.1m on its General Fund net revenue budget in the current financial year after taking into account the additional management actions it is taking. Many services are overspending mainly as a result of COVID-19 and there are also some legacy issues from the previous financial year, however, this is largely off-set by projected underspends in other parts of the council, including within corporate items.

2.4 Spending Review 2020

The Spending Review 2020 was announced on 25 November 2020 and the headlines were as follows:

- 4.5% planned increase in Core Spending Power, which includes government funding such as Revenue Support Grant and New Homes Bonus and local sources of income such as Council Tax and business rates.
- 3% adult social care precept to be assumed within Core Spending Power figures to be published by government in provisional local government finance settlement.
- Net reduction in New Homes Bonus – new one-off payment in 2021-22 will be off-set by removal of 2017-18 and 2020-21 payments.
- Additional one-off social care grant totalling £300 million (no details given on how this will be distributed) and continuation of all existing one-off social care grants for at least another year (i.e. Better Care Fund, Improved Better Care Fund and Social Care Grant).
- Additional one-off COVID-19 financial support including further grant funding totalling £1.55 billion (no details given on how this will be distributed), funding for 75% of the 2020-21 in-year Collection Fund deficit, extension of income guarantee scheme for a further three months until 30 June 2021 and further Council Tax hardship funding totalling £670 million (no details given on how this will be distributed).
- National Living Wage increase of 2.2% to £8.91, which will impact upon rates to be paid to adult social care providers.
- Pay award for public sector workers targeted at lower paid staff (i.e. those who earn less than median earnings of £24,000) and frontline NHS staff. This does not directly apply to the council as we are part of a separate national pay agreement process.
- Continuation of Troubled Families grant funding (no details given on how this will be distributed).
- Inflation increase to Revenue Support Grant and no inflationary increase to business rates multiplier (the council will be compensated for this by government).
- No announcement was made to continue the business rates reliefs for hospitality, leisure and retail businesses, however, the documents did state that this would be kept under review and a further announcement on this would be made in the New Year.

Further details may be found at https://www.gov.uk/government/publications/spending-review-2020-documents.

2.5 General Fund 2021-22 net revenue budget

The 2021-22 General Fund net revenue budget is based on the following assumptions:

- An increase in Revenue Support Grant of £0.1 million based on September 2020 Consumer Price Index (CPI).
- A decrease in the amount of business rates income receivable (including Business Rates Top Up Grant and Section 31 grants) of £4.6 million split between a reduction in the size of the business rates base (i.e. £5.1 million) and an increase in Section 31 grants and the Business Rates Top Up Grant (i.e. £0.5 million).
- An increase of £1.0 million in the amount of Council Tax income receivable split between a reduction in the size of the Council Tax base (i.e. £1.4 million), a government-assumed general increase of 1.949% (i.e. £2.2 million) and a further increase in the long-term empty property premium (£0.1 million).

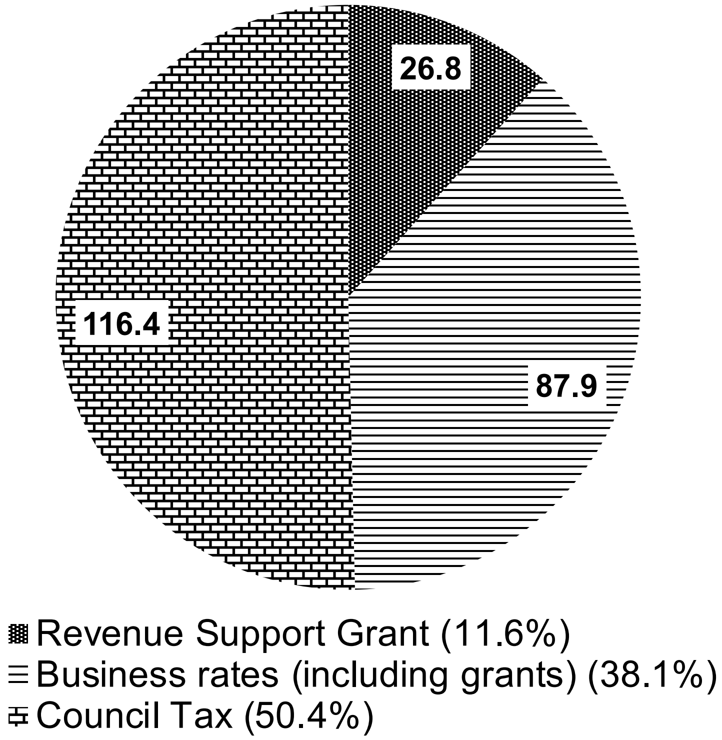
The impact of these changes on the 2021-22 net revenue budget can be seen in Table 3.

Table 3 – change in net revenue budget between 2020-21 and 2021-22

All figures in £ million	**2020-21**	**2021-22**	**Change**
Revenue Support Grant	26.6	26.8	0.1
Business rates (including grants)	92.6	87.9	(4.6)
Council Tax	115.4	116.4	1.0
Net revenue budget	**234.6**	**231.1**	**(3.5)**

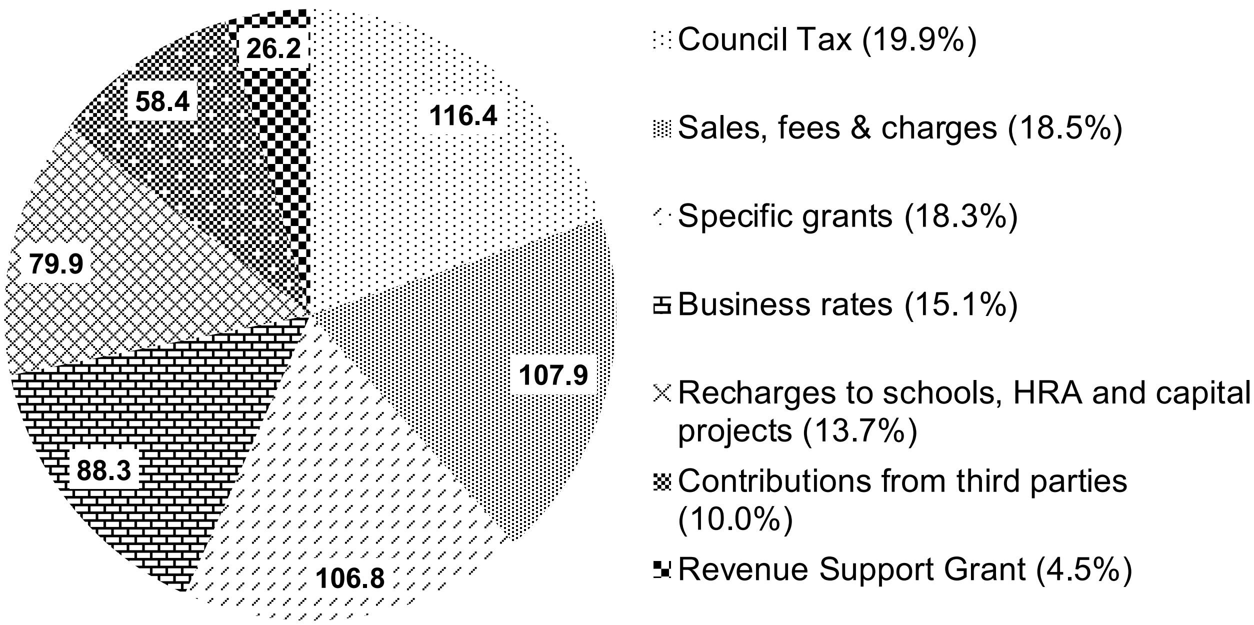
Business rates and Revenue Support Grant constitute the total of un-ringfenced government funding we are expected to receive in 2021-22. This will fund an estimated £114.7 million or 49.6% of our net revenue budget in 2021-22 compared with 50.8% in 2020-21. Council Tax will fund the other £116.4 million or 50.4% of the 2021-22 net revenue budget as shown in Chart 2.

