Shaping our future together

Our medium-term plan update for 2020-21

Appendix 1 – Revenue and capital plan

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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 medium-term financial position

2020-21 is the tenth year of austerity and the second year of our current medium-term plan. Government-imposed funding cuts coupled with unfunded cost pressures has resulted in us needing to achieve savings of over £300 million since 2010. 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.
- 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 via detailed assessment of business cases.
- Effective management and forecasting of our day-to-day and longer-term cash flow requirements.
- Minimisation of longer-term treasury management risks, including smoothing out the debt maturity profile, by gradually reducing our reliance on short-term borrowing.
- 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 financial plan and the annual budget.
- Production of detailed implementation plans for all savings proposals.
- Sign off all revenue budgets by the relevant senior manager before the start of the financial year.
- Regular monitoring of budgets and robust management action to address any unplanned variances that arise.

Tables 1 to 4 give further details on 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 2019-20 and 2020-21

All figures in £ million	2019-20 (restated)
Revenue Support Grant	26.2
Business rates	90.8
Council Tax	110.1
Net revenue budget	**227.1**

NOTE: the figures for 2019-20 have been restated to reflect the position excluding the effect of the business rate 75% retention pilot that we were part of in 2019-20.

As can be seen from Table 1 the net revenue budget is expected to increase from £227.1 million in 2019-20 to £234.8 million in 2020-21 due to assumed increases in Revenue Support Grant, business rates and council tax. Despite this we still need to find significant savings next year to balance our budget due to unfunded cost pressures. Further details on the plans for meeting the 2020-21 savings requirement are set out later in this document and in Appendix 2.

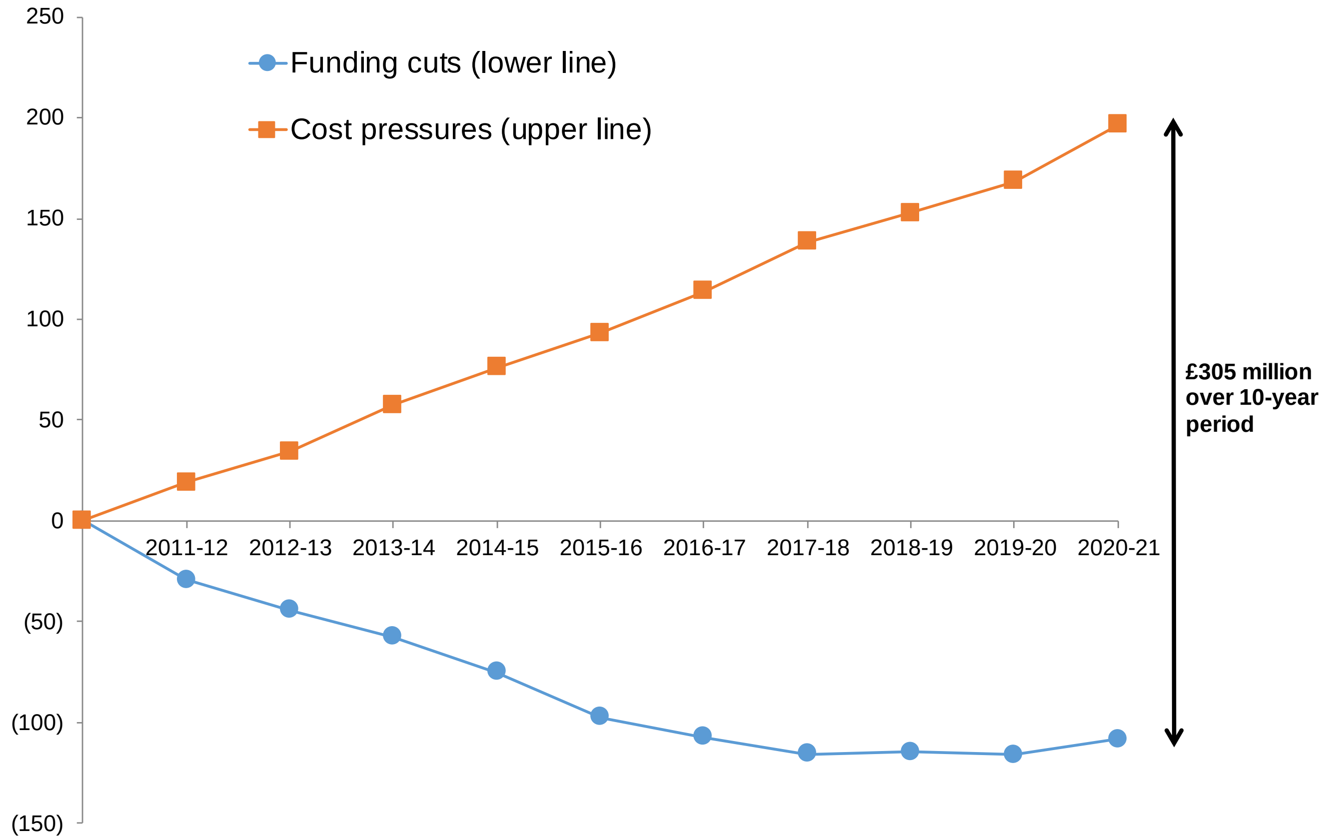
2.1 General Fund savings achieved to date

The savings required to balance the 2020-21 budget should be seen in the context of what we have already achieved over the last few years.

