

TITLE OF REPORT: Budget and Council Tax Level 2022/23

REPORT OF: **Sheena Ramsey – Chief Executive**
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 Corporate Management Team

Purpose of Report

1. To request Cabinet to recommend to Council on 24 February 2022 the Budget and Council Tax level for 2022/23. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators and Minimum Revenue Provision (MRP) Statement set out in this report. The Budget forms a key element of the Council's strategic approach to making Gateshead a Place Where Everyone Thrives, and agreeing a balanced budget is fundamental to the financial sustainability of the Council and is required by statute.

Background

2. On 18 November 2021 Council agreed the Medium-Term Financial Strategy (MTFS) 2022/23 to 2026/27. The outcome of the review estimated that efficiencies and savings of £45 million are required over the medium term. It is essential these are delivered to ensure the financial sustainability of the Council.
3. On 14 December 2021 Cabinet agreed a framework for the approach to budget 2022/23 to 2024/25.
4. On 16 December 2021 the Government announced the provisional local government finance settlement for 2022/23, including council tax referendum principles.
5. On 12 January 2022 the Council responded to the provisional local government finance settlement 2022/23 Consultation.
6. On 25 January 2022 Cabinet agreed the council tax base and business rates base forecasts for 2022/23.
7. On 27 January 2022 Council agreed the local council tax support scheme for 2022/23. Adopting the scheme means that approximately 12,000 council taxpayers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax.
8. On 7 February 2022 the final local government funding settlement figures were announced. Overall funding was in line with the provisional settlement. Ringfenced Public Health Grant was also confirmed.
9. This report represents the final stage of the budget setting process in determining the budget and council tax level for 2022/23.

Proposal

A Budget to Deliver Council Priorities

10. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives provides a framework to demonstrate how the Council makes decisions that are policy and priority led. The approach is built upon the following pledges:
 - Put people and families at the heart of everything that we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation, and growth across the borough
 - Work together and fight for a better future for Gateshead
11. In the context of the MTFS gap and facing tough financial challenges ahead, it is vital that financial sustainability is at the core of the budget approach, and all resources are targeted to achieving priority outcomes. To ensure this the Council must manage competing priorities and make best use of the resources that are available.
12. On 14 December 2021 Cabinet agreed a framework for the approach to budget 2022/23 to 2024/25 including a timeline that will support the delivery of the Council's thrive priority objectives and meet the increasing financial challenges outlined in the Council's MTFS. This report proposes a balanced budget in 2022/23 using reserves in a planned way to move forward a priority driven approach to revenue resource allocation. The annual budget savings cycle will be a continuous approach with budget developments brought to Cabinet for consideration throughout the year to allocate resources to Services and consider consultation outcomes.
13. Government assumed in their financial settlement announcements that Council's would increase council tax by the maximum allowable of 2.99%.
14. The proposed budget will result in a council tax increase of 1.99% for residents of the Borough of Gateshead in respect of Gateshead Council expenditure plus an additional council tax increase of 1% for residents of the Borough of Gateshead in respect of the Government's charge for adult social care expenditure.
15. This will result in a combined council tax increase of 2.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in £0.73 a week rise for the majority of council taxpayers in Gateshead living in the lowest value properties (Band A) or £1.10 a week for those in Band D. This report recommends a 2.99% council tax increase in the Council's council tax for 2022/23.

16. The proposed balanced base budget for 2022/23 after investment and budgeted use of reserves is £254.304 million. Available funding for 2022/23 is £248.406 million based on the budgeted use of reserves, final settlement, a proposed council tax increase of 2.99%, council tax income and collection fund transfers. This results in a budget savings requirement of £5.818 million. Unlike in previous years and in line with the agreed MTFS and budget approach this will be temporarily funded from the budget sustainability reserve. This can be summarised as follows:

Proposed Net Budget 2022/23 (£m)	254.304
Funded by;	
Local Funding (Council Tax and Business Rates)	(129.435)
Government Funding	(95.630)
Reserves Supporting Business Rates	(12.675)
Strategic Earmarked Reserves	(1.750)
Pandemic Reserves	(8.996)
Budget Sustainability Reserve (Temporary Funding)	(5.818)
Total Funding 2022/23	(254.304)

17. The Council recognises the impact of the recommended council tax increase on some of the most vulnerable in society and particularly those on fixed incomes. However, a combination of continued cost pressures and significant funding reductions has left the Council with little choice but to increase council tax to protect the delivery of essential Council services to the residents of Gateshead. The Council will continue to provide the current council tax support scheme that enables targeted support for those residents that are likely to be most affected by the increase.
18. On 4 February 2022 the Government announced a rebate towards council tax and the Council is awaiting further guidance in relation to payments to be made.
19. To provide additional support alongside the local council tax support scheme, this report recommends that Cabinet approve to extend the council tax hardship scheme into 2022/23 using £0.7m of remaining funds to reduce all working age Local Council Tax Support recipients bills by £50 in 2022/23.

Recommendations

20. Cabinet is requested to make the following recommendations to Council:
- (1) That Gateshead's Band D council tax for 2022/23 is increased by 2.99% (including a 1% adult social care Government charge) to £1,972.17.
 - (2) The revenue estimates of £254.304 million for 2022/23 are approved.
 - (3) That Cabinet approve to extend the council tax hardship scheme into 2022/23 using existing funds to reduce all working age Local Council Tax Support recipients bills by £50 in 2022/23.
 - (4) The budgeted use of £29.239 million Earmarked Reserves in 2022/23 be approved (comprising of £1.750 million budgeted use of strategic, £8.996 million budgeted use of pandemic, £12.675 million ringfenced covid support to retained business rates and £5.818 million budget sustainability).
 - (5) That the proposed budgets including the indicative schools funding presented in Appendix 2 be agreed.
 - (6) That the outcome of initial budget consultation outlined in Appendix 4 be noted.
 - (7) To note the conclusions of the Strategic Director, Resources and Digital in respect of the robustness of budget estimates and adequacy of reserves outlined in Appendix 5.
 - (8) That the prudential and treasury indicators set out in Appendix 7 to this report be agreed.
 - (9) That the method of calculating the Minimum Revenue Provision (MRP) for 2022/23 as set out in Appendix 8 be approved.
 - (10) That it be noted that at its meeting on 25 January 2022, Cabinet agreed the following amounts for the year 2022/23 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
 - (a) **52,660.9** being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its Council Tax base for the year;
 - (b) **1,214.1** for Lamesley Parish being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.

- (11) That the following amounts be now calculated by the Council for the year 2022/23 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011 ('the Act'):
- (a) **£614,685,003** being the aggregate total of the expenditure amounts, which the Council estimates for the items, set out in Section 31A (2) of the Act taking into account the precept issued by Lamesley Parish Council
 - (b) **(£510,816,169)** being the aggregate total of the income amounts, which the Council estimate for the items, set out in Section 31A (3) of the Act
 - (c) **£103,868,834** being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year including Lamesley Parish Council
 - (d) **£1,972.4090** being the amount at (c) above, all divided by the amount at (10)(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its Council Tax for the year including Lamesley Parish Council
 - (e) **£12,467.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
 - (f) **£1,972.1723** being the amount at (d) less the result given by dividing the amount at (e) above by the amount at (10)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Lamesley Parish Council) relates
 - (g) Part of the Council's area: Lamesley Parish
£1,982.4408 being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (10)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items (Lamesley Parish Council) relate

h)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	6.85	1,314.79
B	7.99	1,533.91
C	9.13	1,753.04
D	10.27	1,972.17
E	12.55	2,410.44
F	14.83	2,848.70
G	17.12	3,286.96
H	20.54	3,944.34

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

- (12) That it be noted that for the year 2022/23, the Police and Crime Commissioner for Northumbria, and Tyne and Wear Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	102.56	58.23
B	119.65	67.94
C	136.75	77.64
D	153.84	87.35
E	188.03	106.76
F	222.21	126.17
G	256.40	145.58
H	307.68	174.70

- (13) That, having calculated the aggregate in each case of the amounts at (11) (h) and (12) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,482.43	1,475.58
B	1,729.49	1,721.50
C	1,976.56	1,967.43
D	2,223.63	2,213.36
E	2,717.78	2,705.23
F	3,211.91	3,197.08
G	3,706.06	3,688.94
H	4,447.26	4,426.72

- (14) That under section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), the Council's relevant basic amount of council tax for 2022/23 is not excessive in accordance with the principles determined under section 52ZC of the Act.

For the following reason:

- To fulfil the Council's statutory duty to set the Budget and Council Tax for 2022/23.

Policy Context

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

Background

3. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives provides a framework to demonstrate how the Council will work and make decisions that are policy and priority led. The approach is aligned to the timeframe of the Council's MTFS and is built upon on the following pledges:
 - Put people and families at the heart of everything that we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation, and growth across the borough
 - Work together and fight for a better future for Gateshead
4. The strategic approach sets the major policy directions for the Council within the resources available and will seek new funding sources to redress the imbalance of inequality, champion fairness and social justice.
5. The ability to invest in priority areas will require to be resourced from other areas of the Council where services could be reduced, delivered differently, or stopped. Areas of cross council efficiencies will be developed to ensure the Council is focused on delivering priorities and statutory functions in the most effective way and making the best possible use of resources. In line with the agreed budget approach the Council will take a longer-term approach to the shift in resources to achieve priority outcomes.
6. The Council's budget estimates to achieve a balanced budget for 2022/23 are attached at Appendix 2 and have been prepared in accordance with the new priority approach and after consideration of the outcome of the initial budget consultation on council tax increases. Further formal consultation will take place throughout the financial year on any specific proposals and the outcome reported to Cabinet.

Considerations

7. In finalising the budget and council tax for 2022/23, the following issues require consideration and are set out in the body of this appendices: -
 - Medium Term Financial Strategy context;
 - Final settlement 2022/23;
 - Projected revenue outturn 2021/22;
 - Budget guidance and base budget requirements 2022/23;
 - Proposed service budgets 2022/23;
(See also appendix 2)
 - Projected business rates 2022/23;
 - Proposed Council tax 2022/23;
 - Adequacy of reserves and robustness of budget estimates;
(See also appendix 5)
 - Proposed use of reserves 2022/23;
 - Approval of prudential indicators for 2022/23 (see also appendix 7);
 - Minimum Revenue Provision (MRP) (see also appendix 8).

Medium Term Financial Strategy

8. The Council has adopted a longer-term approach to its strategic and financial planning. The Medium-Term Financial Strategy (MTFS) was updated and agreed by Cabinet in October 2021 and is based on a financial forecast over a rolling five-year timeframe to 2026/27. This sets the financial context for the Council's resource allocation process and budget setting.
9. Due to proposed funding reforms for local government, there is no certainty of funding levels beyond 2022/23 and an absence of guidance in this area. The hugely challenging financial context is expected to continue over the medium term and the general uncertainty around future funding reforms and the economy following the UK exit from the European Union and current and future impacts arising from the pandemic adds to the potential for financial volatility and risk.

Final Settlement 2022/23

10. On 7 February 2022, the final local government funding settlement was announced. Overall funding was in line with expectations from the provisional settlement. The settlement is for a single year only, and further details on proposed funding reform and consultations are due to follow later in the year.
11. Increases in Core Spending Power, the Government's assessment of the revenue resources available to local government through the annual local government finance settlement, are due to increases in council tax rather than funding from central government. Local sources of income, including council tax, business rates and sales, fees and charges have become increasingly important as a source of income to local government
12. The pandemic has had a significant impact on these local sources of income, in addition, income will take a while to recover, so there is likely to still be a gap going forward. The council has set aside specific funding in reserves to smooth these impacts.