Chart 2 – breakdown between estimated government funding (including business rates and Revenue Support Grant) and Council Tax in 2021-22



When viewed as a percentage of total General Fund income excluding schools and housing benefits, Council Tax represents 19.9% of total income as shown in Chart 3.

Chart 3 – breakdown of total estimated General Fund income in 2021-22 (figures are in £ million)



The following assumptions have also been made in the development of the 2021-22 General Fund net revenue budget:

- No general inflationary increase for supplies and services budgets – procurement activity will focus on maintaining spend within the proposed cash limited budgets.
- No general inflationary increase for income budgets – specific proposals have been brought forward to increase income from trading and sales, fees and charges where appropriate.
- Specific grant income budgets will be adjusted in line with government announcements – related expenditure will either be reduced to bring it into line with the reduced level of funding or identified as an unfunded cost pressure (where this is not possible).
- Pay award (subject to negotiation at a national level with trade unions).
- General inflationary changes in essential utilities such as gas, electricity and water, external insurance premiums and business rates payable.
- Specific inflationary increases in Private Finance Initiative (PFI) unitary charges based on contractual terms and conditions.
- Specific inflationary increases as set out in other (non-PFI) long-term contracts (e.g. waste disposal contracts).
- Service specific cost pressures arising from inflation (including the National Living Wage) and increasing demand.
- Proposals totalling £24.1 million from a range of service and non-service proposals to off-set the funding cuts and unfunded cost pressures we are facing.

2.6 Council Tax

We are proposing a general increase in Council Tax of 1.949% in 2021-22. We are also proposing to apply the government's 3% adult social care precept. This income will be used to will be used to avoid further savings beyond those set out and contribute to the delivery of social care services. Further details are set out in an integrated impact assessment.

We perform well in collecting Council Tax with in-year collection rates amongst the highest within core cities and North East local authorities. In 2019-20 there was a significant surplus on the Collection Fund and the council's share of this has been credited to the General Fund in 2020-21.

We are also planning to increase the Council Tax premium payable on empty properties in line with the change in the regulations, which will generate additional income estimated at £0.1 million in 2021-22.

2.7 Council Tax support

In 2013-14 Council Tax Benefit ended and Council Tax Support was introduced in its place. At the same time, funding was cut by over 10.0%. As this funding is not separately ring-fenced within the settlement funding assessment, it has effectively been cut at the same rate as our settlement funding assessment has been cut since then, and we estimate the funding loss over the nine-year period to be in the region of £11.7 million. This has put significant additional strain onto the General Fund budget and like many other local authorities the council has sought to off-set this loss by collecting Council Tax from working age people who previously received 100% Council Tax Benefit.

There are no planned changes to the Council Tax Reduction Scheme planned for 2021-22 other than to increase the income bands used to assess eligibility by inflation.

2.8 Business rates

The level of business rates is set by the government and is based on the rateable value of non-domestic properties across the city. We previously had no direct financial interest in the collection of business rates and acted purely as an agent of the government. However, since 2013-14, 50% of the business rates collected in the city were retained locally (49% to the council and 1% to the Tyne and Wear Fire and Rescue Authority) and the remaining amount was paid over to the government. The exception to this was 2019-20 when the council was part of a 75% business rates retention pilot along with North Tyneside Council and Northumberland County Council.

As part of Spending Review 2020, government announced that the usual inflationary increase in the business rates multiplier would not take place in 2021-22 and that local authorities would be compensated for this by additional Section 31 grant.

We are now also exposed to the risk of business rate appeals, which are determined by the Valuation Office Agency. This risk was mainly responsible for the Collection Fund deficits that occurred in the years following 2013-14.

2.9 Revenue Support Grant

As set out in Table 1, Revenue Support Grant is estimated to increase from £26.6 million to £26.8 million in 2021-22 and then reduce to £25.9 million to off-set the inflationary increases in the Baseline Funding Level within the context of an assumed cash-flat Settlement Funding Assessment in 2022-23.

2.10 Unfunded cost pressures

Our need to achieve savings in 2021-22 and 2022-23 is driven mainly by unfunded cost pressures, as shown in Table 4.

Table 4 – breakdown of 2021-22 and 2022-23 savings targets

All figures in £ million	2021-22	2022-23
Net funding cut / (increase)	3.5	(3.9)
Unfunded cost pressures	27.1	13.3
Annual savings requirement	**30.6**	**9.4**

Unfunded cost pressures arise for several reasons including:

- Pay and price inflationary increases – increases in pay, other staff related costs (for example, pension costs) and general / specific inflation (for example, utilities, PFI contracts).
- Increasing demand for services – increased demand for social care services (for example, increased number of children with severe disabilities).
- External funding changes – changes in specific grants (for example, housing benefit subsidy administration grant).

Table 5 shows the total cost pressures identified under each of the above headings.

Table 5 – breakdown of 2021-22 and 2022-23 unfunded cost pressures

All figures in £ million	2021-22	2022-23
Inflationary changes (pay and prices)	9.8	11.0
Increasing demand for services	9.3	2.0
Other	8.1	(1.7)
Headroom	0.0	2.0
TOTAL	**27.1**	**13.3**

Further details of cost pressures included under each of the above headings are included in Annex 2.