Over the last nine years we have achieved savings of £284 million 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.

As the provisional local government finance settlement has been delayed due to the 2019 General Election, we do not have any certainty in relation to level of resources we will receive and the level of budget reductions we will need to make next year, however, our current best estimate is £20.3 million, and this has been built into Chart 1.

Chart 1 – cumulative savings achieved / required from 2011-12 to 2020-21 (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.

2.2 General Fund estimated outturn for 2019-20

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 2018/19). 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. However, despite the robust management arrangements in place, the council's revenue budget is under pressure from unprecedented increases in the number of looked after children as well as demand pressures in adult social care.

Based on the budget monitoring work undertaken to date, we are currently projecting a potential overspend of £4.9 million on our General Fund net revenue budget. The potential overspend is due mainly to pressures in the following services – i.e. adult social care, children's social care, local services and commercial development & property. Projected underspends in facilities services & civic management and corporate items (including a one-off Council Tax surplus from 2018-19) have partly mitigated the impact of these service pressures. Some additional funding has been included in the draft 2020-21 budget to help address these service pressures next year, and managers in these areas are also working hard to address the underlying factors causing these pressures.

2.3 General Fund 2020-21 net revenue budget

Due to the delay in the provisional local government finance settlement, we have made the following specific assumptions in the development of the 2020-21 General Fund revenue budget based on the 2019 Spending Round.

- An inflationary increase in Revenue Support Grant of £0.5 million.
- An inflationary increase in the amount of business rates income receivable (including Business Rates Top Up Grant and section 31 grants) of £1.8 million.
- An increase of £5.3 million in the amount of council tax income receivable, split between growth in the size of the council tax base (i.e. £0.7 million), a government-assumed adult social care precept of 2.0% (£2.2 million) a government-assumed general increase of 1.95% (i.e. £2.2 million) and a further increase in the long term empty property premium (£0.2 million).
- 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).
- Estimated pay award of 2.75% (subject to ongoing 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 £20.3 million from a range of service and non-service proposals to off-set the funding cuts and unfunded cost pressures facing us as set out in Table 3.

Table 3 – assumed budget changes in 2020-21

All figures in £ million	2020-21
Previous year's net revenue budget	227.1
Plus: unfunded cost pressures	27.9
Less: savings	(20.3)
This year's net revenue budget	**234.8**

The cash increase in the net revenue budget in 2020-21 is £7.7 million or 3.4% of the 2019-20 net revenue budget. However, in real terms (i.e. after taking unfunded cost pressures into account) there is a reduction of £20.3 million or 8.9% of the 2019-20 net revenue budget.

The savings as a percentage of 2019-20 gross controllable expenditure (i.e. total expenditure before any income is netted off) excluding housing benefits and schools is 3.7%.

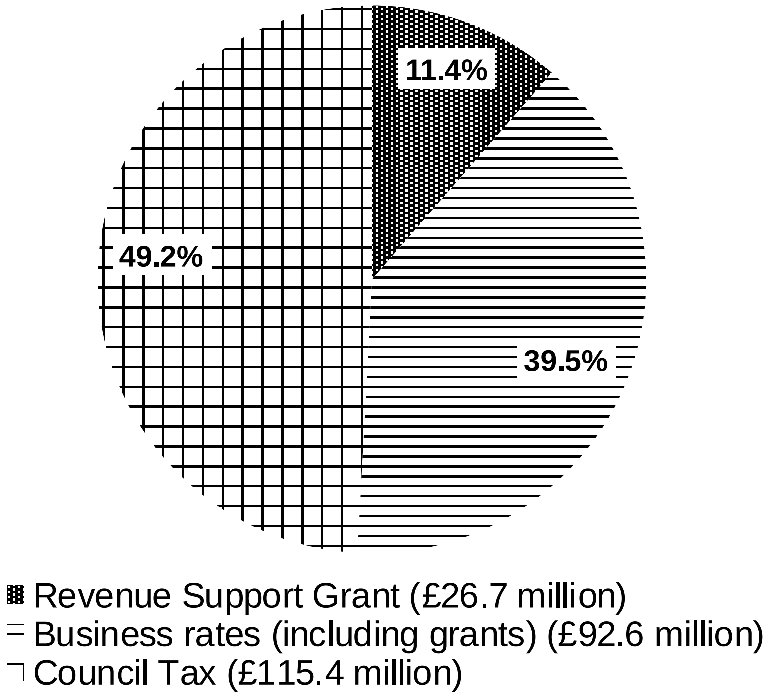
Table 4 sets out the change in our net revenue budget, broken down into the individual elements it is comprised of.