13. The 2021 Autumn Budget and Spending Review provided some limited new government funding for councils over the next three years. Much of this was short term or to cover additional cost burdens. While the additional funding for adult and children's social care is welcome, it is not enough to address the significant existing pressures these vital services face and initial LGA analysis suggests that there will still be a shortfall nationally in this area of more than £1 billion in the last year of the Spending Review period.
14. As part of the 2022/23 settlement, the Government announced a commitment to work with local government to consider the way in which the funding is distributed between councils. This is known as "fair funding".
15. Council tax is regressive as people on a lower income pay more of their total income in council tax than people who are better off. Domestic properties have not been revalued since 1991. Most discounts and the band structure are fixed nationally and increases in council tax are constrained by referendum limits.
16. Council tax raises different amounts in different areas unrelated to need, and the changing nature of business alongside pressures and extreme volatility within the business rates system as a consequence of the pandemic means that councils cannot look to business rates to form a substantial and stable part of funding in the future.
17. There remains a significant funding gap facing children's and adult social care both nationally and locally. There continues to be huge funding pressures facing local authorities to continue to protect the vital services which care for older and disabled people, protect children and support families. The funding announced within the final settlement is not sufficient to invest in the preventative and early help services or improve the quality of care services that the Council delivers. Over 70% of the Council's service budgets are dedicated to social care which demonstrates the Council's commitment to these critical services, but it comes at the expense of funding for other important services.
18. Additional and sustained funding for social care is essential if councils are to deliver on the Government ambition set out in the recent white paper, including a greater and earlier share of the social care levy. The Council is waiting for further announcements on the longer-term funding set out in the Market Sustainability and Fair Cost of Care paper and remain concerned that the high level national funding announced will not be sufficient to deliver on this agenda.
19. The Council looks forward to the outcome of the Independent Review of Children's Social care which needs to make clear the investment that is necessary to give children and families the help they need to thrive.
20. It is vital that any future funding approach for local government is fair and provides recognition of the support required in those areas of greatest need. Government must consider the impacts of their policy decisions and the level of local government statutory duties at a time of significantly reducing funding.
21. The Council has been able to close the 2022/23 financial gap and set a balanced budget through revisiting cost pressures, one off additional funding, a review of the revenue cost of capital investment and investment income. A balanced budget has been achieved through the agreed approach to use the budget sustainability reserve to allow sufficient time to plan for cuts.

Projected Revenue Outturn 2021/22

22. The agreed net revenue budget for 2021/22 is £238.758m. On 25 January 2022, Cabinet received a report on projected spending considering performance to 30 November 2021. The 2021/22 projected outturn at the third quarter shows a projected overspend of £0.267m for the year. The final outturn position will be reported to Cabinet in June 2022 and due to active budget management, it remains the intention that the outturn will be delivered within budget estimates.
23. Given the significant financial challenges ahead, work is being undertaken in year to reduce costs, increase income and achieve underspends wherever feasible. This is good financial management that aids financial sustainability. The Council has an exceptionally strong track record of delivering the outturn within budget.
24. This has been a challenging year due to the impacts arising on services and wider economy from a world pandemic. The outturn will reflect one off government Covid grants and variations to budgets arising from increases or decreases in demand, loss of income as well as savings.
25. Some prior year outstanding savings already agreed by Cabinet will require further activity to deliver in 2022/23. Agreed levels of savings mitigation to allow for timing of delivery will be removed as planned in 2022/23. Areas of outstanding activity which in some cases will require further consultation are;

Proposal	Value of outstanding activity 1 April 22 £m
Public Health Wellbeing Offer in Leisure/ Libraries/Culture	0.9
Adult Social Care Continuation of Current Discharge to Assess Model	1.0
Adult Social Care Outcome based assessments and targeted reviews	2.5
Council Wide - Contract Analysis Savings	0.2
TOTAL	4.6

Base Budget Requirement 2022/23

26. The base requirement has been kept to a minimum and pressures will be monitored. The following key assumptions have been made in development of the 2022/23 budget;
- Budget uplifts for general inflation on areas such as utilities and contractual inflation (£1.6m). General Inflation of 3.1% was assumed however, levels of CPI are increasing and forecasted by the Bank of England to be around 7% by April 2022. In 2022/23 due to increased pressures in the energy market electric and gas budgets were uplifted by 20% causing a significant cost pressure of £0.8m. Inflationary pressures will need to be kept under review.
 - Resources have been included in relation to pay pressures (£1.3m) The cost impact from the 1.25% increase in employers National Insurance has been included in the budget and offset partially by a decrease in pension costs. The pay award for 2021/22 and 2022/23 are yet to be agreed nationally.
 - Provision has been made within the budget for the North East Combined Authority Transport, Environment Agency and Port of Tyne Levies. The government is withdrawing its Covid-19 funding from the Tyne and Wear Metro system at the end of March 2022/23. People in our communities need bus services to access jobs, schools and colleges, and essential services like healthcare. Buses also support efforts to improve air quality and reduce carbon emissions. Council Leaders therefore agreed for an unprecedented increase to the Tyne and Wear levy of 6.75% meaning an unplanned additional cost of £0.7m for Gateshead. This is consistent with the Joint Transport Committee's budget proposals to help mitigate the impact of Government grant funding decisions on the regional transport network.
 - Revenue support grant inflationary increase from £15.3m to £15.8m.
 - An estimation of funding available to support the budget from retained business rates and Section 31 business rates grant based on the National Non-Domestic Rates Return (NNDR1) return to Government.
 - An increase to £103.9m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£0.3m) and agreement of the proposed council tax increase (£3.0m).
 - The amount of Improved Better Care Fund payable via the Clinical Commissioning Group is unconfirmed to date but is expected to be a minimum of 2021/22 funding levels.
 - The ringfenced Public Health allocations for 2022/23 were announced on 7 February 2022 (£17.2m) and these are reflected in the draft base budget.
 - A budget for covid pressures of £9m is included to be financed from pandemic reserves.
27. Growth in the Council budget has been kept to a minimum with provision being made in a general contingency of £10.6m (£9.1m 2021/22) to protect against one off in year unforeseen events, provide for budget allocations in relation to the pay award, budget pressures from changes in the national living wage, workforce, utilities, risk and demand pressures. This is consistent with MTFS principles and good financial management.

28. An additional budget contingency of £1.4m has been provided to facilitate the approach to budget reviews and possible new spending priorities as well as covering the timing for delivery of prior year savings. The base budget proposed figures are presented in Appendix 2.

Budget Growth and Savings Proposals 2022/23 Onward

29. Work continues to consider the shift in resources needed to achieve priority outcomes through three-year planning. This year the approach to budget setting is different, in line with the agreed budget approach planned use of reserves will allow time to identify cuts and efficiencies required over three-year planning. A balanced budget will be agreed by Cabinet and Council and any savings identified in the approach throughout the year will be subject to further formal consultation.
30. Priority investment agreed in 2021/22 continues into 2022/23 to allow for different ways of working and to generate future savings. These areas are;
- £1m investment to continue social work in schools and to address increased demand in children's social care looked after children;
 - £1.1m intervention to address pressures and different ways of working in locality hubs, working with the voluntary sector as well as digital and IT services, economy, and jobs;
 - £0.4m investment in parks and open spaces.
31. Additional budget growth in social care is proposed for 2022/23
- Adult Social Care to meet additional demand and increases in fees (£5.9m);
 - Children's Social Care to meet additional demand and increases in fees (£2.9m);
 - Children's Social Care growth to fund a social worker academy to address increased caseloads and the difficulties recruiting experienced social workers (£0.6m) as well as growth for Early Help posts to support more families at an earlier stage and helping them to be more resilient and attempt to prevent them from returning to services (£0.2m).

Budget Planning to 2024/25

32. Following receipt of the final settlement and setting of 2022/23 estimates a projection of savings requirements to 2024/25 to achieve a balanced budget and financial sustainability is shown below; (this excludes budgeted use of strategic or pandemic reserves)

	2022/23 £m	2023/24 £m	2024/25 £m
Service Budget Envelope	189.8	201.3	216.2
Non - Service Budgets	53.8	55.9	56.9
Total Budget	242.5	256.2	272.1
Estimated Resources	(236.7)	(235.6)	(241.0)
Cumulative Gap	5.8	20.6	31.1
Annual Gap	5.8	14.8	10.5
Savings Phasing		5.8	10.0
Temporary Reserve Smoothing	(5.8)	(10.0)	(4.0)
Cuts to Service Envelope	(0.0)	10.6	16.5

Projected Business Rates 2022/23

33. As part of the 2022/23 settlement, the Government provided a baseline figure for retained business rates of £43.1m. The National Non-Domestic Rates Return 1 (NNDR1) 2022/23 submitted to the Department for Levelling up, Housing & Communities on 31 January 2022 estimated that the Council's retained element will be £25.7m (adjusted for cost of collection). Unlike previous years this will be supported with Section 31 grants of £12.7m received in advance in 2021/22 and held in reserves to support the collection fund from the pandemic impacts. An additional estimate of £11.6m is included in the base budget funding in relation to rate reliefs which are reimbursed through a Section 31 grant.
34. Businesses in Gateshead have been awarded the following grants and rates relief since the start of the pandemic:
- Over 17,000 grants totaling £76.6m paid to businesses across Gateshead since March 2020.
 - £55m was awarded in rates relief in 2020/21 and £22.5m awarded to date in 2021/22.

Transitional Relief and Supporting Small Business Rates Relief for Small and medium properties

35. As a result of the Government decision to extend the date of the next business rates revaluation until 2023/24, Government have also extended the current Transitional Relief (TR) and Supporting Small Business Relief for Small and Medium properties (SSB) rate relief schemes for a further 12 months.
36. These extensions are a temporary measure to provide support for the 2022/23 financial year until April 2023 when the next revaluation of the business rates rating list will take.
37. The Transitional Relief (TR) and Supporting Small Business Relief for Small and Medium properties (SSB) schemes provide extra support for qualifying businesses and is automatically calculated without the need for an application form.
38. These are statutory schemes, and the Council is unable to vary the scheme, eligibility criteria or awards in any way. The Government is not changing business rates legislation relating to these schemes and billing authorities are required to make these awards using our discretionary powers under section 47 of the Local Government Finance Act 1988.

Retail, Hospitality and Leisure Relief Scheme

39. The Government has also introduced a new temporary business rates relief scheme for 2022/23 for eligible retail, hospitality, and leisure properties. The 2022/23 Retail, Hospitality and Leisure Business Relief Scheme (RHL) will provide eligible, occupied, retail, hospitality, and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
40. The new Retail, Hospitality and Leisure Relief Scheme is also a temporary measure and Government is not changing business rates legislation in respect of this and has instructed billing authorities to introduce this scheme using discretionary powers under section 47 of the Local Government Finance Act 1988.
41. The Council will be fully reimbursed by Government for any relief awarded under the above schemes.

Council Tax 2022/23

42. Section 30 of the Local Government Finance Act 1992 requires the Council to set an amount of Council Tax for each financial year for each category of dwellings in its area. The council tax must be set before the 11 March in the preceding financial year. The statutory requirements and council tax calculations are outlined in appendix 3 for information.