2.11 Savings

As shown in Table 4, estimated savings of £30.6 million and £9.4 million are needed in 2021-22 and 2022-23 respectively to address the unfunded cost pressures we face. These savings have been identified in directorate and corporate budgets to ensure a balanced budget position. Table 6 summarises the savings proposed by directorate, and Appendix 2 sets out a more detailed breakdown of the individual savings proposals, some of which have a potential service impact set out within an integrated impact assessment.

Table 6 – 2021-22 and 2022-23 savings by directorate

All figures in £ million	2021-22	2022-23
Adult Social Care & Integrated Services	8.4	4.8
Children, Education & Skills	3.8	2.6
City Futures	2.1	0.4
Operations & Regulatory Services	3.8	1.5
Place	0.6	0.8
Resources	0.7	0.4
Corporate / other	4.6	1.2
TOTAL	**24.1**	**11.7**

NOTE: ‘corporate items / other’ savings consist mainly of a reduction in the cost of external interest payable due to ongoing low interest rates and internal borrowing, a reduction in the cost of severances due to lower numbers of redundancies, and the capitalisation of revenue costs as part of the government’s flexible use of capital receipts framework.

The above savings are less than what is required to balance the budget in each of the next two years and so the government’s adult social care precept and some temporary funding is required as shown in Table 7.

Table 7 – budget balancing required in 2021-22 and 2022-23

All figures in £ million	**2021-22**	**2022-23**
Cumulative savings target	30.6	40.0
Cumulative savings idenitified	(24.1)	(35.8)
Difference	**6.5**	**4.2**
Funded by:		
- Proposed adult social care precept	(3.4)	(3.5)
- 2020-21 corporate savings / reserves	(3.1)	(0.7)
Remaining difference	**0.0**	**0.0**

The impact on the 2021-22 net revenue budget of the savings and the other changes set out in this report is shown in Table 8 in summary form, and in Annex 3 and Annex 4 in more detail.

Table 8 –2020-21 and 2021-22 net revenue budget by directorate

All figures in £ million	2020-21	2021-22
Adult Social Care & Integrated Services	80.2	87.3
Children, Education & Skills	50.1	56.7
City Futures	5.4	4.2
Operations & Regulatory Services	10.8	9.2
Place	6.8	5.7
Resources	25.6	26.3
JTC levy	16.1	16.2
Corporate items / reserves	39.6	25.5
Net revenue budget	**234.6**	**231.1**

Annex 4 includes a breakdown of all services included within each directorate. The JTC levy is the amount paid over to the Joint Transport Committee to fund transport services in the Tyne and Wear area such as concessionary fares. Corporate items / reserves include a range of non-service-specific items such as the Newcastle Fund, treasury management costs, historic pension costs, severance costs and insurance costs.

3. Housing Revenue Account

The Housing Revenue Account (HRA) was established by the Local Government and Housing Act 1989 as a ring-fenced account separate to the General Fund containing income and expenditure related to the ownership and management of our social housing stock.

Prior to 2012-13, the HRA was funded at a national level through the housing subsidy regime, however, from 2012-13 it has been run on a self-financing basis. In other words, all revenue and capital expenditure need to be funded from rents and service charges paid by tenants or funded by housing benefit.

To ensure the long-term viability of the HRA a 30-year business plan is maintained. This is updated at least annually to ensure rent and service charge decisions do not result in the HRA becoming financially unsustainable, and the necessary long-term investment to maintain our social housing stock is affordable.

Annex 5 sets out details of the 2021-22 HRA revenue budget. The changes mainly reflect the rent increase of CPI+1% specified by government, pay and non-pay inflationary cost pressures and the revenue costs associated with the HRA's capital programme.

4. Capital investment

Capital investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets, or loans to third parties for a capital purpose.

The primary objective of the capital programme is to support the delivery of the council's priorities, demonstrate leadership of place and bring about change and transformation. Other objectives include:

- Delivery of tangible outputs and outcomes, and value for money.
- Balance between the different priorities of the council – i.e. reducing carbon emissions, job creation, housing growth etc.
- Maximisation of social value including using locally-based suppliers, and sub-contractors as far as possible.

The council has a bold ambition to transition to net zero by 2030. In September 2020 we launched our Net Zero Newcastle action plan, which identified actions to reduce carbon emissions over the next decade. The two main areas targeted are energy use in homes and non-domestic properties, which accounts for 64% of the city's emissions, and transport, which is just under 30%. While many of the actions set out in the Net Zero Newcastle action plan need to be taken by national government, the council will seek to progress those actions that are within its control through the capital investment programme, though this will need to be supported by match-funding from other sources such as the recently launched Public Sector Decarbonisation Fund.

Capital investment also plays an important role in improving economic opportunities across all parts of the city, for example, by providing a much-needed stimulus to the economy, creating employment opportunities, supporting skills development or contributing to investor confidence. This is more important than ever following the economic damage caused by COVDI-19 restrictions.

Our capital investment programme has been developed with a strong focus on the delivery of our priorities. In addition, many of the capital projects in the programme have been developed with the aim of helping to deliver revenue savings to help us manage the financial pressures we face. Proposals such as the improvements to the Civic Centre will improve the asset as well as helping to generate additional income and deliver savings in our revenue budget through reduced running costs and energy efficiency, as well as repaying the loan that will be taken out to fund the works. This will help to protect frontline services.

The availability of funding plays a key part in the size and content of the capital investment programme. The impact of national cuts in grant funding has significantly reduced the level of government support for capital investment since 2010 and we must now rely more on our own funding and levering in other sources of external funding where this is possible. Our own funding is limited by pressures on the revenue budget and our ability to generate capital receipts from asset disposals.

A significant source of funding for capital projects comes from our ability to borrow (known as prudential borrowing). This has proved to be an extremely important freedom and flexibility as it gives us the scope to locally determine the scale and shape of our capital investment programme. As the name suggests prudential borrowing must be undertaken on a prudent basis. In general terms, this means the revenue costs associated with the borrowing (i.e.

principal repayment and interest) need to be funded from either:

1. a reduction in an existing revenue expenditure budget; and/or
2. a new or increased revenue income budget that is dependent on the planned capital investment.

Borrowing on a self-financing basis as set out above cannot be used to fund a different project if the original project does not proceed. Each proposal needs to be financially viable in its own right.

The council's main source of loan finance is the Public Works Loans Board, which recently changed its lending terms to prevent local authorities from investing in purely commercial assets. This is not expected to cause an issue for the council – although we seek to negotiate commercial terms on many of our capital investment projects, we do not invest on a purely commercial basis.