Table 4 – change in net revenue budget between 2019-20 and 2020-21

All figures in £ million	2019-20	2020-21	Change
Revenue Support Grant	26.2	26.7	0.5
Business rates (including grants)	90.8	92.6	1.8
Council Tax	110.1	115.4	5.3
Net revenue budget	**227.1**	**234.8**	**7.7**

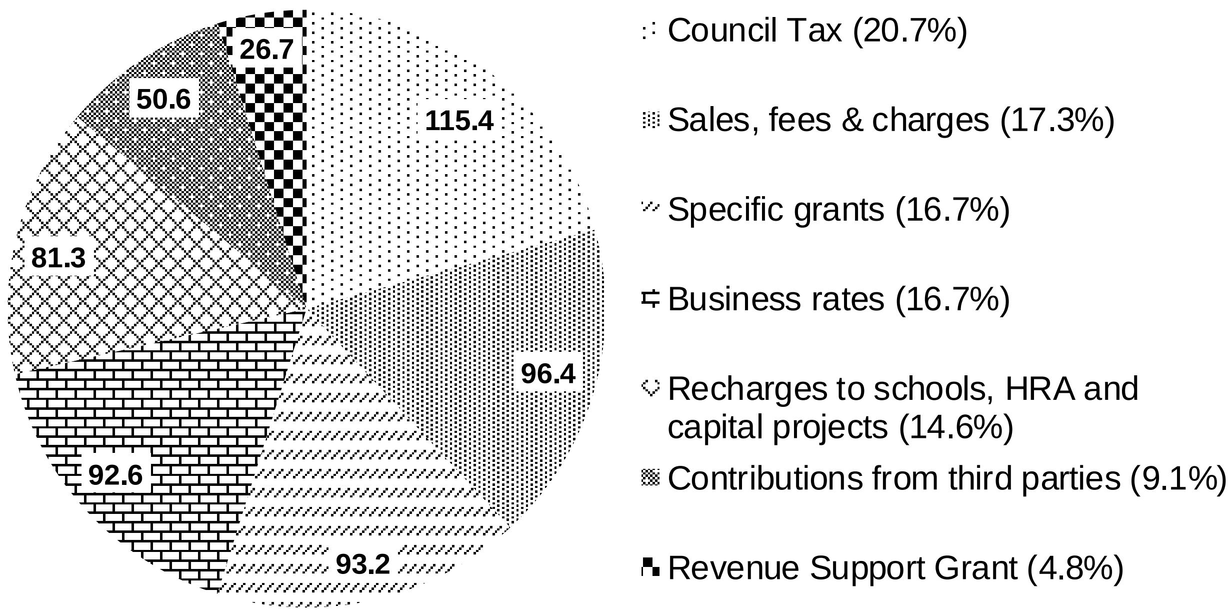
Business rates and Revenue Support Grant constitute the total of un-ringfenced government funding we are expected to receive in 2020-21. This will fund an estimated £119.4 million or 50.8% of our net revenue budget in 2020-21 compared with 51.5% in 2019-20. Council Tax will fund the other £115.4 million or 49.2% of the 2020-21 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 2020-21



When viewed as a percentage of total General Fund income excluding schools and housing benefits, Council Tax represents 20.7% of total income as shown in Chart 3.

Chart 3 – breakdown of total estimated General Fund income in 2020-21 (figures are in £ million)



2.4 Provisional 2020-21 local government finance settlement

The provisional 2020-21 local government finance settlement has been deferred due to the 2019 General Election to be held on 12 December and the figures in this report have therefore been estimated based on the 2019 Spending Round and subsequent technical consultation.

2.5 2019 Spending Round

The 2019 Spending Round was published on 4 September 2019 and included the following specific announcements in relation to local government funding:

- Inflationary increase in the Settlement Funding Assessment (i.e. Revenue Support Grant and retained business rates). Compared with our previous budget assumption of a 6.4% reduction in SFA, this equates to additional resources of £9.7 million next year.
- Additional 2% adult social care council tax precept, and a proposed referendum limit on the core Council Tax increase of 2%. Compared with our previous budget assumption of 3% increase in Council Tax, this equates to additional resources of £1.1 million next year.

The estimated additional resources of £10.8 million have been factored into the draft 2020-21 budget set out in this report. The other main local government funding announcements included in the 2019 Spending Round included:

- Continuation of £2.5 billion funding for social care consisting of Improved Better Care Fund, Adult Social Care Winter Pressures Grant and Social Care Support Grant. For the council this amounts to £19.0 million as set out below – these amounts are currently funding pressures in adult social care and children's social care:

All figures in £m	**England**	**Council**
Improved Better Care Fund	1,837.0	14.9
Winter Pressures Grant	240.0	1.5
Social Care Support Grant	410.0	2.6
TOTAL	**2,487.0**	**19.0**

- Additional £1.0 billion funding for social care, which could be worth £7.0 million to the council – this temporary funding will be used to fund pressures in adult social care and children's social care.
- Real terms increase in Public Health Grant but no removal of the ring-fence – the Spending Round document is slightly ambiguous on the percentage increase, but this could be worth £0.7m to the council, however, it's not clear if any additional burdens will accompany this additional funding.
- 3.4% real terms increase in Better Care Fund, which could be worth up to £0.5 million to the council. Although the use of this additional funding will need to be agreed with health partners, we would aim to use it to fund pressures in adult social care.
- Additional £700 million funding for children with special educational needs – details yet to be confirmed.
- Additional £7.1 billion increase in funding for schools by 2022-23.

- Continuation of New Homes Bonus with further details to be shared via local government finance settlement technical consultation.
- Continuation of Troubled Families programme – details yet to be confirmed.
- The 75% business rates pilot across North of Tyne will not continue in 2020-21 and the planned changes in relation to the Fairer Funding Review and Business Rates Reform have been deferred until 1 April 2021.

Please see https://www.gov.uk/government/topical-events/spending-round-2019 for further details.