Council Tax Referendums

43. A council tax bill is made up of several different charges. Alongside the charge to fund council services which includes the costs Councils must pay in levies or special levies to any number of bodies, there can be precepts which consist of council tax that will be redistributed to bodies to provide specific services to the area. For Gateshead these are for the Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority and Lamesley Parish.
44. Each year ministers set out in advance what they deem to be an excessive tax rise. The following council tax referendum principles were announced for 2022/23:
- a core principle of up to 2% applying to local authorities and fire and rescue authorities;
 - in addition to the core principle, a continuation of the adult social care precept, with an additional 1% flexibility available for social care authorities;
 - Police and crime commissioners (PCCs) allowed increases of up to £10 on a band D from their 2021/22 level;
 - The Government proposed to continue with no referendum principles for town and parish Councils in 2022/23 but have said they will keep this matter under active review for future years.
45. The consequences of setting an increase in the relevant basic amount of council tax which is excessive would mean that the Council would have to make arrangements to hold a referendum and make “substitute calculations” of a relevant basic amount of council tax which does not exceed the excessiveness principles. The substitute calculations would automatically take effect if voters reject the Council’s increase.
46. Against the backdrop of continued Government funding reductions, new burdens and spending pressures which cumulatively are having a significant impact on the Council’s ability to deliver its priorities during 2022/23, this report recommends that Gateshead Council agrees a council tax increase of 2.99% (including a 1% adult social care charge). This will mean the Council will be exempt from the Government’s excessiveness principles.
47. The proposed council relevant basic amount of council tax for 2022/23 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2022/23

48. In calculating the council tax requirement as required by the legislation, the local Parish precept and use of reserves must be considered.
49. The Parish of Lamesley agreed at the parish meeting of 14 February 2022 to issue a budget precept for 2022/23 of £12,467 which is a 2.99% increase on the 2021/22 precept of £12,105. However, due to an increase in the council tax base level this means a band D precept increase of 1.68% is required to result in a £12,467 precept value.
50. In arriving at the Council's council tax requirement, general grants such as Settlement Funding Assessment (revenue support grant, retained business rates and top up grant), other grants in revenue spending power and public health must be deducted.
51. Any amount transferred to or from the collection fund and the general fund in relation to council tax must also be deducted or added. For 2022/23 this figure has been estimated to be a £0.2m deficit transfer from the general fund.
52. The 2022/23 Council Tax Requirement (including Lamesley), based on an increase of 2.99% is £103,868,834, summarised as follows: -

	£
Net Budget 2022/23 Gateshead Council	254,303,953
Less - Use of Earmarked Reserves	(16,564,419)
Add - Lamesley Parish Precept	12,467
Budget Requirement 2022/23 (including Lamesley Parish Precept)	237,752,001
Less - Settlement Funding Assessment (SFA)*	(56,906,434)
Less - Use of Reserves Supporting Retained Rates **	(12,675,000)
Public Health	(17,225,309)
Other Grants	(47,235,056)
Balance to be raised locally	103,710,202
Transfer from Collection Fund (Council Tax)	158,632
Council Tax Requirement (including Lamesley Parish Precept)	103,868,834

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

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

Council Tax Resolution

53. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 52,660.9. This calculation gives a basic amount of council tax of £1,972.41. However, from this figure, the legislation requires the Parish element to be deducted (£0.24). This gives a Band D Council Tax for Gateshead of £1,972.17. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D.
54. The amount payable for dwellings in different valuation bands is calculated using the following proportions for each valuation banding: -

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

Thus, giving the following council tax amounts for the Gateshead area, (including a 1% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,314.79
B	1,533.91
C	1,753.04
D	1,972.17
E	2,410.44
F	2,848.70
G	3,286.96
H	3,944.34

55. The council tax for the Parish area is calculated by dividing the Parish precept by the council tax base for the Parish area. This calculation gives a Band D precept of £10.27 for Lamesley Parish area in 2022/23
56. These result in the following additional council tax amounts for the Lamesley Parish area (excluding Police and Crime Commissioner and Fire precepts):

Valuation Band	Lamesley Parish £
A	6.85
B	7.99
C	9.13
D	10.27
E	12.55
F	14.83
G	17.12
H	20.54

57. To these must be added the precepts of the Police and Crime Commissioner (PCC) for Northumbria and the Tyne and Wear Fire and Rescue Authority. On 7 February 2022 the Police and Crime Panel agreed to increase the Band D charge by £10.00 which is permitted under the current referendum principles of up to £10. The Tyne and Wear Fire and Rescue Authority agreed a precept increase of 1.99% (£1.71 on band D) at their meeting on 14 February 2022. These are as follows;

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	102.56	58.23
B	119.65	67.94
C	136.75	77.64
D	153.84	87.35
E	188.03	106.76
F	222.21	126.17
G	256.40	145.58
H	307.68	174.70

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,482.43	1,475.58
B	1,729.49	1,721.50
C	1,976.56	1,967.43
D	2,223.63	2,213.36
E	2,717.78	2,705.23
F	3,211.91	3,197.08
G	3,706.06	3,688.94
H	4,447.26	4,426.72

Local Council Tax Support Scheme

59. Cabinet agreed the 2022/23 scheme in December 2021 which retains the minimum contribution of all working age claimants at 8.5% of their Council Tax liability.
60. The removal of the ring-fence within the Government funding calculation means that Government funding for this area has been significantly reduced. The best estimate of the overall cost of the scheme to the Council is approximately £23.8 million, with Government funding currently estimated at £3.6m.
61. Adopting the scheme means that approximately 12,000 council taxpayers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax (around £126 per year / £2.42 per week). This is based on current numbers of claims. It is anticipated that these numbers may significantly increase. However additional unquantifiable factors are changes announced in the latest budget (in particular the Universal Credit taper) which will increase benefit income but may then reduce the amount of support available in this scheme, however, claimants would gain financially overall. These impacts will be closely monitored. There are also 8,348 pension age Local Council Tax Support (LCTS) claimants, of which approximately 5,216 receive 100% reduction to their council tax liability.

62. The total number so far who have received Council Tax support at any time during the year is 22,653 out of 94,558 council tax accounts, 23.96% of council taxpayers. Note there are changes of circumstances which change the number of recipients supported during the year.
63. A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances and additional COVID funding in the form of a variety of grants and discretionary awards has been available to support this client group during 2021/22.

Council Tax Support Hardship Fund

64. In 2021/22 the Council were awarded £2.779m from the Hardship Fund, this funding has been used to reduce the liability of current working age LCTS claimants by up to £150 in 2021/22, as a result over 10,000 claimants have had their council tax liability reduced to nil.
65. It is estimated that £0.7m of the initial £2.8m allocation will remain by 31 March 2022, which is available to be used at the Council's discretion. It is proposed to use the remaining funding by reducing all working age recipients of the Local Council Tax Support Scheme by £50 for their 2022/23 council tax liability. It is anticipated based on current cases that this would amount to £0.6m of the remaining funds. However, it is difficult to predict the impact of the pandemic on applications for Local Council Tax Support in 2022/23 and this will be monitored throughout the year.
66. It is recommended that Cabinet approve to extend the council tax hardship scheme into 2022/23 using £0.7m of existing funds to reduce all working age Local Council Tax Support recipients bills by £50 in 2022/23.

Schools Budget

67. The Council will receive an indicative £174.5m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £64.3m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2-year old's is estimated at £1.9m, funding for 3 & 4 year old's is estimated at £10.8m in 2022/23 and will be confirmed in June 2022 based on actual take up.
68. The Pupil Premium for 2022/23 will be £1,385 for primary school children and £985 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,410 per eligible child. Service Children Pupil Premium is £320 per eligible pupil. The estimated entitlement for schools in Gateshead is £8.9m, of which an estimated £3.2m will be recouped for academies.
69. Early Years Pupil Premium for eligible 3 & 4-year old's have been confirmed at £342 per pupil for a full financial year. This will be paid on a participation basis of £0.60 per hour and the DfE have provided an estimated allocation within the DSG of £0.2m.
70. The number of schools with projected deficits is increasing. There has been some increased funding to mainstream schools however part of this funding relates to the increase in National Insurance contributions. Every mainstream school will receive at least 1.3% increase in per pupil funding. The increase in funding is expected to continue for 2023/24 at a similar level, but no detailed announcements have been made.

Adequacy of Reserves and Robustness of Budget Estimates

71. The Council keeps a level of reserves to strengthen its financial position so that it has enough reserves and balances to protect against the risk of any uncertainties or unforeseen events without impacting key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the MTFS.
72. The Local Government Act 2003 requires the Strategic Director, Resources and Digital to undertake an assessment of the robustness of budget estimates and the adequacy of reserves. In assessing the robustness of the budget, the Strategic Director, Resources and Digital has considered the following issues:
 - The general financial standing of the Council;
 - The adequacy of the budget monitoring and financial reporting arrangements;
 - The adequacy of the Council's internal control system;
 - The future budget pressures faced by the Council, as identified in the Council's MTFS;
 - The impact of reduced income and funding;
 - The proposed Capital Programme;
 - The delivery of agreed budget cuts/income targets;
 - The agreed three year approach to budget.
73. In addition to the above, the Strategic Director, Resources and Digital has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for inflationary increases. Further details are shown at Appendix 4.
74. The Strategic Director, Resources and Digital has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. The Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 October 2021 and an estimate of reserves through to 31 March 2025 subject to the proposals in this report. The position on reserves will be further reviewed following the revenue outturn in June 2022 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.
75. The Council maintains a general fund reserve which acts as a contingency and allows the Council to meet any unforeseen expenditure. This currently stands at £16.9m. This figure includes £8.9m LMS Schools reserves which are ring- fenced and £8.0m General Reserve which is at the minimum level of 3% of the net revenue budget in line with MTFS principles.
76. The proposed 2022/23 base budget includes £1.8m budgeted use of strategic earmarked reserves (Financial Risk and Resilience £0.3m and Thrive £1.5m) in support of council priorities.
77. Some reserves are agreed by Council to be earmarked and held for specific strategic purposes. This may be to help achieve key priorities or held for specific purposes primarily to mitigate unforeseen events, risks or provide insurance. Other reserves are ring fenced and committed to be used for specific projects or activities, usually prescribed by Government, and cannot support the general Council budget such as school's reserves, developer contributions and the Public Health reserve.

78. Reserves can only be used once and are therefore not a sustainable source of financing without placing the Council's financial position at risk. This is an area of interest to external audit who will look at both how the Council has planned to use and actually uses its reserves. Due to the reduced funding from Government coupled with increasing demand, the Council will be required and is intending to, find a permanent solution to the funding gap, rather than a short- term solution by using reserves, a fundamental principle of the MTFS.
79. The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced a financial resilience index in an attempt to objectively compare reserve levels with Local Authorities and measure financial risk. Comparisons available of Gateshead's reserves to nearest neighbours show a relatively low level of available reserves but a stable level. Reserve sustainability shows a medium to high risk.
80. The Strategic Director, Resources and Digital confirms that, after taking account of these issues, the revenue estimates are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Council in the medium term. This assessment is based on the requirement that spending will be reduced to meet the funding gap in the MTFS as any shortfall will put the Council's sustainable financial position at risk.

Workforce Management

81. Proposals for budget savings in relation to the Public Health and Wellbeing Offer are already the subject of separate reports to Cabinet and Council.
82. In light of the Council's new budget approach for 2022/23 to 2024/25, proposals for savings will be put forward as budget reviews take place. Where proposals include potential redundancies, in accordance with the statutory redundancy process as set out under section 188, Trade Union and Labour Relations (Consolidation) Act 1992, consultation must be undertaken with the appropriate trade union representatives of employees who may be affected by any of the proposals. The statutory redundancy consultation period is either 30 days where 20 to 99 redundancies are proposed, or 45 days if more than 100 redundancies are proposed. The Council's Redundancy Policy states that *where there is the potential for large-scale redundancies, the Council will endeavour to apply a 90-day consultation period*. However, since budget savings will be put forward as and when reviews take place which may result in potential redundancies, it is anticipated that a 45-day consultation be applied in each instance. This will allow for full and constructive consideration to be given to how redundancies might be avoided; how the number of redundancies might be reduced; and mitigating the consequences of any redundancies.
83. Where it may be necessary to propose redundancies, in order to minimise the number of compulsory redundancies, applications for voluntary redundancy will be considered. The Council has a modestly enhanced redundancy payment scheme which is applicable to both voluntary and compulsory redundancies, and where an employee volunteers for redundancy to provide an employment opportunity for an employee otherwise at risk themselves (i.e., a 'bumped redundancy') or an efficiency saving.
84. Employees will also be encouraged to consider whether a reduction in hours might be appropriate for them, thereby enabling savings to be made from staffing budgets which are not dependent on redundancies.

85. Any voluntary redundancy application and applications for reduced hours will only be approved if they are in the best interests of the service, balanced against employees' preferences. Such applications will be considered constructively with a view to agreement if possible.
86. Where compulsory redundancies are implemented, all reasonable efforts will be made to secure alternative employment in accordance with the Council's Redeployment Policy.
87. A range of support measures are also in place to offer employees at risk, or on notice of redundancy, which are detailed in the Council's Redundancy Policy.