The Accelerated Development Zone (ADZ) allows us to retain 100% of the growth in business rates income in three specific areas within the city (Science Central, Stephenson Quarter/Central Gateway, and East Pilgrim Street). This generates an income stream that will be used to repay the prudential borrowing on infrastructure works that are aimed at bringing forward developments in these areas faster than would otherwise have happened. The increase in business rate income is available until 2036-37 (i.e. a period of up to 25 years) although we are lobbying government to extend this by a further ten years due to the economic impact of the COVID-19 lockdown.

The Enterprise Zone (EZ) allows the North East LEP to retain 100% of the growth in business rates income in several specific areas across the North East LEP area. Our sites within the EZ include the North Bank of the Tyne and the proposed Airport Business Park. As with the ADZ, the EZ generates an income stream that will be used to repay the prudential borrowing on infrastructure works that are aimed at bringing forward developments in these areas faster than would otherwise have happened up to 2037-38 for the North Bank of the Tyne and 2040-41 for the Airport Business Park although we are lobbying government to extend these by a further ten years due to the economic impact of the COVID-19 lockdown.

The following tables set out the breakdown of the 2020-21 to 2023-24 capital investment programme between the General Fund and HRA (Table 9), between council directorates (Table 10), between HRA programme streams (Table 11) and by sources of funding (Table 12).

Table 9 – planned capital investment from 2020-21 to 2022-23 split between the General Fund and the HRA

All figures in £ million	2020-21	2021-22	2022-23
General Fund	81.8	93.6	93.9
HRA	47.0	45.0	45.0
TOTAL	**128.8**	**138.6**	**138.9**

Table 10 – General Fund planned capital investment from 2020-21 to 2022-23 by Council directorate

All figures in £ million	2020-21	2021-22	2022-23
Adult Social Care & Integrated Services	0.1	0.1	0.0
Children, Education & Skills	19.5	6.0	0.0
City Futures	0.8	0.6	0.0
Operations & Regulatory Services	7.4	4.4	0.3
Place	39.4	20.9	3.6
Resources	1.1	1.6	0.0
Loans	13.5	0.1	0.0
Pipeline	0.0	60.0	90.0
TOTAL	**81.8**	**93.6**	**93.9**

Table 11 – HRA planned capital investment from 2020-21 to 2022-23 by programme

All figures in £ million	2020-21	2021-22	2022-23
Communal areas	2.8	0.0	0.0
Environmental works	1.7	0.0	0.0
Voids	5.3	0.0	0.0
Lifecycle replacements	18.8	0.0	0.0
New build and acquisitions	11.8	0.0	0.0
Regeneration	3.1	0.0	0.0
Standard housing investment	3.4	0.0	0.0
Pipeline	0.0	45.0	45.0
TOTAL	**47.0**	**45.0**	**45.0**

Table 12 – planned capital investment from 2020-21 to 2022-23 by source of finance

All figures in £ million	2020-21	2021-22	2022-23
Grants / contributions (mainly General Fund)	40.2	16.9	3.0
Capital receipts (mainly General Fund)	9.8	4.4	0.5
Revenue (mainly HRA)	37.8	3.1	0.3
Borrowing (mainly General Fund)	41.0	9.3	0.0
Pipeline (no funding approved yet)	0.0	105.0	135.0
TOTAL	**128.8**	**138.6**	**138.9**

All the planned borrowing will be undertaken on a self-financing basis – the revenue costs associated with the borrowing will be funded by efficiency savings or income generated as a direct result of the capital investment – and will not therefore create a cost pressure in the revenue budget.

Our arrangements for agreeing and delivering the capital investment programme are robust and consist of business case development at directorate level, with detailed scrutiny by a corporate officer group prior to approval by councillors and inclusion within the capital programme, and regular monitoring by project officers and reporting upwards through the council's organisational structure.

The main General Fund projects in the approved capital investment programme are as follows:

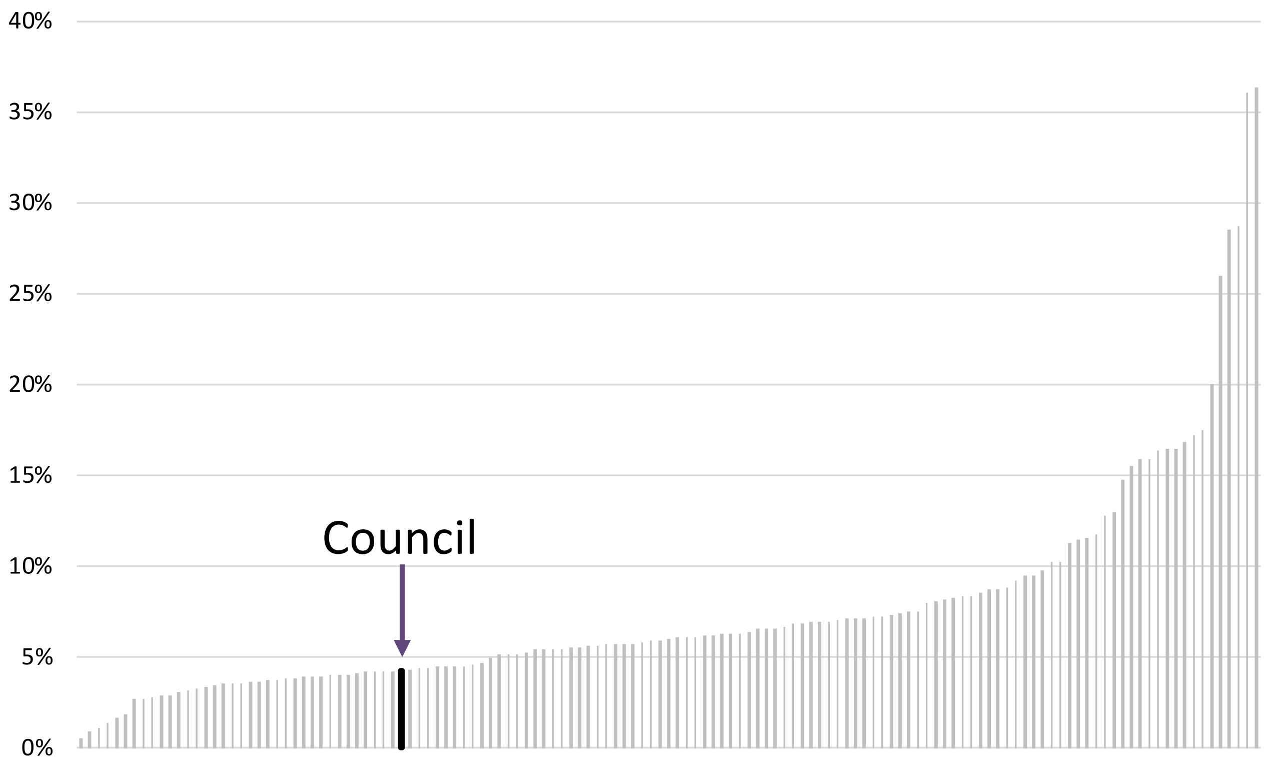
- RVI MSCP loan (£13.3 million)
- Simonside Primary School (£9.7 million)
- Street lighting LED replacement programme (£6.3 million)
- Pilgrim Street Southern Block (£6.0 million)
- Vehicle replacement programme (£4.6 million)
- Northern Access Corridor programme (£3.9 million)
- Highway and footpath improvements (£3.7 million)
- Central Gateway (£3.6 million)
- Investment in primary school estate (£3.4 million)
- Disabled facilities grants (£3.3 million)
- IT investment (£2.4 million)
- Parks Trust subsidy – capitalised under flexible use of capital receipts direction (£2.4m)
- Annuity lease back housing model (£2.1 million)
- Northumberland Street improvements (£2.0 million)
- Barras Bridge highways improvements (£1.9 million)
- Loadman Street ground works (£1.8 million)
- Grainger Market roof (£1.6 million)
- Newcastle Great Park First School (£1.6 million)
- Newington Road licensing office (£1.4 million)