2.6 2020-21 local government finance settlement technical consultation

The government issued a consultation on some technical matters related to the 2020-21 local government finance settlement following the 2019 Spending Round on 3 October 2019. This covered the following points:

- Inflationary increase in Revenue Support Grant in line with planned increase in business rates next year.
- Continued compensation for local authorities affected by negative RSG.
- Council Tax referendum limit of 2.0% or £5 (whichever is greater) for lower tier local authorities.
- Core Council Tax increase of 2.0% and an adult social care precept of 2.0% for single and upper tier local authorities, and no referendum limit for mayoral combined authorities and parish councils.
- Proposed distribution of additional social care grant of £7.0 million.
- Continuation of Improved Better Care Fund.
- Continuation of New Homes Bonus in its current form in 2020-21 but reductions planned for 2021-22.
- Continuation of Rural Services Delivery Grant.

Please see https://www.gov.uk/government/consultations/local-government-finance-settlement-2020-to-2021-technical-consultation for further details. The council submitted a response to this consultation by the 31 October 2019 deadline.

2.7 Council Tax

We are proposing a general increase in Council Tax of 1.95% in 2020-21 plus an adult social care precept of 2.0%. Further details on the proposed increase are set out in a separate 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 2018-19 there was a significant surplus on the Collection Fund and a further surplus is anticipated in 2019-20.

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 £0.2 million in 2020-21.

2.8 Council Tax reduction

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 – 2014-15 (i.e. 10.0%), 2015-16 (i.e. 14.4%), 2016-17 (i.e. 8.3%), 2017-18 (i.e. 5.1%), 2018-19 (i.e. 5.1%) and 2019-20 (i.e. 5.9%) with the exception of 2020-21 when it will increase by 2.0%. We estimate the funding loss over the eight-year period to be in the region of £11.7 million. This has put significant additional strain onto the General Fund budget and resulted in us, as well as many other local authorities, seeking to collect some Council Tax from working age people who previously received 100% Council Tax benefit.

We are currently consulting on an updated Council Tax reduction scheme for 2020-21 that incorporates a number of relatively minor changes.

2.9 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, from 2013-14 to 2018-19, 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. In 2019-20, 75% of the business rates collected in the city is being retained locally (i.e. 74% to the council and 1% to the Tyne and Wear Fire and Rescue Authority) and the remaining amount is being paid over to the government. However, in 2020-21 we will revert to retaining only 50% of business rates locally (49% to the council and 1% to the Tyne and Wear Fire and Rescue Authority).

We are now also exposed to the risk of business rate appeals, which are determined by the Valuation Office Agency. Since 2013-14 the level of appeals has been far higher than were originally anticipated, and this led to a Collection Fund deficit as at 31 March 2019. The government has consulted on a range of practical changes designed to improve the efficiency of the appeals process and reduce the financial uncertainty facing local authorities, with new streamlined processes being introduced in 2017-18 alongside revaluation, however, this has yet to make a tangible difference to the effectiveness or timeliness of the appeals process.

2.10 Revenue Support Grant

Revenue Support Grant is estimated to increase from £26.2 million to £26.7 million in 2020-21 in line with inflation.

2.11 Unfunded cost pressures

Our need to find savings in 2020-21 and future years is driven by unfunded cost pressures arising from several sources although this is partly off-set by the estimated increase in the net revenue budget.

Table 5 – breakdown of 2020-21 savings target

All figures in £ million	2020-21
Net funding (increase) / cut	(7.7)
Unfunded cost pressures	27.9
Annual savings requirement	**20.3**

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 – cuts in specific grants (for example, housing benefit subsidy administration grant and education services grant).

Table 6 shows the total cost pressures identified under each of the above headings.

Table 6 – breakdown of 2020-21 unfunded cost pressures

All figures in £ million	2020-21
Inflation (pay and prices)	14.3
Increasing demand for services	8.5
External funding changes	5.1
TOTAL	**27.9**

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

2.12 Savings

As shown in Table 5, estimated savings of £20.3 million are needed in 2020-21 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 7 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 7 – 2020-21 savings by directorate

All figures in £ million	2020-21
Adult Social Care & Integrated Services	9.7
Children, Education & Skills	0.9
City Futures (including Public Health)	0.4
Operations & Regulatory Services	1.5
Place	0.4
Resources	0.5
Corporate	6.9
TOTAL	**20.3**

The impact on the 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 – 2019-20 and 2020-21 net revenue budget by directorate

All figures in £ million	2019-20	2020-21
Adult Social Care & Integrated Services	80.8	79.5
Children, Education & Skills	44.7	50.1
City Futures (including Public Health)	5.6	5.3
Operations & Regulatory Services	8.2	10.8
Place	4.4	6.9
Resources	24.9	26.3
JTC levy	16.0	16.0
Corporate items / reserves	42.5	39.9
Net revenue budget	**227.1**	**234.8**

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 needs 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 2020-21 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. job creation, housing growth etc.
- Maximisation of social value including using locally-based suppliers, and sub-contractors as far as possible.

Capital investment 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.
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 front line 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 cost against an existing revenue budget (for example vehicle / IT replacement programme); or
2. a new or increased revenue budget that is dependent on the planned capital investment (for example Eldon Square).

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 evaluated and viable in its own right.

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).

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.