Prudential and Treasury Indicators

88. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under part 1 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services. The Prudential Framework for Local Authority Capital Investment was refreshed in 2021 and includes further guidance on the rules regarding non-treasury investments and commercial activities the Council may undertake.
89. The key objectives of the Codes are to ensure: -
 - Capital investment and investment plans are affordable and proportionate;
 - All borrowing/other long-term liabilities are within prudent and sustainable levels;
 - Risks associated with investment are proportionate to financial capacity;
 - And treasury management decisions are in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council;
 - Consistency with the organisational strategy and resources and ensure that decisions are being made with enough regard to the long-term financial implications and potential risks to the Council. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.
90. The Prudential Code and the Code of Practice for Treasury Management in the Public Services sets out a range of prudential and treasury indicators that need to be agreed by the Council. In setting and revising prudential and treasury indicators, the Council is required to take account of the following issues: -
 - affordability, including the impact on council tax;
 - prudence and sustainability;
 - value for money;
 - stewardship of assets and asset management planning;
 - service objectives;
 - practicality.

91. Appendix 7 to this report details the prudential indicators required under the Prudential Code and the Code of Practice for Treasury Management in the Public Services recommended for approval.

Minimum Revenue Provision (MRP)

92. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. It is proposed that the Council continues to use the annuity method for charging MRP in respect of PFI contracts and the asset life method on self-financed expenditure. The Council's annual MRP statement for 2022/23 is attached at Appendix 8.

Consultation

93. Section 65 of the 1992 Act requires the Council to consult with persons or bodies subject to non-domestic business rates in Gateshead about spending proposals.
94. The Council recognises consultation as a key part of policy formulation and makes considerable effort to ensure that the views of residents, businesses and other key stakeholders are considered.
95. There has been an online public consultation on the proposed Council Tax and Adult Social Care precept increases and responses are included at Appendix 4 of this report.
96. A meeting was held with the North-East Chamber of Commerce on 8 February 2022, and we have engaged both formally and informally with other stakeholders on the Council's new budget approach.
97. The Council will identify the areas of spending upon which it proposes to concentrate including the potential areas in which savings may be made. Cabinet retain discretion over the detail of how such savings are made (subject to the outcome of the consultations envisaged).
98. With a different approach being taken towards consultation in 2022/23, Cabinet is asked to note that in respect of statutory or common law duties to consult arising from a change in service delivery, including under the Public Sector Equality Duty and other service specific consultation obligations, that the duty to consult will arise when identifiable changes to services and spending on them are proposed.
99. As the longer-term budget approach is developed, the Council will ensure that there is appropriate engagement throughout the year, at the right time and in the right way, where proposals may have an impact on employees, residents, businesses, the voluntary and community sector, or other stakeholders. Engagement activities will vary and may be broad in their focus or primarily targeted at a specific group of service users.

100. The Council has undertaken different approaches to engagement on the budget in recent years. However, the most consistent approach taken combines:

- Population survey on budget themes and issues, including those signed up for consultation email alerts, together with online surveys to enable residents to give their views on key issues. These surveys are widely promoted across our key channels (website, social media, newsletter, partner networks).
- Complementary to this we have also engaged and consulted with service users on specific proposals – services and teams consult service users on specific proposals relating to a particular service.
- We also undertake wider engagement, including with voluntary and community sector organisations, businesses, and key strategic partners in the borough.

101. As part of our commitment to increase involvement and engagement in decision making, we will look at alternative approaches to increase engagement in our budget setting. This year, we are proposing to undertake two phases of activity to enable residents and partners to consider the council's medium term financial position. This approach is set out below:

Phase 1 – This will provide an opportunity to engage residents and partners in the strategic approach and public service challenges facing the borough over the coming years. This will include a focus on

- Sharing the strategic context and priorities of the Council
- An increasingly open and transparent communication of Gateshead Council's budget and challenges - using the Medium-Term Financial Strategy (MTFS) to frame a conversation about the borough's finances over the coming years and our budget strategy
- Build greater public awareness of the financial challenges and decisions faced by Gateshead Council
- Accompanying online and face to face consultation, seeking views on the broad budget strategy, as well as service specific engagement on individual proposals
- Strategic engagement on budget with key strategic partners
- Opportunity for some joint activity with local media (e.g., Q&A events)
- Increased opportunity for the Corporate Resources Overview and Scrutiny Committee in the budget setting process
- Partner 'deep-dive' sessions - events focusing on some key specific opportunities / issues / challenges each year, bringing together key partners
- Shared campaign for change - continue to make the case to Government for a fairer resource settlement for Gateshead
- Demonstrate our coherent approach to delivering solutions (i.e., public service reform/improved 'Gateshead offer' across all public sector bodies; supporting fairer economic growth; and climate change response)

Phase 2 – This will focus more heavily on specific proposals which emerge in support of the 2023/24 budget, and will include a focus on:

- The role of service-level consultation on specific budget proposals, which is a critical part of our budget setting approach. This approach includes pre-proposal dialogue with those likely to be affected by budget cuts if they can be specifically tied into a proposal, together with an Integrated Impact Assessment (IIA) of the full budget and specific IIAs of any proposals that either change service delivery or impact on service users.
 - An essential part of our engagement approach will include reaching out to the wider population in Gateshead. An option within this phase could include a Residents Survey, to better understand the perception and views of those living in Gateshead. This would feed in directly to the budget consultation exercise.
 - All activity would be supported by the Council's Communications and Engagement team.
102. The Council remains committed to continual constructive engagement with its recognised trade unions, whose contributions are welcomed and valued. Trade unions have been engaged in our new approach to the budget and have been thanked for their engagement to date and the representation they have made.
103. Councillors have been consulted on the new budget approach at Corporate Advisory Groups, portfolio meetings and briefing sessions.

Alternative Options

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

Implications of Recommended Option

1. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital confirms that these are set out in the report and appendices to reflect the position to achieve a legally balanced budget for the start of 2022/23. Due to the new long-term approach to budget further reports will be brought forward for consideration on an ongoing basis throughout the financial year as proposals are finalised and financial implications are clarified.
- b. **Human Resource Implications** – The Strategic Director, Corporate Services and Governance confirms that implications for the Council's workforce are considered within the report. Further reports will be brought forward for consideration on an ongoing basis throughout the financial year as proposals are finalised and human resource implications confirmed.
- c. **Property Implications** – The Strategic Director, Economy, Innovation and Growth confirms the implications for the Council's asset portfolio will be set out in detail in future separate reports. The Council will continue to implement its Asset Management Strategy and seek to reduce the costs associated with buildings and property through a corporate landlord model and seek to use the Council's assets to deliver the Thrive agenda and to help deliver the corporate priorities.

2. **Risk Management Implications** – Appendix 6 to this report is a financial risk assessment of the budget. This seeks to capture risks and identify mitigation where possible. Overall the financial context faced by the Council, as identified in the MTFS, poses significant risks to the Council's continued ability to provide essential services to the residents of Gateshead over the medium term. This risk is mitigated to an extent by effective financial management and planning that supports delivery of council priorities identified within the new strategic approach.
3. **Equality and Diversity Implications** – Appendix 4 provides an overview of the new approach to using Integrated Impact Assessments (IIA's) to consider how proposals that emerge as part of the Councils budget approach may impact on protected characteristics, health, environment or socioeconomic disadvantage or cumulatively. Any IIA will be developed as part of the decision- making process when proposals are taken for consideration.
4. **Crime and Disorder Implications** –The Council has a legal duty under Section 17 of the Crime and Disorder Act 1998 to carry out all its various functions with “due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area”. Individual proposals have been assessed as to their impact on crime and disorder and no direct impacts have been identified.
5. **Health Implications** – Appendix 4 highlights health and wellbeing impact.
6. **Climate Change and Sustainability Implications** –. Any future proposals put forward could impact on activities that support operational and financial sustainability. There is a need to balance short term budgetary requirements with the achievement of medium-term financial sustainability. Addressing Climate Change remains a priority of the Council and this is considered as part of the approach to budget setting.
7. **Human Rights Implications** – The implications of the Human Rights Act must be considered in any decision that involves a change of policy or function, or a Service change that arises from the choices. These will be identified, where necessary, in the IIA's which are available from the Council.
8. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

Background Information:

- Medium Term Financial Strategy 2022/23 to 2026/27 –19 October 2021
- Budget Approach 2022/23 to 2024/25– 14 December 2021
- Revenue Budget Third Quarter review 2021/22 – 25 January 2022

Group and Service (Net Budgets)	Base Budget and Contingency	Budgeted Reserves Use	Proposed Budget
	2022/23 £000	2022/23 £000	2022/23 £000
<u>Integrated Adults' and Social Care Services</u>			
Adult Social Care	72,917	0	72,917
Quality Assurance and Commissioning	6,930	0	6,930
<u>Children's Social Care and Lifelong Learning</u>			
Children's Social Care	39,802	0	39,802
Education, Schools and Inclusion	4,563	0	4,563
<u>Health and Wellbeing (including Public Health)</u>			
Health and Wellbeing (including Public Health)	19,861	0	19,861
<u>Office of the Chief Executive</u>			
Office of the Chief Executive	858	0	858
<u>Housing, Environment and Healthy Communities</u>			
Construction - Building Maintenance, Technical & Cyclical	320	0	320
Property & Assets	2,710	0	2,710
Strategic Services & Residential Growth	1,070	0	1,070
Locality Services & Housing	860	204	1,064
Highways and Waste	16,864	0	16,864
Environment and Fleet Management	2,252	250	2,502
<u>Economy, Innovation and Growth</u>			
Business, Employment and Skills	1,312	15	1,327
Planning, Policy, Climate Change and Strategic Transport	2,240	738	2,978
Major Projects	(617)	0	(617)
<u>Corporate Services and Governance</u>			
Legal and Democratic Services	3,907	0	3,907
Human Resources and Workforce Development	1,379	257	1,636
Corporate Commissioning and Procurement	478	0	478
Public Service Reform	391	0	391
<u>Resources and Digital</u>			
Financial Management	2,047	0	2,047
Customer Experience and Digital	3,047	271	3,318
Housing Benefits	200	0	200
IT	4,172	0	4,172
Commercialisation and Improvement	2,239	15	2,254
Other Services	1,807	0	1,807
General Contingency	10,574	0	10,574
Budget Contingency	1,388	0	1,388
COVID Funding	8,996	0	8,996
Capital Financing Costs	33,866	0	33,866
Investment & Trading Income	(3,710)	0	(3,710)
Expenditure Passed Outside General Fund	(1,855)	0	(1,855)
<u>Levies</u>			
Environment Agency Levy	175	0	175
North East Combined Authority	11,488	0	11,488
Port of Tyne Levy	23	0	23
Total Net Budget	252,554	1,750	254,304
<u>Financed By</u>			
Settlement Funding Assessment (SFA)			(56,907)
Other Grants			(47,235)
Public Health			(17,225)
Council Tax (Excluding Parish Precept)			(103,856)
Collection Fund			159
Reserves to Support Retained Rates			(12,675)
Earmarked Reserves			(16,565)
Total Funding	0	0	(254,304)

SCHOOLS - ESTIMATES 2022/23

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	168,449	(168,449)	0	174,479	(174,479)	0
Use of Schools Reserves	0	0	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(55,721)	55,721	0	(64,318)	64,318	0
Total Retained in Council	112,728	(112,728)	0	110,160	(110,160)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(32,346)	32,346	0	(35,454)	35,454	0
Schools Budget (Maintained)	80,382	(80,382)	0	74,707	(74,707)	0
Estimated Pupil Premium	9,696	(9,696)	0	8,900	(8,900)	0
Less: Academies Recoupment	(3,668)	3,668	0	(3,200)	3,200	0
Pupil Premium (Maintained)	6,028	(6,028)	0	5,700	(5,700)	0
TOTAL SCHOOLS BUDGET 2022/23						0

The Council will receive an indicative £174.479m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £64.318m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2-year olds is estimated at £1.943m, funding for 3 & 4 year old's is estimated at £10.787m in 2022/23 and will be confirmed in June 2022 based on actual take up.

For 2022/23, High Needs Block funding increased by £2.604m. The Pupil Premium for 2022/23 will be £1,385 for primary school children and £985 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,410 per eligible child. Service Children Pupil Premium is £320 per eligible pupil. The estimated entitlement for schools in Gateshead is £8.9m, of which an estimated £3.2m will be recouped for academies.

Early Years Pupil Premium for eligible 3 & 4 year olds has been confirmed at £342 per pupil for a full financial year. This will be paid on a participation basis of £0.60 per hour and the DfE have provided an estimated allocation within the DSG of £0.178m.