- Scotswood highways improvements (£1.3 million)
- Replacement for Slatyford Lane children’s residential care home (£1.3 million)
- Kingston Park Road junction improvements (£1.2 million)
- Malmo & Glasshouses enabling works (£1.1 million)
- Newcastle Great Park Middle School (£1.1 million)

5. Reserves

The unearmarked General Fund reserve as at 31 March 2020 totalled £10.1 million. This represented 4.3% of 2019-20 net revenue expenditure, compared with a median average of 6.1% for all single and upper tier local authorities.

Chart 4 – unearmarked General Fund reserve as at 31 March 2020 as a percentage of 2019-20 net revenue expenditure for all single and upper tier local authorities



At 31 March 2021, we expect to hold General Fund earmarked reserves totalling £94.6 million as shown in Annex 6.

Our earmarked reserves are set aside for specific purposes. The main earmarked reserves are set out in Annex 6 and a brief description of each one is set out below:

1. **ADZ reserve** – to fund cash outflows arising in the early years of the Accelerated Development Zone, which will be repaid from business rates growth in future years.
2. **Asset management reserve** – to fund cash outflows arising in the early years of the Civic Centre refurbishment project, which will be repaid from cash flow surpluses generated in future years.
3. **Business rates pool reserve** – holds cash outflows related to the business rates pool in 2019-20 that will be recovered from the Collection Fund in future years.
4. **Byker district heating scheme reserve** – holds cash outflows arising in the early years of the Byker district heating scheme refurbishment project, which will be repaid by Byker Community Trust in future years.
5. **Capital projects development reserve** – holds funding to meet the internal and external costs of developing capital projects.
6. **Collection Fund reserve** – holds funding to mitigate future Collection Fund deficits.
7. **Developers contributions reserve** – holds funding received from developers for capital works linked to planning applications.

8. **Directorate commitments reserve** – holds funding to meet future financial commitments of directorates.
9. **Financial risk & resilience reserve** – holds funding to off-set any shortfalls in planned savings and any unexpected cost pressures.
10. **Housing benefit subsidy reserve** – holds funding to mitigate future cost pressures in this area.
11. **Interim capital funding reserve –** to fund cash outflows arising from capital works, which will be repaid in future years.
12. **Major developments reserve** – to fund cash outflows arising in the early years of specific development projects.
13. **One-off funding reserve** – holds dividends received from Newcastle International Airport that have been earmarked for specific priorities.
14. **Parks Trust subsidy reserve** – holds funding that will be used to pay the subsidy to Urban Green Newcastle in future years.
15. **Pensions reserve** – holds funding to mitigate future cost pressures in relation to our pension liabilities.
16. **PFI reserve** – holds funding to meet future payments under our PFI / BSF contracts.
17. **Public Health Grant reserve** – holds unspent public health grant funding to be used to meet future financial commitments.
18. **Revenue grants to be applied reserve** – holds unspent grant funding to be used to meet future financial commitments.
19. **Ring-fenced balances reserve** – holds funding that may only be spent on specific statutory activities.
20. **Risk management & insurance reserve** – holds funding to invest in risk management initiatives and to mitigate future cost pressures in relation to our insurance liabilities.
21. **School kitchens reserve** – holds funding to replace / refurbish school kitchens used by council staff to provide school meals to children.
22. **Single Point of Leadership reserve** – holds surpluses generated by Your Homes Newcastle above the budget target for Repairs and Construction Services managed under the Single Point of Leadership arrangement.
23. **Strategic reserve** – holds funding to support our medium-term financial plan.
24. **Transformation reserve** – holds funding set aside for future transformation / public sector reform work.
25. **Treasury management reserve** – holds funding to mitigate future cost pressures in relation to our external debt portfolio.
26. **COVID-19 reserve** – holds funding provided by government to mitigate cost pressures in relation to COVID-19.

The following earmarked reserve need to be maintained to comply with accounting requirements but are not considered to be available to fund General Fund expenditure:

27. **Financial instruments reserve** – holds gains / (losses) on financial instruments calculated in line with International Financial Reporting Standard 9.
28. **PFI lifecycle replacement reserve** – notional reserve to recognise the future costs to be incurred by PFI contractors on maintaining the assets in good working condition.
29. **School balances** – holds funding relating to individual schools.

6. Risk assessment of 2021-22 General Fund revenue budget

We adopt a risk-based approach to medium-term planning, which aims to:

- Ensure adequate funding is provided for all known liabilities.
- Provide sufficient resources to enable service transformation and support services through transformation.
- Provide temporary cover for any slippage in planned savings through the financial risk and resilience reserve.
- Ensure earmarked reserves are set at a reasonable level to cover the specific financial risks we are facing – these may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years.
- Ensure the unearmarked General Fund reserve is set at a reasonable level – this is our last line of defence should unforeseen financial difficulties emerge.

Our risk-based approach considers relevant external factors such as changes in government policy, the state of the economy and the impact on demand for services, and any potential changes to the underlying financial assumptions within the medium-term financial plan. Performance is monitored on a regular basis and reported to Cabinet every quarter.

A risk assessment of the overall 2021-22 budget has been undertaken covering the following areas:

- Is performance against the current year's budget reflected fully?
- Have realistic income targets been set?
- Has a reasonable estimate of cost pressures been made?
- Has at risk external funding been identified?
- Have one-off cost pressures been identified?
- Are arrangements for monitoring and reporting performance against the budget robust?
- Is there a reasonable contingency available to cover the financial risks faced by the council?
- Is there a reasonable level of reserves, which could be used to mitigate any financial issues arising?
- What is the impact of varying the main income and expenditure assumptions?