4.1 2019-20 to 2021-22 capital investment programme

The following tables set out the breakdown of the 2019-20 to 2021-22 capital investment programme between the General Fund and housing revenue account (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 2019-20 to 2021-22 split between the General Fund and the housing revenue account (HRA)

All figures in £ million	2019-20	2020-21	2021-22
General Fund	116.5	87.5	80.0
HRA	54.7	47.8	45.0
TOTAL	**171.2**	**135.3**	**125.0**

Table 10 – General Fund planned capital investment from 2019-20 to 2021-22 by council directorate

All figures in £ million	2019-20	2020-21	2021-22
Adult Social Care & Integrated Services	0.2	0.1	0.0
Children, Education & Skills	8.0	3.3	0.0
City Futures (including Public Health)	0.7	0.2	0.0
Operations & Regulatory Services	17.6	8.5	0.0
Place	55.0	20.1	0.0
Resources	0.9	2.8	0.0
Loans	34.2	2.5	0.0
Pipeline	0.0	50.0	80.0
TOTAL	**116.5**	**87.5**	**80.0**

Table 11 – HRA planned capital investment from 2019-20 to 2021-22 by programme

All figures in £ million	2019-20	2020-21	2021-22
Communal areas	4.2	6.1	0.0
Environmental works	4.7	1.4	0.0
Voids	5.3	5.3	0.0
Lifecycle replacements	19.2	17.2	0.0
New build and acquisitions	14.1	11.5	0.0
Regeneration	4.2	3.4	0.0
Standard housing investment	2.8	2.9	0.0
Participatory budget	0.1	0.0	0.0
Pipeline	0.0	0.0	45.0
TOTAL	**54.7**	**47.8**	**45.0**

Table 12 – planned capital investment from 2019-20 to 2021-22 by source of finance

All figures in £ million	2019-20	2020-21	2021-22
Grants / contributions (mainly General Fund)	33.8	9.0	0.0
Capital receipts (mainly General Fund)	7.8	3.3	0.0
Revenue (mainly HRA)	36.3	31.3	0.0
Borrowing (mainly General Fund)	93.3	41.7	0.0
Pipeline (no funding approved yet)	0.0	50.0	125.0
TOTAL	**171.2**	**135.3**	**125.0**

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.

We have reviewed our council-wide internal arrangements for agreeing and delivering the capital investment programme, to ensure a robust, outcome-focus system of approvals and ongoing monitoring. This includes robust business case development at directorate level, with detailed scrutiny by a senior officer group prior to approval by councillors and inclusion within the capital programme, with ongoing rigorous monitoring and reporting upwards through a clear governance structure.

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

- Vehicle replacement programme (£16.2 million)
- Stephenson Quarter hotel loan (£14.8 million)
- RVI MSCP loan (£13.3 million)
- Civic Centre office accommodation (£11.3 million)
- Street lighting LED replacement programme (£8.9 million)
- Pilgrim Street Southern Block (£6.2 million)
- Regenerate (£5.5 million)
- IT investment (£3.7 million)
- Highway and footpath improvements (£3.7 million)
- Northern Access Corridor programme (£3.5 million)
- Investment in primary school estate (£3.5 million)
- Disabled facilities grants (£3.2 million)
- Science Central infrastructure (£2.9 million)
- Newcastle Life Sciences incubation hub (£2.8 million)
- Roundhill Avenue (£2.7 million)
- Urban Traffic Management Centre (other local authorities) (£2.6 million)
- Grainger Market roof (£2.5 million)
- Loadman Street (£2.5 million)
- Northumberland Street improvements (£2.3 million)

- Tynexe loan (£2.0 million)
- Kingston Park Road junction improvements (£1.8 million)
- Newington Road licensing office (£1.4 million)
- Slatyford Lane children’s residential care home (£1.3 million)
- Housing developments (£1.2 million)
- Newcastle International Airport business park infrastructure (£1.2 million)

5. Risk assessment of General Fund budget

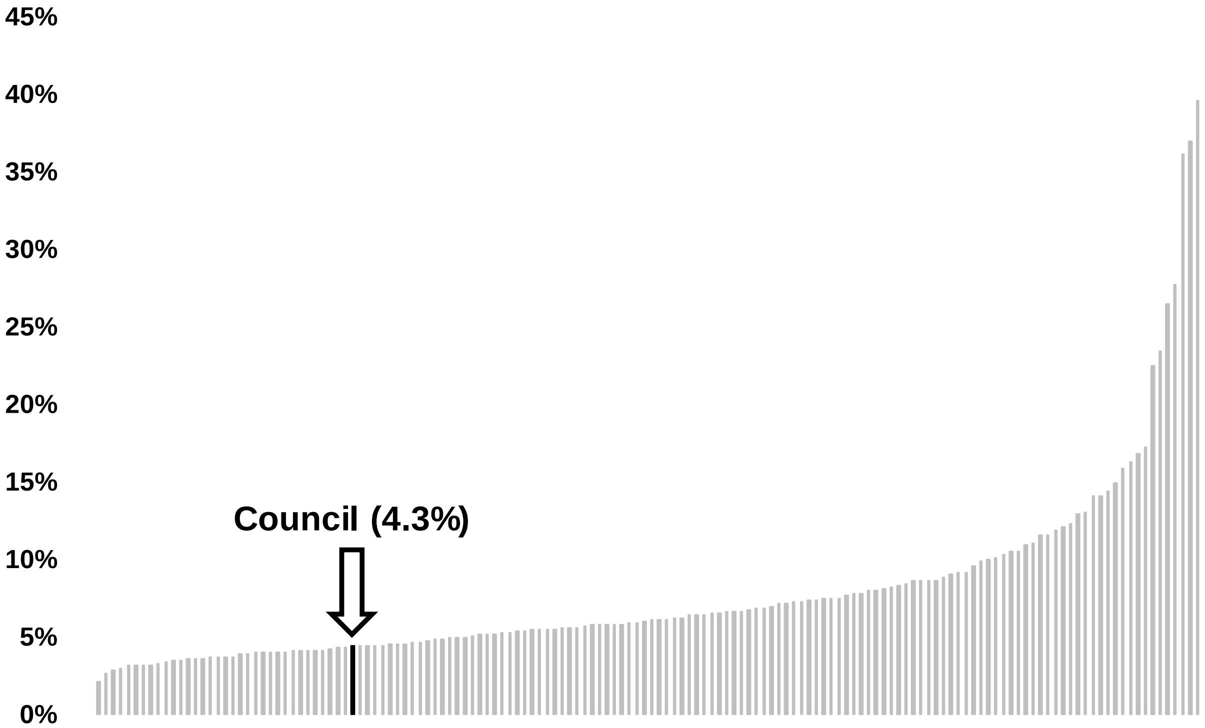
We adopt a risk-based approach to medium-term financial planning, which aims to:

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

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.

As can be seen in Annex 6, the unearmarked General Fund reserve as at 31 March 2019 totalled £10.1 million. This represented 4.2% of 2018-19 net revenue expenditure, compared with an average of 7.0% for all single and upper tier local authorities.

Chart 4 – unearmarked General Fund reserve as at 31 March 2019 for all single and upper tier local authorities



At 31 March 2020, we expect to hold General Fund reserves totalling £98.3 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:

- **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.
- **Airport dividend reserve** – holds dividends received from Newcastle International Airport that have been earmarked for specific priorities.
- **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.
- **Collection Fund reserve** – holds funding to mitigate future Collection Fund deficits.
- **Developers contributions reserve** – holds funding received from developers for capital works linked to planning applications.
- **Directorate commitments reserve** – holds funding to meet future financial commitments of directorates.
- **Housing benefit subsidy reserve** – holds funding to mitigate future cost pressures in this area.
- **Interim capital funding reserve –** to fund cash outflows arising from capital works, which will be repaid in future years.
- **Major developments reserve** – to fund cash outflows arising in the early years of specific development projects.
- **Pensions reserve** – holds funding to mitigate future cost pressures in relation to our pension liabilities.
- **PFI / BSF reserve** – holds funding to meet future payments under our PFI / BSF contracts.
- **Public health reserve** – holds unspent public health grant funding to be used to meet future financial commitments.
- **Ring-fenced balances reserve** – holds funding that may only be spent on specific statutory activities.
- **Risk management and insurance reserve** – holds funding to invest in risk management initiatives and to mitigate future cost pressures in relation to our insurance liabilities.
- **School balances** – holds funding relating to individual schools.
- **School kitchens reserve** – holds funding to replace / refurbish school kitchens used by council staff to provide school meals to children.
- **Strategic reserve** – holds funding to support our medium-term financial plan.
- **Transformation reserve** – holds funding set aside for future transformation / public sector reform work.
- **Treasury management reserve** – holds funding to mitigate future cost pressures in relation to our external debt portfolio.
- **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.
- **Revenue grants to be applied reserve** – holds unspent grant funding to be used to meet future financial commitments.

A risk assessment of the overall 2020-21 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 at risk external funding been identified?
- Has a reasonable estimate of cost pressures been made?
- 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 issues arising?

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 2020, which represents 4.3% of the 2020-21 net revenue budget.
- Financial risk resilience reserve of £7.0 million as at 31 March 2020, which represents 3.0% of the 2020-21 net revenue budget.
- Strategic reserve of £3.8 million as at 31 March 2020 to fund major one-off costs such as redundancies, and to underpin our budget strategy.
- Transformation reserve of £0.3 million as at 31 March 2020 (but increasing in future years) 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 £53.1 million as at 31 March 2020 (excluding PFI lifecycle replacement reserve, revenue grants unapplied 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 2020-21.
- 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 – Initial risk assessment of the 2020-21 net revenue budget

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 2020-21 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. Corporate 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. The budget proposals set out in this report include funding for cuts in New Homes Bonus and Housing Benefit/Council Tax Support Administration Grant.
Has a reasonable estimate of future cost pressures been made?	Yes – all significant cost pressures covering inflation (pay and prices), increasing demand for services and external funding changes 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 2020-21 financial year with a £7.0 million financial risk and resilience reserve, which represents 3.0% of the 2020-21 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 2020 are expected to be £108.4 million, which represents 46.2% of the 2020-21 net revenue budget. Within this, General Fund unearmarked reserve is expected to be £10.1 million, which represents 4.3% of the 2020-21 net revenue budget. This is deemed to be adequate based on the financial risks the council is facing. Earmarked reserves as at 31 March 2020 are estimated to total £98.3 million.