INTEGRATED ADULTS' AND SOCIAL CARE SERVICES - ESTIMATES 2022/23

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	102,726	(35,272)	67,454	108,240	(35,323)	72,917
Total Adult Social Care 2022/23				108,240	(35,323)	72,917

INTEGRATED ADULTS' AND SOCIAL CARE SERVICES - ESTIMATES 2022/23

QUALITY ASSURANCE AND COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Quality Assurance and Commissioning	7,105	(360)	6,745	7,292	(362)	6,930
Total Quality Assurance and Commissioning 2022/23						
				7,292	(362)	6,930

CHILDREN'S SOCIAL CARE AND LIFELONG LEARNING - ESTIMATES 2022/23

CHILDREN'S SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Social Care	38,049	(1,906)	36,143	41,622	(1,820)	39,802
Total Children's Social Care 2022/23						
				41,622	(1,820)	39,802

CHILDREN'S SOCIAL CARE AND LIFELONG LEARNING - ESTIMATES 2022/23

EDUCATION, SCHOOLS AND INCLUSION

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Education, Schools and Inclusion	52,953	(48,465)	4,488	53,151	(48,588)	4,563
Total Education, Schools and Inclusion 2022/23						
				53,151	(48,588)	4,563

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2022/23

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	16,541		16,541	17,225	0	17,225
Total Public Health 2022/23						
				17,225	0	17,225

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2022/23

Health and Wellbeing

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Health and Wellbeing	8,962	(6,649)	2,313	9,285	(6,649)	2,636
Total Health and Wellbeing 2022/23						
				9,285	(6,649)	2,636

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2022/23

OFFICE OF THE CHIEF EXECUTIVE

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Office of the Chief Executive	900	(92)	808	1,071	(213)	858
Total Office of the Chief Executive 2022/23						
				1,071	(213)	858

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2022/23

CONSTRUCTION - BUILDING MAINTENANCE, TECHNICAL & CYCLICAL

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Construction - Building Maintenance, Technical & Cyclical	308	0	308	622	(302)	320
Total Construction - Building Maintenance, Technical & Cyclical 2022/23						
				622	(302)	320

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2022/23

PROPERTY & ASSETS

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Property & Assets	16,350	(15,092)	1,258	18,222	(15,512)	2,710
				18,222	(15,512)	2,710
Total Property & Assets 2022/23						

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2022/23

STRATEGIC SERVICES & RESIDENTIAL GROWTH

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Strategic Services & Residential Growth	1,846	(738)	1,108	1,871	(801)	1,070
Total Strategic Services & Residential Growth 2022/23						
				1,871	(801)	1,070

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2022/23

LOCALITY SERVICES & HOUSING

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Locality Services & Housing	3,399	(1,987)	1,412	2,910	(2,050)	860
Budgeted Use of Reserves						
Community Led Local Development (CLLD) Extension Programme Manager				29	0	29
Community Advice at Citizens Advice Gateshead				135	0	135
Locality Working in Gateshead				40	0	40
				204	0	204
Total Locality Services & Housing 2022/23				3,114	(2,050)	1,064

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2022/23

HIGHWAYS AND WASTE

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Highways and Waste	26,416	(10,567)	15,849	27,509	(10,645)	16,864
Total Highways and Waste 2022/23						
				27,509	(10,645)	16,864

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2022/23

ENVIRONMENT AND FLEET MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment and Fleet Management	5,893	(2,681)	3,212	4,933	(2,681)	2,252
<u>Budgeted Use of Reserves</u>						
Environment Investment Plan				250	0	250
				250	0	250
Total Environment and Fleet Management 2022/23				5,183	(2,681)	2,502

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2022/23

BUSINESS, EMPLOYMENT AND SKILLS

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business, Employment and Skills	3,624	(2,276)	1,348	3,378	(2,066)	1,312
<u>Budgeted Use of Reserves</u>						
Working Gateshead				15	0	15
				15	0	15
Total Business, Employment and Skills 2022/23				3,393	(2,066)	1,327

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2022/23

PLANNING, POLICY, CLIMATE CHANGE AND STRATEGIC TRANSPORT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Planning, Policy, Climate Change and Strategic Transport	4,832	(2,557)	2,275	4,955	(2,715)	2,240
<u>Budgeted Use of Reserves</u>						
Climate Change				351	0	351
Local Plan				387	0	387
				738	0	738
Total Planning, Policy, Climate Change and Strategic Transport 2022/23				5,693	(2,715)	2,978

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2022/23

MAJOR PROJECTS

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Major Projects	290	(1,563)	(1,273)	1,290	(1,907)	(617)
				1,290	(1,907)	(617)
Total Major Projects 2022/23						

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2022/23

LEGAL AND DEMOCRATIC SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal and Democratic Services	4,776	(1,115)	3,661	4,873	(966)	3,907
Total Legal and Democratic Services 2022/23						
				4,873	(966)	3,907

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2022/23

HUMAN RESOURCES AND WORKFORCE DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources and Workforce Development	1,961	(527)	1,434	1,925	(546)	1,379
<u>Budgeted Use of Reserves</u>						
Leadership Development Programme				10	0	10
Apprenticeship Coordinator				47	0	47
Corporate Pay and Grading Review				50	0	50
Employee Health and Wellbeing Budget				150	0	150
				257	0	257
Total Human Resources and Workforce Development 2022/23				2,182	(546)	1,636

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2022/23

CORPORATE COMMISSIONING AND PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning and Procurement	1,070	(609)	461	1,087	(609)	478
Total Corporate Commissioning and Procurement 2022/23						
				1,087	(609)	478

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2022/23

PUBLIC SERVICE REFORM

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Service Reform	528	0	528	391	0	391
Total Public Service Reform 2022/23						
				391	0	391

RESOURCES AND DIGITAL - ESTIMATES 2022/23

FINANCIAL MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Financial Management	3,929	(1,947)	1,982	3,981	(1,934)	2,047
Total Financial Management 2022/23						
				3,981	(1,934)	2,047

RESOURCES AND DIGITAL - ESTIMATES 2022/23

CUSTOMER EXPERIENCE AND DIGITAL

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer Experience and Digital	5,541	(2,398)	3,143	5,245	(2,198)	3,047
<u>Budgeted Use of Reserves</u>						
Discretionary Payments				50	0	50
Local Discretionary Payments Advisor at Citizens Advice Gateshead				30	0	30
Benefits Posts				31	0	31
Welfare Benefits Posts at Citizens Advice Gateshead				120	0	120
Specialist Welfare Benefits Advisor at Citizens Advice Gateshead				40	0	40
				271	0	271
Total Customer Experience and Digital 2022/23				5,516	(2,198)	3,318

RESOURCES AND DIGITAL - ESTIMATES 2022/23

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	51,851	(51,651)	200	51,851	(51,651)	200
				51,851	(51,651)	200
Total Housing Benefits 2022/23						

RESOURCES AND DIGITAL - ESTIMATES 2022/23

IT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT	6,034	(2,253)	3,781	6,414	(2,242)	4,172
Total IT 2022/23						
				6,414	(2,242)	4,172

RESOURCES AND DIGITAL - ESTIMATES 2022/23

COMMERCIALISATION AND IMPROVEMENT

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commercialisation and Improvement	3,144	(342)	2,802	2,531	(292)	2,239
<u>Budgeted Use of Reserves</u>						
Go Gateshead Sport & Leisure (Try on the Tyne)				15	0	15
				15	0	15
Total Commercialisation and Improvement 2022/23				2,546	(292)	2,254

RESOURCES AND DIGITAL - ESTIMATES 2022/23

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2021/22			2022/23		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Other Services	1,427	(48)	1,379	1,855	(48)	1,807
Contingencies	8,752	0	8,752	11,962	0	11,962
COVID Funding	6,130	0	6,130	8,996	0	8,996
Capital Financing Costs	33,427	0	33,427	33,866	0	33,866
Investment & Trading Income	0	(3,566)	(3,566)	0	(3,710)	(3,710)
Expenditure passed outside general fund	0	(1,855)	(1,855)	0	(1,855)	(1,855)
Levies	11,013	0	11,013	11,686	0	11,686
Savings Mitigation	2,718	0	2,718	0	0	0
Hardship Funding	2,779	0	2,779	0	0	0
Total	66,246	(5,469)	60,777	68,365	(5,613)	62,752
Total Other Services 2022/23						
				68,365	(5,613)	62,752

SUMMARY OF BUDGETED USE OF RESERVES		AMOUNT £000S
Financial Risk and Resilience Reserve		257
Leadership Development Programme		10
Apprenticeship Coordinator		47
Corporate Pay and Grading Review		50
Employee Health and Wellbeing Budget		150
Thrive Reserve		1,493
Community Led Local Development (CLLD) Extension Programme Manager		29
Go Gateshead Sport & Leisure (Try on the Tyne)		15
Climate Change		351
Environment Investment Plan		250
Discretionary Payments		50
Local Discretionary Payments Advisor at Citizens Advice Gateshead		30
Benefits Posts		31
Welfare Benefits Posts at Citizens Advice Gateshead		120
Specialist Welfare Benefits Advisor at Citizens Advice Gateshead		40
Working Gateshead		15
Community Advice at Citizens Advice Gateshead		135
Locality Working in Gateshead		40
Local Plan		387
BUDGETED USE OF RESERVES TOTAL		1,750

Statutory Requirements: Calculation of Council Tax Requirement

1. Section 30 of the Local Government Finance Act 1992 requires the Council to set an amount of Council Tax for each financial year for each category of dwellings in its area. The council tax must be set before the 11 March in the preceding financial year. For a category of dwellings, the amount of Council Tax is the aggregate of: -
 - (i) the amount of tax in relation to the year that the Authority itself has calculated, and
 - (ii) the sum of the amounts of tax in relation to the year that major precepting authorities have calculated in precepts issued to the authority by major precepting authorities.
2. Sections 31A, 31B and 34 to 36 of the 1992 Act (the 1992 Act) require the Authority to calculate its own amount of tax for each category of dwellings in its area, reflecting its council tax requirement. In calculating its council tax requirement, the Authority must make the following calculations: -
 - (1) In relation to each financial year a billing authority in England must make the calculations required by the section 31A of the 1992 Act.
 - (2) The Authority must calculate the aggregate of: -
 - (a) the expenditure which the Authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a Business Improvement District (BID) Revenue Account, for the year in accordance with proper practices;
 - (b) such allowance as the Authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices;
 - (c) the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;
 - (d) such financial reserves as are sufficient to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not already been provided for;
 - (da) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with regulations under section 97(2B) of the Local Government Finance Act 1988 Act (the 1988 Act);
 - (e) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97 (4) of the 1988 Act;
 - (f) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