Based on the results of this risk assessment, which is set out in Annex 1, and the factors set out below, the Director of Resources considers the planned level of reserves and balances to be adequate:

- General Fund unearmarked reserve of £10.1 million as at 31 March 2021, which represents 4.4% of the 2021-22 net revenue budget.
- Financial risk resilience reserve of £7.0 million as at 31 March 2021, which represents 3.0% of the 2021-22 net revenue budget.
- Strategic reserve of £5.4 million as at 31 March 2021 to underpin our budget strategy.
- Transformation reserve of £2.3 million as at 31 March 2021 plus a base budget of £1.0m per annum to invest in one-off transformation projects designed to deliver budget savings in future years.
- Other earmarked reserves totalling £53.8 million as at 31 March 2021 (excluding the COVID-19 reserve, the financial instruments reserve, the PFI lifecycle replacement reserve and school balances), which may be used on a short-term temporary basis, provided the funding is replaced in future years.

- Detailed implementation plans for all savings proposal.
- Planned sign-off of detailed budgets by relevant senior managers incorporating planned savings to be made in 2021-22.
- Effective governance arrangements at a service and corporate level to monitor the overall delivery of the 2020-21 budget plus regular monitoring reports to Cabinet and Finance & Budget Monitoring Scrutiny Sub-Committee.

Annex 1 – Budget risk assessment

Potential Risk	Response
Is performance against the current year's budget reflected fully?	Yes – any recurring under / overspends in the current year have been reflected in 2021-22 budget proposals as appropriate or will be funded from a combination of permanent and temporary resources (to allow time for permanent solutions to be identified and implemented).
Have realistic income targets been set?	Yes – income targets have not been increased for inflation. Instead, services have reviewed individual income generating areas and put forward specific proposals to increase fees and charges where this is reasonable / achievable. Income targets for Council Tax and business rates have been set using prudent assumptions.
Have risks to external grant funding been identified?	Yes – each specific grant is separately coded within the council's financial system meaning it is easy to identify.
Has a reasonable estimate of future cost pressures been made?	Yes – all significant cost pressures covering inflation (pay and prices) and increasing demand for services were considered when estimating the council's budget savings target.
Have one-off cost pressures been identified?	Yes – although this is an ongoing process, and funding for one-off cost pressures that arise after the budget is set can be included in the revised budget for the year subject to the identification of funding.
Are arrangements for monitoring and reporting performance against the budget robust?	Yes – all budget managers have access to real time financial information via the council's financial system. All budgets are monitored by managers and reported to directorate management teams on a monthly basis and the results of this are reported to Cabinet and Finance & Budget Monitoring Scrutiny Sub-Committee via the quarterly performance report.
Is there a reasonable contingency available to cover the financial risks faced by the council?	Yes – we will start the 2021-22 financial year with a £7.0 million financial risk and resilience reserve, which represents 3.0% of the 2021-22 net revenue budget and may be used to fund any shortfalls in budget savings proposals or unexpected cost pressures arising during the year.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising?	Yes – total General Fund reserves as at 31 March 2021 are expected to be £104.7 million, which represents 45.3% of the 2021-22 net revenue budget. Within this, General Fund unearmarked reserve is expected to be £10.1 million, which represents 4.4% of the 2021-22 net revenue budget. This is deemed to be adequate based on the financial risks the council is facing. Earmarked reserves as at 31 March 2021 are estimated to total £94.6 million.
What is the impact of varying the main income assumptions?	The Council Tax and business rates baselines are assumed to reduce by 1% and 6.8% in 2021-22 – any further reductions would impact on the level of the net revenue budget and increase further the amount of savings required to balance the budget. Every further reduction of 1% equates to a cost of £1.2 million in terms of Council Tax and £0.8 million in terms of business rates although the latter would be restricted to a maximum reduction of £3.9 million due to the safety net arrangements in place.

Annex 2 – Breakdown of cost pressures in 2021-22 and 2022-23

All figures in £ million	2021-22	2022-23
Inflationary changes (pay and prices)		
- Pay inflation	3.2	3.2
- Non-pay inflation	0.3	0.4
- Adult social care inflation (incl. NLW / NMW)	5.2	6.1
- Children's social care inflation (incl. NLW / NMW)	0.6	0.6
- SEN transport inflation	0.1	0.1
- Waste management inflation	0.2	0.3
- PFI inflation	0.2	0.2
Increasing demand for services		
- Adult social care increasing demand	0.0	0.4
- Children's social care increasing demand	0.3	0.4
- Children with disabilities turning 18	1.1	1.0
- 2019-20 adult social care base budget pressure	7.3	0.0
- Waste management increasing demand	0.3	0.1
- IT investment for home working	0.2	0.0
- JTC levy	0.1	0.1
Other		
- Impact of car park disposals	0.2	0.0
- Mainstreaming temporary funding	2.0	0.0
- Specific grant funding changes	0.1	0.1
- Temporary mitigation of Covid-19 pressures	5.8	(1.8)
Headroom	**0.0**	**2.0**
TOTAL	**27.1**	**13.3**