Annex 2 – Breakdown of cost pressures in 2020-21

All figures in £ million	2020-21
Inflationary changes (pay and prices):	
- Pay inflation	4.5
- Non-pay inflation	0.7
- Adult social care inflation (incl. NLW / NMW)	6.2
- Children's social care inflation (incl. NLW / NMW)	1.2
- Waste management inflation	1.3
- PFI contractual inflation	0.3
Increasing demand for services:	
- Adult social care increasing demand	0.6
- Children's social care increasing demand	0.3
- Children with disabilities turning 18	0.9
- Children's social care underlying pressure	4.5
- SEN transport increasing demand	0.0
- Investment in local services / neighbourhoods	1.2
- Emerging issues (i.e. Brexit, climate change)	1.0
Funding changes:	
- Mainstreaming temporary funding	3.3
- Property portfolio income reduction	2.0
- Other external funding changes	(0.2)
TOTAL	**27.9**

Description (initial estimate)	Pay inflation (£4.5 million)
How have the above amounts been calculated?	This relates to the annual pay award for all staff. The cost pressure is calculated based on an assumed pay award of up to 2.75% applied to all non-vacant posts (including salary, employer's national insurance, and employer's pension contributions) excluding ring-fenced services such as public health, adult education and licensing.
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 2020-21.
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 2020-21 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 (£0.7 million)
How have the above amounts been calculated?	This cost pressure is an estimate based on assumed inflationary increases in 2020-21. 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 will be 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 2020-21. 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 2020-21.
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 2020-21 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 (£7.4 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 2020-21 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 long-term contracts (£1.6 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 long-term 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 divert waste away from landfill 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 pay the PFI unitary charge on the various assets constructed / funded in this way. 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 2020-21 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 / children’s social care increasing demand (£0.9 million)
How have the above amounts been calculated?	This cost pressure is based on assumed population growth in 2020-21 applied to current year projected expenditure.
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 18+ and 0-17 populations in 2020-21.
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 2020-21 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 (£0.9 million)
How have the above amounts been calculated?	This cost pressure is based on specific children who will turn 18 during 2020-21 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 2020-21 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 underlying pressure (£4.5 million)
How have the above amounts been calculated?	This funding is needed to replace temporary funding currently supporting the children's social care base budget.
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 particularly external residential care and external foster care.
If the cost pressure is due to increased demand, what evidence exists to support this?	Current projected 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 Right Child Right Care programme to safely reduce the number of looked after children.
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 2020-21 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)	Investment in local services / neighbourhoods (£1.2 million)
How have the above amounts been calculated?	This funding is required to invest in additional staffing resources to be deployed as rapid response teams for the east, west and north of the city.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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 investment from existing resources?	No
More generally, what is the impact of not agreeing funding for this investment?	Long-standing pressures on service delivery may not be addressed.

Description (initial estimate)	Brexit and climate change (£1.0 million)
How have the above amounts been calculated?	This funding is required to invest in specific activities to mitigate the impact of Brexit on the local economy plus address climate change.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	n/a
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 investment from existing resources?	No
More generally, what is the impact of not agreeing funding for this investment?	The impact of Brexit on the local economy may be greater than would otherwise be the case and necessary actions to address climate change may not take place.

Description (initial estimate)	Mainstreaming temporary funding (£3.3 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 and shortfalls in savings. This funding now needs to be built into the permanent base budget to reduce the reliance upon reserves.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	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 2020-21 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Reduced commercial income (£2.0 million)
How have the above amounts been calculated?	This cost pressure is based on income reductions that have taken place in the current financial year.
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 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 commercial property market.
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 the commercial property assets 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
More generally, what is the impact of not agreeing funding for the cost pressure?	The budget will overspend.

Description (initial estimate)	Changes in external funding (-£0.2 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, Council Tax support administration and the New Homes Bonus.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Specific funding reductions 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. The New Homes Bonus does not fund any specific services as such but has been built into the base budget within corporate items.
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 2020-21 savings target.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Annex 3 – 2019-20 and 2020-21 net revenue budget by directorate

All figures in £ million	**2019-20**	**2020-21**
Adult Social Care & Integrated Services	80.8	79.5
Children, Education & Skills	44.7	50.1
City Futures (including Public Health)	5.6	5.3
Operations & Regulatory Services	8.2	10.8
Place	4.4	6.9
Resources	24.9	26.3
Net Directorate Expenditure	**168.6**	**178.9**
JTC Levy	16.0	16.0
Net Service Expenditure	**184.6**	**194.9**
Corporate Items	48.0	42.6
Transfers to / (from) Reserves	(5.4)	(2.7)
Net Revenue Budget	**227.1**	**234.8**
Less: Revenue Support Grant	0.0	(26.7)
Less: Business Rates	(117.0)	(92.6)
Council Tax Requirement	**110.1**	**115.4**