- (3) The aggregate of: -
- (a) the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices;
 - (aa) any amounts which it estimates will be transferred in the year from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act;
 - (b) any amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97 (3) of the 1988 Act;
 - (c) any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
 - (d) the amount of the financial reserves which the authority estimates it will use to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.
- (4) If the aggregate calculated under (2) above exceeds that calculated under (3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year.
- (5) In making the calculation under subsection (2) above the authority must ignore payments which must be met from its collection fund under section 90(2) of the 1988 Act or from a trust fund and, subject to paragraphs (da), (e) and (f) of subsection (2) above, sums which have been or are to be transferred from its general fund to its collection fund.
- (6) In estimating under subsection (2)(a) above the authority must consider: -
- (a) the amount of any expenditure which it estimates it will incur in the year in making any repayments of grants or other sums paid to it by the Secretary of State, and
 - (b) the amount of any precept issued to it for the year by a local precepting authority and the amount of any levy or special levy issued to it for the year.
- (7) But (except as provided by regulations under section 41 of the 1992 Act or regulations under section 74 or 75 of the 1988 Act) the authority must not anticipate a precept, levy or special levy not issued.
- (8) For the purposes of subsection (2)(c) above an authority's estimated future expenditure is: -
- (a) that which the authority estimates it will incur in the financial year following the year in question, will charge to a revenue account for the year in accordance with proper practices and will have to defray in the year before the following sums are

sufficiently available: -

- i. sums which will be payable for the year into its general fund and in respect of which amounts will be credited to a revenue account for the year in accordance with proper practices, and
 - ii. sums which will be transferred as regards the year from its collection fund to its general fund, and
 - (b) that which the authority estimates it will incur in the financial year referred to in paragraph (a) above or any subsequent financial year in performing its functions and which will be charged to a revenue account for that or any other year in accordance with proper practices.
- (9) In making the calculation under subsection (3) above the authority must ignore: -
- (a) payments which must be made into its collection fund under section 90(1) of the 1988 Act or to a trust fund, and
 - (b) subject to paragraphs (aa), (b) and (c) of subsection (3) above, sums which have been or are to be transferred from its collection fund to its general fund.
- (10) The Secretary of State may by regulations do either or both of the following: -
- (a) alter the constituents of any calculation to be made under subsection (2) or (3) above (whether by adding, deleting or amending items);
 - (b) alter the rules governing the making of any calculation under subsection (2) or (3) above (whether by deleting or amending subsections (5) to (9) above, or any of them, or by adding other provisions, or by a combination of those methods).
- (11) Calculations to be made in relation to a particular financial year under this section must be made before 11 March in the preceding financial year, but they are not invalid merely because they are made on or after that date.
- (12) This section is subject to section 52ZS of the 1992 Act (which requires a direction to a billing authority that the referendum provisions in chapter 4ZA of the 1992 Act are not to apply to the authority for a financial year to state the amount of the authority's council tax requirement for the year)

Calculation of Basic Amount of Tax

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

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

where: -

- R is the amount calculated (or last calculated) by the authority under section 31A (4) of the 1992 Act as its council tax requirement for the year;
- T is the amount which is calculated by the authority as its council tax base for the year and, where one or more major precepting authorities have power to issue precepts to it, is notified by it to those authorities ("the major precepting authorities concerned") within the prescribed period.

- (14) Where the aggregate calculated (or last calculated) by the authority for the year under subsection (2) of section 31A does not exceed that so calculated under subsection (3) of that section, the amount for item R above is to be nil.
- (15) The Secretary of State must make regulations containing rules for making for any year the calculation required by item T above; and a billing authority must make the calculation for any year in accordance with the rules for the time being effective (as regards the year) under the regulations.
- (16) Regulations prescribing a period for the purposes of item T above may provide that, in any case where a billing authority fails to notify its calculation to the major precepting authorities concerned within that period, that item must be determined in the prescribed manner by such authority or authorities as may be prescribed.
- (17) The Secretary of State may by regulations do either or both of the following:
- (a) alter the constituents of any calculation to be made under subsection (13) (whether by adding, deleting or amending items);
 - (b) provide for rules governing the making of any calculation under that subsection (whether by adding provisions to, or deleting or amending provisions of, this section, or by a combination of those methods).

Introduction

1. The Council has consulted and sought views on a proposed Council Tax increase (1.99%) and Adult Social Care precept increase (1%) as part of its budget setting process for 2022/23.
2. There is an estimated funding gap of £45m anticipated over the next five years. If the proposed uplifts did not go ahead the impacts would be £15m additional loss over the period. This approach is consistent and supports the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium-Term Financial Strategy.
3. From 26 January 2022 a consultation on the proposed increases went live to the public and stakeholders.

Method

4. The Budget consultation 2022/23 ran from 26 January to 13 February 2022. The consultation was made available on the Council's consultation portal. Comments on the proposals were also received by email through a Budget Consultation inbox.
5. Promotion of the consultation was carried out using social media, Gateshead Now and was also publicised on the Council's website and through internal communications channels.
6. A series of Corporate Advisory Groups have been held for councillors to consider and comment on the context and budget approach.
7. A news article, explaining the Council's budget in greater detail and providing more information on Council Tax was featured within the Winter edition of Council News, which can be found here: - www.gateshead.gov.uk/councilnews
8. Discussions have been held with key stakeholders including trade unions, as well as the North-East England Chamber of Commerce.

Public Consultation

9. Overall, there has been a good response in the number of people who have engaged with the Council on its budget consultation. There were 2,012 responses via the consultation portal.
10. The following data has been gathered from the council website, social media, and emails:
 - Budget consultation webpage views totalled 1,822
 - Gateshead Now email featured the budget consultation on two occasions, with a total of 1,463 clicks
 - Four Twitter posts received 3,655 impressions and 261 engagements
 - Four Facebook posts achieved a reach of 64,500 people, with 16,412 engagements and 688 comments
 - 13 emails received into budgetconsultation@gateshead.gov.uk

11. The direct consultation feedback on the two specific questions posed is as follows: -

Council Tax increase for the Adult Social Care Precept

- 38% of respondents agree that the Council should apply a 1% increase to Council Tax for the adult social care precept, which will contribute towards the cost of services for older and vulnerable residents
 - 61% disagree
 - 2% don't know
- (Figures do not sum due to rounding)

Council Tax increase for the Essential Local Services

- 24% of respondents agree that the Council should apply a 1.99% increase to Council Tax to fund essential local services.
- 75% disagree
- 1% don't know

12. Further detailed breakdown and demographics from the consultation can be found at appendix 4i.

13. In addition, there were a significant number of general comments made by respondents to the budget consultation. Initial analysis of these shows the greatest numbers of comments were made in relation to the financial burden any increase places upon residents, alongside the current costs of living. Most comments made expressed the view of not increasing the current Council Tax level.

Trade Unions

14. The Council remains committed to continual constructive engagement with its recognised trade unions, whose contributions are welcomed and valued. While consultation differs to previous years, we will continue to engage with trade unions on our budget approach. Further consultation will take place, as necessary, when proposals for service changes relating to budget reductions are developed at appropriate times throughout the year.

15. Trade unions have been thanked for their engagement to date and the representation they have made.

Other public consultation

16. Over the past twelve months the Council has undertaken 49 consultations using its online consultation portal. Many of these help to inform Council policy, including:

- School Admission Arrangements for September 2023
- Climate Strategy Gateshead 2021
- Gateshead Library Service Consultation 2021
- GO Gateshead Sport and Leisure Survey 2022
- Economic Development Strategy Survey
- How Do You Use Your Local Pharmacy? (PNA 2021)
- Transforming Cities Funding - Quays Sustainable Access Proposals
- What Next? - Year 11 Leavers Survey 2021
- Placemaking Supplementary Planning Document – First Review
- Specialist and Supported Housing Supplementary Planning Document

Integrated Impact Assessment

17. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives identifies a commitment to reduce the levels of inequality that are apparent within the borough.
18. Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Nearly 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 62,555 (31%) live in the 20% most deprived areas.
19. The population of Gateshead is ageing it is projected that by 2041 there will be an additional 7,545 people aged 65 or older, an increase of 18%. There will also be a slight decrease in the number of children and young people aged 0-15 of around 2,793 or 8%.
20. To achieve a balanced budget in 2022/23, the Council has reviewed its base budget. This has resulted in a 3-year budget approach being agreed to help deliver against Council priorities.
21. An integrated impact assessment (IIA) will be developed for any budget proposal brought forward for decision throughout the year. This IIA approach considers any impact, whether negative or positive, on people with protected characteristics alongside health, environment, socio-economic disadvantage and considers cumulative impact. The Council's role will be to consider any disproportionate impact identified in the integrated impact assessments as part of the decision-making process and wherever possible, mitigate this impact, following implementation of proposals.
22. At this point it is not possible to identify the likely impact on employees or service users. Impact assessments will be reviewed throughout the development of budget options during 2022/23 and updated as knowledge of any likely impact is understood following consultation and engagement activity.

Voluntary and Community Sector

23. The Council continues to value the contribution of the community and voluntary sector in Gateshead and the significant impact that is made in supporting residents across the borough. The Council will continue to engage, support, and collaborate with the voluntary sector leaders' groups on the development of in-year budget proposals.
24. The Service Director – Voluntary and Community Sector Development has and will also continue to forge relationships to ensure ongoing support to residents who are vulnerable and continue to require help and support with the assistance.
25. The Council's relationship with Connected Voice remains strong and the collective capacity building that results from this will ensure the VCSE continues to receive help and support from the Council and this key partner.

Alice Wiseman, Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Consultation (2022/23)

Purpose of the Health Impact Statement

This statement:

- provides a brief overview of current health and wellbeing challenges in Gateshead in the context of austerity and welfare reform and COVID-19

- highlights the potential health impact of the Council's budget proposals on the delivery of the Thrive agenda and sets out key areas relevant for mitigation.

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

In the context of a prolonged period of austerity, which has been amplified by the impact of the COVID-19 pandemic, this health impact approach aims to:

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

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

Principles of a health impact assessment

This health impact assessment statement has been completed to help the Council to consider the impact of the budget proposals (both positive and negative) on health and wellbeing, consistent with its Thrive agenda but recognising the complexity brought about by the COVID-19 pandemic. This includes:

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

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

Budget Approach

The Council is required to close a gap of £45 million over the next 5 years and a new budget approach, which seeks to reduce the gap over this period, has been agreed. Consultation this year has centred on a Council Tax and Adult Social Care precept increase totalling 2.99%, which would raise £3m in support of the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium-Term Financial Strategy.

For 2022/23 budget pressures have been mitigated using one off reserves. However, this position is not sustainable in the medium term and the decisions that need to be made over the next three years will need to balance the needs of the local population, with statutory requirements for local government, the budget available from central government, and the opportunity to increase revenue locally.

Overview

COVID-19 has been with us now for around two years. The pandemic has exposed, exacerbated and created new challenges for many across our community. Inequalities in the social determinants of health has worked to make people from our deprived communities more vulnerable to infection from COVID-19 even when they have no underlying health conditions. This means that those living in poorer areas were more likely to die from COVID-19 and suffer financial hardship due measures taken to control the spread of the virus. Financial struggles make it harder to buy healthier food, to pay for good quality accommodation, and they increase stress when worrying about making ends meet. This can negatively impact both physical and mental health.

While the pandemic is not over by any means we are now able to see the impact it has had on many people across our community.

Direct risk of the virus – Published data suggests that the most deprived areas of England have twice

the rate of deaths involving COVID-19 than the most affluent. COVID-19 is not unique in this respect: inequalities in mortality have long been evident. Indeed, deaths from suicide, conditions such as liver disease and cancer as well as overall mortality rates, all show that death rates for people living in the most deprived areas of the country are higher than those in the least deprived. Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Around 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 62,555 (31%) live in the 20% most deprived areas.

Government funding – As Director of Public Health for Gateshead I am concerned that the Government funding for local authorities is under enormous pressure. Even prior to the pandemic funding had been constrained and in response to this the Council, like many others, has been forced into decisions to make savings in the short-term which are likely to have a detrimental impact on future sustainability. Whilst the Council will fulfil its responsibilities regarding duties set out in the Equality Act, I am concerned that the UK Equality Duty doesn't include a requirement to consider social disadvantaged. As such, some groups may not be sufficiently protected due to the disproportionate cuts imposed on areas with high levels of deprivation.

Inequality and covid – Evidence suggests that COVID-19 may have a disproportionate impact on people from Black, Asian and minority ethnic (BAME) groups. The relationship between ethnicity and health is complex and likely to be the result of a combination of factors. People of BAME communities are likely to be at increased risk of acquiring the infection. BAME communities are also likely to be at increased risk of poorer outcomes if they acquire COVID-19. For example, people of Bangladeshi and Pakistani background have higher rates of cardiovascular disease than people from White British ethnicity, and people of Black Caribbean and Black African ethnicity have higher rates of hypertension compared with other ethnic groups.

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

Domestic Abuse – We also know that during the COVID-19 lockdown that social stress coupled with restricted movement and social isolation measures, has resulted in increased levels of gender-based violence. Many have been forced to 'lockdown' at home with an abusive partner while services to support survivors are being disrupted or made inaccessible.

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

The economic pain inflicted by COVID-19 will be felt unequally across the UK. Compared to the UK as a whole, the Northeast and the North West of England both had a higher proportion of employment in ‘shutdown sectors’ such as retail and manufacturing. Those on already on low incomes were more likely to be working in ‘shut down’ sectors and furloughed, increasing the financial burden and stress felt.