Description (initial estimate)	Pay inflation (£3.2 million)
How have the above amounts been calculated?	The cost pressure is an estimate based on the cost of previous years' pay awards – the actual cost will be determined by the actual pay award agreed as part of the national pay agreement process.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Annual pay award to be agreed by employers as part of national pay bargaining, and current staffing numbers.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, staff are involved in delivering a range of statutory and discretionary services, which are being reviewed as part of the identification of savings to meet our budget gap in 2021-22.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Non-pay inflation (£0.3 million)
How have the above amounts been calculated?	This cost pressure is an estimate based on assumed inflationary increases in 2021-22. We will not know the specific inflation factors to be applied until early next year.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Inflation on payments to third parties, annual uplift in business rates multiplier by government and increase in insurance and other non-pay costs.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	Any reduction in costs arising from a reduction in the number of buildings will be factored into the relevant budget proposal. Savings arising from improving energy efficiency in the Civic Centre and other buildings are factored into the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	This cost pressure is based on assumed inflationary increases in 2021-22. We will not know the specific inflation factors to be applied until early next year.
Does the activity causing the cost pressure need to continue?	Yes, buildings are an integral part of delivering a range of statutory and discretionary services, which are being reviewed as part of the identification of savings to meet our budget gap in 2021-22.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Adult and children's social care inflation (£5.8 million)
How have the above amounts been calculated?	This cost pressure is based on assumed increases in: • hourly rates payable to third party providers including an assumed increase in National Living Wage / National Minimum Wage; and • foster carer allowances, special guardianship order allowances, child arrangement order allowances and adoption allowances.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	We will agree an inflationary increase in hourly / daily rates payable to third party providers to reflect the costs incurred by providers. We need to agree an inflationary increase in foster carer allowances, special guardianship order allowances, child arrangement order allowances and adoption allowances to remain competitive with rates offered by other agencies and local authorities.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	Any savings from greater investment in preventative services and improved partnership working are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Cost pressure is based on assumed increases in rates agreed with third party providers and assumed increases in allowances.
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Inflation on specific contracts (£0.5 million)
How have the above amounts been calculated?	This cost pressure is based on assumed increases in a range of RPI-related inflation factors built into contracts with third parties.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Contractual / market-led inflation on payments to third parties.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	Any savings arising from reducing demand is factored into the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Inflation factors to be used to calculate inflationary increases are set out in the relevant contracts.
Does the activity causing the cost pressure need to continue?	Yes, we are contractually committed to increase the rates we pay to third parties. Yes, we have a statutory duty to dispose of all waste collected.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Children’s social care increasing demand (£0.3 million)
How have the above amounts been calculated?	This cost pressure is based on assumed population growth in 2021-22 applied to current year projected expenditure in children’s social care.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increasing demand arising from increasing population.
If the cost pressure is due to increased demand, what evidence exists to support this?	Assumed increase in 0-17 populations in 2021-22.
What, if anything, can be done to mitigate the cost pressure?	Any savings from greater investment in preventative services and improved partnership working are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	**Children with disabilities turning 18 (£1.1 million)**
How have the above amounts been calculated?	This cost pressure is based on specific children who will turn 18 during 2021-22 and the estimated cost of meeting their needs as adults.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increased demand – the cost saving in the children's social care budget will be reinvested in care packages for new / other children with disabilities. Continuing improvement in medical treatments will lead to an increase in the number of young people with profound and multiple disabilities in future years.
If the cost pressure is due to increased demand, what evidence exists to support this?	This cost pressure is based on specific children currently receiving care who will continue to require care when they reach adulthood.
What, if anything, can be done to mitigate the cost pressure?	Any savings from improved partnership working are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Adult social care underlying pressure (£7.3 million)
How have the above amounts been calculated?	This funding is needed to re-base the adult social care base budget following the overspend in 2019-20.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increased demand for placements across different client groups.
If the cost pressure is due to increased demand, what evidence exists to support this?	2019-20 overspend reported to Cabinet via quarterly performance reports.
What, if anything, can be done to mitigate the cost pressure?	Action is being taken by the directorate as part of the adult social care efficiency programme to reduce costs and increase income, as well as contributing to the 2021-22 and 2022-23 savings targets.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will continue to overspend our budget.

Description (initial estimate)	Waste management increased demand (£0.3 million)
How have the above amounts been calculated?	This funding is required to meet the increased costs of waste disposal for the growing number of houses in the city as well as the additional staffing and vehicle costs required to ensure an efficient and effective waste collection service is maintained.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increasing number of houses in the city.
If the cost pressure is due to increased demand, what evidence exists to support this?	Increasing number of properties as per Valuation Office valuation list and reflected in the Council Tax base.
What, if anything, can be done to mitigate the cost pressure?	Any savings from improving the efficiency of the waste collection service or minimising household waste arising are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on a statutory duty.
Is there scope to fund this investment from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for this investment?	We will overspend our budget.

Description (initial estimate)	**IT investment for home working (£0.2 million)**
How have the above amounts been calculated?	This funding is required to meet the increased IT costs of more staff working from home (i.e. replacing desktop PCs of predominantly office-based staff with lap tops / monitors of predominantly home-based staff).
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Changes in ways of working resulting primarily from the COVID-19 lockdown.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, staff are involved in delivering a range of statutory and discretionary services, which are being reviewed as part of the identification of savings to meet our budget gap in 2021-22.
Is there scope to fund this investment from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for this investment?	We will overspend our budget.

Description (initial estimate)	Joint Transport Committee levy (£0.1 million)
How have the above amounts been calculated?	Funding is required to meet the increased costs of the Joint Transport Committee levy.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The city's population has increased relative to other Tyne & Wear local authority areas, so the council needs to bear a higher proportion of the cost of the levy.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Impact of car park disposals (£0.2 million)
How have the above amounts been calculated?	This funding is required to off-set the income loss arising from the disposal of a number of car parks across the city.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The council has disposed of a number of car parks across the city and lost part of the income they were generating (i.e. we have assumed a proportion of the income lost is recovered via other car parks in the same vicinity).
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Mainstreaming temporary funding (£2.0 million)
How have the above amounts been calculated?	In previous years temporary funding from reserves was included in the budget to fund permanent cost pressures. This funding now needs to be built into the permanent base budget to reduce the reliance upon reserves, which is not sustainable.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Previous decision to fund permanent cost pressures temporarily from reserves with a view to building this funding into the permanent base budget at some future point.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	Reserves will reduce more than planned.

Description (initial estimate)	Specific grant funding changes (£0.1 million)
How have the above amounts been calculated?	This cost pressure is based on estimated reductions in specific grant funding for housing benefit subsidy administration and Council Tax support administration.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Specific funding reduction to be made by government.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	We are required by legislation to provide these services.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Temporary mitigation of COVID-19 pressures (£5.8 million)
How have the above amounts been calculated?	This funding is required to off-set income reductions that have taken place in the current financial year due to the COVID-19 lockdown.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Reductions in income received in relation to car parks and the council's commercial property portfolio.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	Every effort is being made to mitigate the income reductions and increase income in other areas, but this is limited to what is achievable in the current financial and economic climate.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	No, but if individual car parks or commercial properties were to be sold, then this would create a larger pressure in the General Fund revenue budget.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2021-22 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	The budget will overspend.