Annex 4 – 2019-20 and 2020-21 net directorate expenditure budget by service

All figures in £ million	2019-20	2020-21
Adult Social Care & Integrated Services		
Adult Social Care & Integrated Services	72.2	71.1
Director of Adult Social Care & Integrated Services	0.6	0.7
Inclusion & Commissioning	7.6	7.4
Other	0.4	0.3
Children, Education & Skills		
Children's Social Care	38.4	44.4
Director of Children, Education & Skills	0.1	0.1
Early Help & Family Support	3.1	2.5
Education	3.1	3.1
Schools	0.0	0.0
City Futures		
Communication Services	(0.0)	0.1
Communities Team	0.6	0.5
Director of City Futures	0.1	0.1
Economic Development	1.1	1.0
Museums, Arts and Culture	1.7	1.7
North of Tyne Combined Authority	0.0	0.0
Policy and Performance	0.7	0.5
Public Health	1.3	1.3
Operations & Regulatory Services		
Single Point of Leadership	(7.6)	(7.8)
Community Hubs	4.2	4.2
Environment & Public Protection	0.8	0.7
Facilities Serv and Civic Mgmt	0.2	0.9
Local Services	20.4	23.2
Operations	(0.9)	(0.8)
Director of Operations & Regulatory Services	0.5	0.4
Parking	(9.7)	(10.2)
Resilience Planning	0.2	0.2
Place		
Commercial Development & Property	(3.6)	(1.4)
Development Management	0.8	0.7
Fairer Housing Unit	0.0	0.1
Major Projects	0.1	0.1
Director of Place	0.1	0.1
Transport	7.1	7.3
Resources		
Audit, Risk and Insurance	0.5	0.5
Business Management	7.5	8.1
Chief Executive	0.3	0.3
Democratic Services	2.0	2.0
Director of Resources	0.2	0.2
Financial Services	5.1	5.4
Human Resources	2.0	2.0
ICT	5.9	6.2
Legal Services	1.4	1.6
Net Directorate Expenditure	**168.6**	**178.9**

Annex 5 – 2019-20 and 2020-21 Housing Revenue Account budget

All figures in £ million	**2019-20**	**2020-21**
Rent income	96.0	97.3
Other income	14.1	14.5
YHN management fee	(23.4)	(24.0)
Repairs and maintenance	(23.7)	(24.0)
Other running costs (e.g. utilities, supplies and services)	(15.2)	(14.9)
Bad debt provision	(1.7)	(1.7)
External interest payable	(16.4)	(17.0)
Operating surplus	**29.8**	**30.1**
Debt repayment / contribution to capital	(31.5)	(31.1)
Increase / (decrease) in HRA reserves	**(1.7)**	**(1.0)**

Annex 6 – projected trend in total General Fund reserves from 31 March 2017 to 31 March 2022

All figures in £ million	31 March 2017 (actual)	31 March 2018 (actual)	31 March 2019 (actual)	31 March 2020 (estimate)	31 March 2021 (estimate)	31 March 2022 (estimate)	31 March 2023 (estimate)
ADZ reserve (1)	0.2	(1.3)	(1.3)	(1.3)	(0.8)	(0.3)	0.2
Asset management reserve (2)	(1.4)	(2.5)	(3.9)	(3.9)	(3.6)	(3.4)	(3.1)
Collection Fund reserve (3)	7.4	7.4	7.4	8.5	8.5	8.5	8.5
Developers contributions reserve (4)	0.9	1.0	0.8	0.8	0.8	0.8	0.8
Directorate commitments reserve (5)	9.8	2.9	1.3	1.1	0.8	0.6	0.3
Financial risk & resilience reserve (6)	5.0	6.0	7.0	7.0	7.0	7.0	7.0
Housing benefit subsidy reserve (7)	2.6	2.2	2.2	1.9	1.7	1.4	1.2
Interim capital funding reserve (8)	0.0	(0.5)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Major developments reserve (9)	0.1	(0.6)	(1.9)	(1.9)	(1.7)	(1.4)	(1.2)
One-off funding reserve (10)	3.8	5.1	6.2	5.4	4.7	3.9	3.2
Parks Trust subsidy reserve (11)	0.0	0.0	1.4	2.4	3.3	2.5	1.3
Pension reserve (12)	4.0	4.0	4.0	4.0	4.0	4.0	4.0
PFI reserve (13)	5.6	4.9	4.6	3.8	3.1	2.5	1.8
Public Health Grant reserve (14)	1.2	1.9	2.1	1.5	1.2	0.3	0.0
Revenue grants to be applied (15)	10.1	15.6	6.8	6.3	5.8	5.3	4.8
Ring-fenced reserve (16)	0.0	7.2	15.6	15.1	14.6	14.1	13.6
Risk management & insurance reserve (17)	2.3	2.3	2.4	0.5	0.5	0.5	0.5
School kitchens reserve (18)	0.5	0.5	0.7	0.5	0.5	0.5	0.5
Single Point of Leadership reserve (19)	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Strategic reserve (20)	9.0	2.5	4.6	3.8	3.2	3.8	3.8
Transformation reserve (21)	6.1	6.7	1.3	0.3	3.0	4.9	4.9
Treasury management reserve (22)	7.2	7.2	8.4	8.9	9.4	9.9	10.4
Other reserves (all under £0.5m)	0.1	0.1	1.1	0.8	0.8	0.8	0.8
SUB-TOTAL	**74.6**	**72.5**	**70.1**	**64.3**	**65.5**	**64.9**	**62.0**
Financial Instruments Reserve (23)	0.0	0.0	8.4	9.0	9.0	9.0	9.0
School Balances (24)	10.5	8.2	9.5	10.0	10.0	10.0	10.0
PFI Lifecycle Prepayment Reserve (25)	12.2	13.6	14.6	15.0	15.0	15.0	15.0
TOTAL INCLUDING OTHER EARMARKED RESERVES	**97.3**	**94.3**	**102.6**	**98.3**	**99.5**	**98.9**	**96.0**