The cost of living has now increased for three out of four adults in the UK (ONS, 2022), with increases reported for the cost of food, energy, and fuel. Financial hardship can have a long-term impact on health through chronic stress, reduced opportunities and resources, access to healthy food and secure, stable, and good quality homes.

Children and Young People – Thankfully the virus has been shown to have the lowest risk with our children and young people. However, they have now suffered two years of disruption as one of the most significant points of life for development. The babies born during covid will have had less opportunity for normal social development, there has been a marked difference in learning hours and digital access to resources for children with the reduction of time in school and some children will have been exposed to stressful and damaging situations at home as families struggled with wider pressures. Inequalities have widened as children and young people who were vulnerable or disadvantaged before the pandemic may have been more affected by disruption to education, loss of family income, their living conditions, and exposure to domestic abuse.

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

Research has shown that the pandemic, and subsequent measures, have had significant impacts on the mental health of some children and young people. Some children have experienced increased anxiety and stress about the virus, and school closures and social distancing measures have led to a loss of structure and social contact. Such circumstances, coupled with reductions in support services, are likely to lead to a range of poor mental health outcomes.

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

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

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

Mitigation

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

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

In addition, the impact of covid, has strengthened the need for us to focus on implementation of the policy objectives set out in the Health and Wellbeing Strategy for Gateshead 'Good Jobs, Homes, Health and Friends' which include:

- Give every child the best start in life (with a focus on the first 3 years of a child's life)
- Enable all children, young people and adults to maximise their capabilities and have control over their lives
- Create the conditions for fair employment and good work for all
- Ensure a healthy standard of living for all, in accordance with international law on economic and social rights
- Create and develop sustainable places and communities
- Strengthen the role and impact of ill health prevention

While the Council has no choice but to make savings to meet budget cuts from central Government, the identification of priority areas is positive and as they are set out above these are congruent with improved public health and wellbeing as part of the Thrive agenda.

However, they should be closely monitored during their implementation to ensure that the desired positive outcomes are being realised. If this is not the case, then there needs to be flexibility built in to enable timely changes to prevent any detrimental impact.

The five strategic mitigations identified in 2019/20 and 21 remain pertinent and I believe there is an opportunity to refresh our approach to them as we set out the implementation plan for the Health and Wellbeing Strategy. The five mitigations are:

1. **Embed Health in all policies** – I consider that the Thrive pledges provide a strategic framework for the Council, and its partners, to prioritise the health and wellbeing of our community in all our decision-making processes. Implementation of a health in all policies approach will ensure that negative impacts are understood so mitigation can be implemented where possible.
2. **Proportionate resourcing based on need** – The pledge to put people and families at the heart of everything we do and tackle inequality, so people have a fair chance underpins everything we do and should remain central to the budget decisions. In this context it is vital that the Council considers those proposals, however unpalatable, that will have the 'least

worst' impact on the communities, families, and individuals most in need. This means that difficult decisions will have to be made so that resources are proportionately used based on need (e.g., those who are most in need will receive the greatest level of support). This does not mean that those who are already thriving get none but instead suggests a gradient of resource which is based on need. The Health and Wellbeing Strategy is based on a place-based approach to help improve health and reduce inequalities. When different proposals are considered, it is important the cumulative impact that decisions across differing service areas may have on place and communities is considered, to prevent widening inequalities.

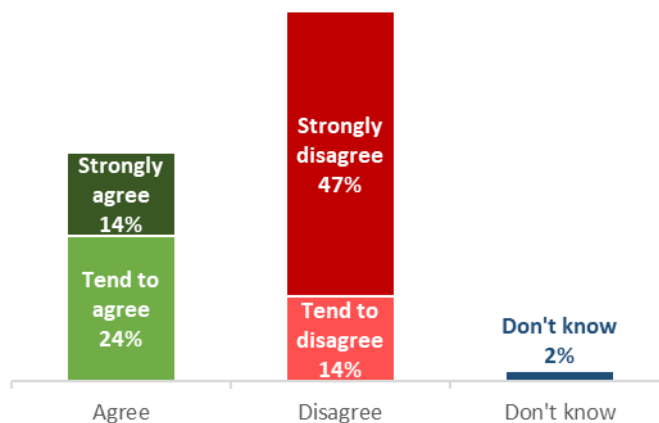
3. **Working with and for communities** – With regard to mitigating the potential negative impact, I consider that our partners and our communities will be able to design and/or offer some solutions to the challenges faced by our communities. We have observed some amazing community action during the pandemic and there are also examples where the community and VCS organisations have been able to effectively take on some of the work that was previously done by the council (e.g., asset transfers for Community Centres and responsibility for maintenance of parks and leisure spaces). A focus should be on enabling those communities that are able to do more for themselves to have greater freedom to lead work in their local community. At the same time, we must ensure support is proportionately targeted to communities which require more assistance in gaining the confidence to lead work in their community.
4. **Strengthen our partnerships** – It is vital that our focus remains on nurturing and strengthening the partnerships and relationships that we have. In view of the pledge to work together and to fight for a better future for Gateshead, we need to work together as a whole system including with local partners and communities. This will go some way to minimise the impacts of the proposed budget reductions and help to protect the people of Gateshead.
5. **Focus on the whole budget** – This proposed mitigation has been strengthened this year with the introduction of the 'zero based budgeting approach. I firmly believe this approach will allow the council to maximise the use of the remaining budget, for the benefit of the health and wellbeing of people living in Gateshead, rather than focusing specifically on cuts.

The Budget 2022-23 consultation ran from 26 January to 13 February 2022. The consultation was made available on the Council's consultation portal. Comments on the proposals were also received by email through a Budget Consultation inbox. The consultation was advertised via Facebook. In total there were 2,012 respondents to the online consultation portal survey.

Council Tax increase for the Adult Social Care Precept

38% of respondents agree that the Council should apply a 1% increase to Council Tax for the adult social care precept which will contribute towards the cost of services for older and vulnerable residents. 61% disagree and 2% don't know.

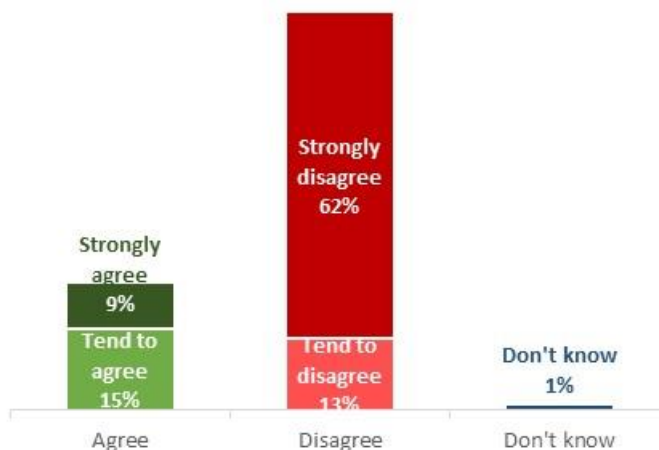
1% increase for the adult social care precept Base = 1,952



Council Tax increase for the Essential Local Services

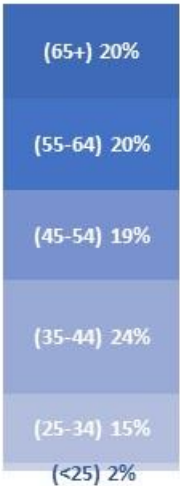
24% of respondents agree that the Council should apply a 1.99% increase to Council Tax to fund essential local services. 75% disagree and 1% don't know.

1.99% increase for essential local services Base = 1,958



Demographics of respondents

Age of respondents *Base = 1,813*



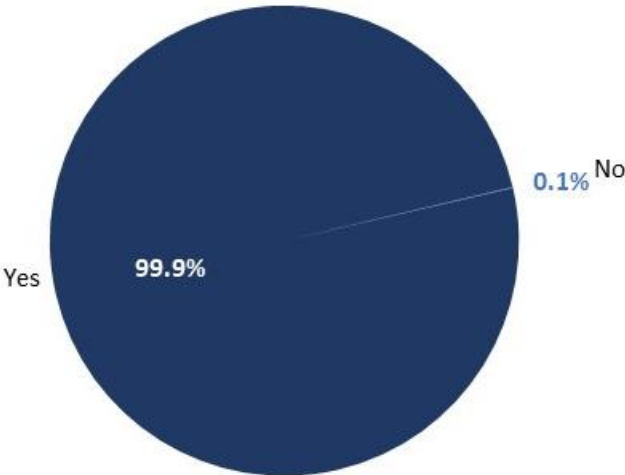
Respondents limited because of a physical or mental health condition *Base = 1,747*



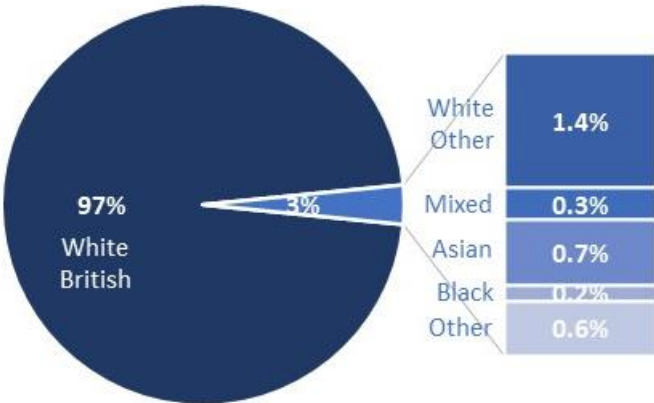
Sex of respondents *Base = 1,772*



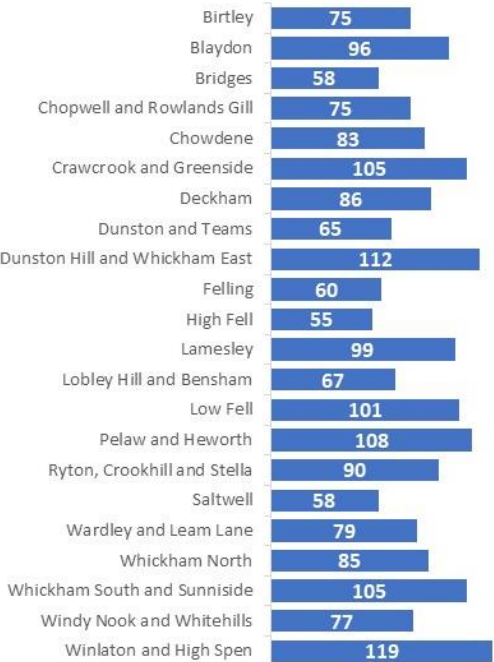
Gender identity is the same as sex *Base = 1,793*



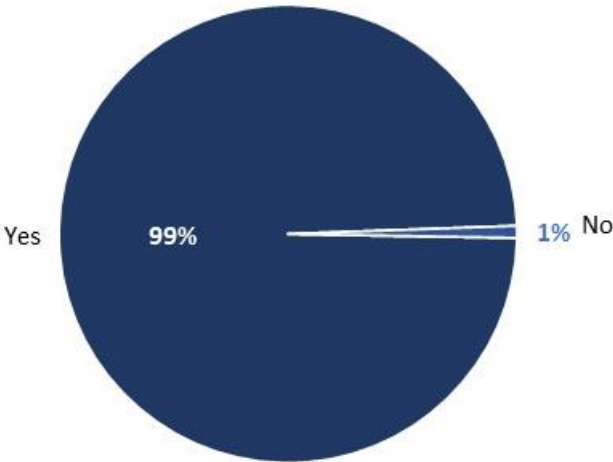
Ethnic group of respondents *Base = 1,781*