Annex 3 – 2020-21 and 2021-22 net revenue budget by directorate

All figures in £ million	**2020-21**	**2021-22**
Adult Social Care & Integrated Services	80.2	87.3
Children, Education & Skills	50.1	56.7
City Futures (including Public Health)	5.4	4.2
Operations & Regulatory Services	10.8	9.2
Place	6.8	5.7
Resources	25.6	26.3
Net Directorate Expenditure	**178.9**	**189.4**
JTC Levy	16.1	16.2
Net Service Expenditure	**195.0**	**205.6**
Corporate Items	41.7	31.4
Transfers to / (from) Reserves	(2.1)	(5.9)
Net Revenue Budget	**234.6**	**231.1**
Less: Revenue Support Grant	(26.6)	(26.8)
Less: Business Rates	(92.6)	(87.9)
Council Tax Requirement	**115.4**	**116.4**

Annex 4 – 2020-21 and 2021-22 net directorate expenditure budget by service

All figures in £ million	2020-21	2021-22
Adult Social Care & Integrated Services		
Adult Social Care & Integrated Services	65.451	72.506
Director of Adult Social Care & Integrated Services	0.349	0.173
Integrated Services	14.412	14.645
Children, Education & Skills		
Children's Social Care	44.437	50.130
Director of Children, Education & Skills	0.093	0.455
Early Help & Family Support	2.452	2.696
Education	3.072	3.386
Schools	0.000	0.000
City Futures		
Communication Services	0.131	0.257
Communities Team	0.522	0.546
Director of City Futures	0.136	0.193
Economic Development	0.956	0.962
Museums, Arts & Culture	1.693	1.673
North of Tyne Combined Authority	0.043	0.037
Policy and Performance	0.596	0.610
Public Health	1.318	(0.104)
Operations & Regulatory Services		
Repairs & Construction Services	(7.763)	(8.115)
Community Hubs	4.202	3.306
Environment & Public Protection	0.714	0.582
Facilities Services & Civic Management	0.917	1.105
Local Services	23.223	23.596
Operations	(0.841)	(0.798)
Director of Operations & Regulatory Services	0.379	0.275
Parking	(10.186)	(10.950)
Resilience Planning	0.189	0.182
Place		
Commercial Development & Property	(1.324)	(2.689)
Development Management	0.745	0.771
Fairer Housing Unit	0.057	0.030
Major Projects	0.008	(0.020)
Director of Place	0.028	0.034
Transport	7.288	7.590
Resources		
Audit, Risk & Insurance	0.527	0.549
Business Management	8.104	8.215
Chief Executive	0.328	0.343
Democratic Services	2.022	2.049
Director of Resources	0.192	0.198
Financial Services	4.657	4.707
Human Resources	1.951	1.905
ICT	6.202	6.646
Legal Services	1.618	1.717
Net Directorate Expenditure	**178.896**	**189.394**

Annex 5 – 2020-21 and 2021-22 Housing Revenue Account budget

All figures in £ million	**2020-21**	**2021-22**
Rent income	97.3	99.4
Other income	14.5	14.1
YHN management fee	(23.4)	(23.5)
Repairs and maintenance	(24.0)	(24.3)
Other running costs (e.g. utilities, supplies and services)	(14.9)	(15.4)
Bad debt provision	(1.7)	(1.5)
External interest payable	(17.0)	(17.7)
Operating surplus	**30.8**	**31.2**
Debt repayment / contribution to capital	(31.1)	(31.2)
Increase / (decrease) in HRA reserves	**(0.3)**	**(0.0)**

Annex 6 – projected trend in total General Fund earmarked reserves from 31 March 2017 to 31 March 2023

All figures in £ million	31 March 2017 (actual)	31 March 2018 (actual)	31 March 2019 (actual)	31 March 2020 (actual)	31 March 2021 (estimate)	31 March 2022 (estimate)	31 March 2023 (estimate)
ADZ reserve (1)	0.2	(1.3)	(1.3)	(1.7)	(1.7)	(0.6)	0.6
Asset management reserve (2)	(1.4)	(2.5)	(3.9)	(5.2)	(5.3)	(5.1)	(5.0)
Business rates pilot reserve (3)	0.0	0.0	0.0	(1.0)	0.0	0.0	0.0
Byker district heating scheme reserve (4)	0.0	0.0	0.0	(0.6)	0.0	0.0	0.0
Capital Projects Development Reserve (5)	0.0	0.0	0.0	0.7	0.5	0.2	0.2
Collection Fund reserve (6)	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Developers contributions reserve (7)	0.9	1.0	0.8	0.8	0.8	0.8	0.8
Directorate commitments reserve (8)	9.8	2.9	1.3	1.2	0.0	0.0	0.0
Financial risk & resilience reserve (9)	5.0	6.0	7.0	7.0	7.0	7.0	7.0
Housing benefit subsidy reserve (10)	2.6	2.2	2.2	1.1	0.9	0.6	0.4
Interim capital funding reserve (11)	0.0	(0.5)	(1.2)	(1.1)	(0.9)	(0.6)	(0.4)
Major developments reserve (12)	0.1	(0.6)	(1.9)	(3.8)	(1.1)	(3.3)	(4.1)
One-off funding reserve (13)	3.8	5.1	6.2	5.5	4.8	4.0	3.3
Parks Trust subsidy reserve (14)	0.0	0.0	1.4	2.4	3.3	2.5	1.3
Pension reserve (15)	4.0	4.0	4.0	2.3	2.3	2.3	2.3
PFI reserve (16)	5.6	4.9	4.6	4.1	3.5	3.2	2.9
Public Health Grant reserve (17)	1.2	1.9	2.1	1.3	1.0	0.1	0.0
Revenue grants to be applied (18)	10.1	15.6	6.8	4.3	3.8	3.3	2.8
Ring-fenced balances reserve (19)	0.0	7.2	15.6	19.4	18.9	18.4	17.9
Risk management & insurance reserve (20)	2.3	2.3	2.4	3.3	3.1	2.8	2.6
School kitchens reserve (21)	0.5	0.5	0.7	0.6	0.6	0.6	0.6
Single Point of Leadership reserve (22)	0.0	0.0	0.6	0.6	0.0	0.0	0.0
Strategic reserve (23)	9.0	2.5	4.6	2.6	5.4	2.3	1.6
Transformation reserve (24)	6.1	6.7	1.3	0.8	2.3	1.5	1.0
Treasury management reserve (25)	7.2	7.2	8.4	10.4	10.9	11.4	11.9
Other reserves (all under £0.5m)	0.1	0.1	1.1	1.1	1.0	0.8	0.7
SUB-TOTAL	**74.6**	**72.5**	**70.1**	**63.5**	**68.5**	**59.8**	**55.7**
Covid-19 grant funding reserve (26)	0.0	0.0	0.0	10.3	0.0	0.0	0.0
Financial Instruments Reserve (27)	0.0	0.0	8.4	(0.2)	(0.2)	(0.2)	(0.2)
PFI Lifecycle Prepayment Reserve (28)	12.2	13.6	14.6	16.0	16.0	16.0	16.0
School Balances (29)	10.5	8.2	9.5	10.3	10.3	10.3	10.3
TOTAL	**97.3**	**94.3**	**102.6**	**99.9**	**94.6**	**85.9**	**81.8**