Number of responses by ward *Base = 1,858*



Respondents are Gateshead residents *Base = 2,012*



ESTIMATED COMMITMENT OF RESERVES

	ACTUAL		ESTIMATED COMMITMENTS							
	Balance Oct-21 £000s	Movement 2021-22 £000s	Balance Mar-22 £000s	Movement 2022-23 £000s	Balance Mar-23 £000s	Movement 2023-24 £000s	Balance Mar-24 £000s	Movement 2024-25 £000s	Balance Mar-25 £000s	
General Fund										
General Reserve	(8,067)	0	(8,067)	0	(8,067)	0	(8,067)	0	(8,067)	
LMS Budget Share Reserve*	(8,912)	2,610	(6,302)	1,000	(5,302)	1,000	(4,302)	1,000	(3,302)	
Total General Fund Reserve	(16,980)	2,610	(14,370)	1,000	(13,370)	1,000	(12,370)	1,000	(11,370)	
Earmarked Reserves										
Strategic Reserves										
Financial Risk and Resilience	(9,929)	860	(9,069)	257	(8,812)	247	(8,565)	0	(8,565)	
Insurance Reserve	(2,000)	0	(2,000)	0	(2,000)	0	(2,000)	0	(2,000)	
Commercial Risk Reserve	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	
Grant Clawback Reserve	(3,000)	0	(3,000)	0	(3,000)	0	(3,000)	0	(3,000)	
Budget Flexibility Reserve	(400)	473	73	0	73	0	73	0	73	
Workforce Development Reserve	(3,029)	388	(2,641)	257	(2,384)	247	(2,137)	0	(2,137)	
Budget Sustainability	(20,015)	0	(20,015)	5,818	(14,197)	10,000	(4,197)	4,000	(197)	
Thrive	(10,000)	1,981	(8,019)	1,493	(6,526)	1,449	(5,077)	0	(5,077)	
Unearmarked Reserves	(4,169)	191	(3,978)	591	(3,387)	255	(3,132)	0	(3,132)	
Economic Growth, Culture and Place Shaping Reserve	(5,000)	1,509	(3,491)	616	(2,875)	893	(1,982)	0	(1,982)	
Voluntary Sector Reserve	(337)	0	(337)	0	(337)	0	(337)	0	(337)	
Anti Poverty Reserve	(58)	191	133	135	268	150	418	0	418	
Discretionary Social Fund Reserve	(436)	90	(346)	151	(195)	151	(44)	0	(44)	
Pandemic Services Impact Reserve	(17,991)	0	(17,991)	8,996	(8,995)	8,995	0	0	0	
Pandemic Impact Collection Fund Reserve	(28,239)	15,564	(12,675)	12,675	0	0	0	0	0	
Ring Fenced Reserves										
Developers' Contributions*	(2,131)	134	(1,997)	75	(1,922)	266	(1,656)	266	(1,389)	
DSG Reserve*	(2,240)	(174)	(2,414)	500	(1,914)	500	(1,414)	500	(914)	
Unapplied revenue grants*	(1,311)	552	(759)	422	(338)	252	(86)	45	(41)	
Public Health Reserve*	(1,872)	(1,244)	(3,116)	321	(2,795)	321	(2,474)	2,474	0	
Total Earmarked Reserves	(93,729)	17,673	(76,055)	30,556	(45,499)	22,030	(23,469)	7,286	(16,183)	
Total Reserves	(110,708)	20,283	(90,425)	31,556	(58,868)	23,030	(35,838)	8,286	(27,553)	
Total Ring fenced*	(16,467)	1,878	(14,589)	2,317	(12,271)	2,339	(9,932)	4,286	(5,647)	
Non Ring-fenced	(94,241)	18,405	(75,836)	29,239	(46,597)	20,691	(25,906)	4,000	(21,906)	
	(110,708)	20,283	(90,425)	31,556	(58,868)	23,030	(35,838)	8,286	(27,553)	

* Ring fenced – not available to support the revenue budget and council tax requirement

Review of Reserves

1. A review of reserves is undertaken twice a year and covers:

- The purpose for which the reserve is held,
- An assessment of the appropriate level of the reserve to meet potential future liabilities, in line with the Council's reserves policy and aligned to the risk management framework,
- Procedures for the reserve's management and control,
- A process and timescale for future reviews to ensure continuing relevance and adequacy.

The balances as at 31 March 2022 remain subject to external audit. As part of the MTFS refresh, a review of reserves was undertaken, and reserves were realigned to supplement the Budget Sustainability Reserve creating £20m in funds to support a planned approach to achieve a balanced financial position over the next three years.

2. A breakdown of each useable reserve following review and the reason it is needed is outlined below;

Reserve	Why is the reserve required?	Available to support council budget	Estimated Balance as at 31 March 2022
Council General Reserve	This is a statutory fund that acts as a contingency and allows the Council to meet any unforeseen costs. If the council overspends in a year this fund will meet that liability. The minimum balance on the reserve is 3% of the net revenue budget.	Yes <i>(subject to minimum levels being maintained)</i>	£8.067m
General Fund Schools Balances	Use of this reserve is ring-fenced to schools and there is a duty to report planned use to Schools Forum. The balance is for schools collectively, but this includes both surplus and deficit balances of individual schools.	No <i>(ringfenced to schools)</i>	£6.302m

The Strategic Director, Resources and Digital has reviewed the level of the general reserve and it is considered that a 3% minimum level should be retained given the current level of risk and uncertainty.

Reserve	Why is the reserve required?	Available to support council budget	Estimated Balance as at 31 March 2022
Financial Risk and Resilience	This reserve was created to set aside funds in respect of key financial risks identified through the risk management process and the savings required as part of the Council MTFS. Risks have been assessed and realigned as part of the review and now include insurance, grant clawback, workforce development costs, commercial risk and budget flexibility.	Yes	£9.069m
Thrive	This reserve was created in 2021 and replaced the two reserves to continue support to council thrive priorities of Economic, Housing and Environmental Investment and Poverty, Health and Equality Investment	Yes	£8.019m
Budget Sustainability	This reserve was created in 2021 to help support the timings of achieving significant budget savings and Thrive outcomes whilst still dealing with pandemic impacts	Yes	£20.015m
COVID			
Pandemic Services Impact	This reserve is held to mitigate the budget impacts of the pandemic across all council services for the next two years	Yes	£17.991m
Pandemic Collection Fund Impact	Specific grants provided by government to replace lost funding to council tax and business rates	Specific support only	£12.675m

It is important to note that the position above includes significant temporary funding held to mitigate pandemic impacts. The impacts are expected to continue into this year and beyond, so the Council set aside £17.991m covid grant funding within reserves to cover cost pressures and lost income over the next two years. In addition, grant funding was provided by government to specifically replace lost funding to council tax and business rates. This funding was included in financing of the 2022/23 budget to help achieve a balanced budget.

Ringfenced Reserves

Ringfenced reserves balances are shown in the table below for information.

Reserve	Why is the reserve required?	Available to support council budget	Estimated Balance as at 31 March 2022
Developer Contributions	This reserve consists of developer contributions in respect of agreed regeneration schemes following Section 38 and 106 agreements. The movement on the reserve will fluctuate depending on the use of the contributions to support regeneration schemes such as play areas in new housing developments.	No	£1.997m
Unapplied Revenue Grants	This reserve is to hold unspent grants and contributions, without grant conditions that are to be used in the following years (Accounting Practice)	No	£0.759m
Public Health Reserve	The responsibility for Public Health transferred to local authorities on the 1 April 2013. The funding is for future Public Health use.	No	£3.116m
Dedicated Schools Grant Reserve	This is for schools use and cannot be used for other priorities within the Council. Use of this reserve will be agreed by Schools Forum.	No	£2.414m

Financial Risk Assessment

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

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

Significant financial impacts of UK's exit from the European Union on 31 January 2020 leading to less income or increased costs	Possible	Medium/High	<ul style="list-style-type: none"> • Collaborative working with treasury advisors and financial networks to assess potential budget impacts whilst the Government attempts to ensure an effective transition to a new economic relationship between the UK and the EU. New burden costs will be logged and raised with Government. Any known potential implications will be considered annually as part of the council's MTFS review.
Significant financial impacts arising from COVID-19	Likely	High	<ul style="list-style-type: none"> • Regular financial monitoring of impact on revenue and capital. • Maximising the government support and grants available to claim • Regular impact returns submitted to Government. • Lobbying through network groups such as LGA, SIGOMA etc • Specific reserve funding set aside to manage impacts over next two years.

Conclusion;

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

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2020/21 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2020/21 £000 Actual	2021/22 £000 Estimate	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate	2026/27 £000 Estimate
Non-HRA	50,055	82,046	124,432	96,262	62,837	22,262	32,975
HRA	20,763	25,218	22,281	37,828	30,626	28,613	33,228
Total	70,818	107,264	146,713	134,090	93,463	50,875	66,203

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2020/21 are: -

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Non-HRA	14.69%	18.59%	17.37%	19.06%	20.27%	21.61%	22.42%
HRA	39.92%	42.39%	34.24%	49.90%	38.89%	36.38%	40.40%

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

3. The actual Capital Financing Requirement at 31 March 2021 and estimates of the end of year Capital Financing Requirement (excluding PFI and finance leases) for the Council for the current and future years are: -

	31/03/21 £000 Actual	31/03/22 £000 Estimate	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate	31/03/26 £000 Estimate	31/03/27 £000 Estimate
Non-HRA	361,898	402,258	481,100	547,021	589,181	593,951	597,658
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
Total	707,403	747,763	826,605	892,526	934,686	939,456	943,163

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

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

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

The Strategic Director, Corporate Resources reports that the Council had no difficulty meeting this requirement in 2020/21, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The following table shows the actual external debt against the underlying capital borrowing need (the Capital Financing Requirement), highlighting any over or under borrowing.

	31/03/21 £000 Actual	31/03/22 £000 Estimate	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate	31/03/26 £000 Estimate	31/03/27 £000 Estimate
Actual gross debt at 31 March	658,684	696,515	780,358	853,278	895,439	905,068	908,775
Capital Financing Requirement	707,403	747,763	826,605	892,526	934,686	939,456	943,163
Under / (over) borrowing	48,719	51,248	46,247	39,248	39,247	34,388	34,388

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

Authorised Limit for External Debt					
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Borrowing	895,000	965,000	1,004,000	1,010,000	1,011,000

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

<i>Operational Boundary for External Debt</i>					
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Borrowing	880,000	950,000	989,000	995,000	996,000

9. The Council's actual external debt at 31 March 2021 was £658.684m comprising £658.684m borrowing and no other long-term liabilities. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.
10. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2022/23 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
11. The Council shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium-term forecast. In assessing affordability the Council will consider the council tax implications of its capital programme, borrowing and investment decisions.
12. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2017), which requires key Treasury Management indicators.

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

Upper and Lower Limits for the Maturity Structure of Fixed Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	21%	0%
24 months and within 5 years	26%	0%
5 years and within 10 years	26%	0%
10 years and within 20 years	22%	0%
20 years and within 30 years	43%	0%
30 years and within 40 years	46%	0%
40 years and within 50 years	48%	0%
50 years and above	17%	0%

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

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

<i>Upper Limit on amounts invested beyond 365 days</i>					
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Investments	15,000	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2022/23

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

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

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

Supported Borrowing MRP

From 2017/18 MRP relating to capital expenditure financed from borrowing taken before 1 April 2008 is calculated at a fixed 4% of the opening CFR relating to capital expenditure incurred prior to 1 April 2008. This will make provision to fully repay the borrowing over a 50 year term.

Unsupported or Prudential Borrowing MRP

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

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

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

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

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

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

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

Housing Revenue Account MRP

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

PFI Assets and Right of use Assets

For assets accounted for as on-balance sheet relating to PFI contracts and leases, where a right-of-use asset is identified, the MRP charge is based upon the annual principal payment which will be subject to reassessment if there are any changes in length of contract or change in payment resulting from the application of an indexation. No additional charges are included above those within the contract. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge for the year in which the restatement occurs, of an amount equal to the write-down for that year.

Long-Term Capital Loans

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

Voluntary Provision

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

Projected MRP Charge

An analysis of the projected MRP Charge for 2022/23 over the different calculation methodologies and components is set out in the table below:

Projected MRP Charge 2022/23		£m
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.547
	Asset Life Method – Equal Instalment	3.869
	Asset Life Method – Annuity Method	8.167
PFI	Annuity Method	2.939
Leases	Annuity Method	0.151
Voluntary Provision	General Fund	0
	Housing Revenue Account	0
Total Projected MRP Charge		17.673

