

# Public Document Pack



All Members of the  
Council

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Contact Democratic Services,  
Email: [democraticservicesteam@gateshead.gov.uk](mailto:democraticservicesteam@gateshead.gov.uk)

Date: Wednesday, 15 November 2023

## NOTICE OF COUNCIL MEETING

You are summoned to attend a meeting of Gateshead Metropolitan Borough Council to be held in the Council Chamber, Gateshead Civic Centre, at **2.30 pm** on **Thursday, 23 November 2023** to transact the following business:-

- 1 To confirm the Minutes of the meeting held 21st September 2023 and 26th October 2023** (Pages 3 - 10)
- 2 Official Announcements**  
*(announcements may be made by the Mayor, Leader of the Council or the Chief Executive)*
- 3 Petitions**  
*(to receive petitions submitted under Council Procedure Rule 10)*
- 4 Questions from Members of the Public**  
*(to consider any questions submitted under Council Procedure Rule 7)*
- 5 The Glasshouse Presentation**

## RECOMMENDATIONS FROM CABINET

- 6 Corporate Plan 2023-2028 - The strength of Gateshead is the people of Gateshead (Pages 11 - 32)**
- 7 Medium Term Financial Strategy 2024/25 – 2028/29 (Pages 33 - 72)**
- 8 Treasury Management - Performance to 30 September 2023 (Pages 73 - 84)**
- 9 Capital Strategy 2024/25 to 2028/29 (Pages 85 - 102)**
- 10 Capital Programme and Prudential Indicators 2023/24 - Second Quarter Review (Pages 103 - 116)**
- 11 Local Council Tax Support Scheme for 2023/24 (Pages 117 - 126)**

## **MOTIONS AND QUESTIONS**

### **12 Notice of Motion**

*(to consider any notices of motion submitted in accordance with Council Procedure Rule 9.1)*

#### **12a Notice of Motion - Go North East and Unite Industrial strike (Pages 127 - 128)**

#### **12b Amendment to Motion (Pages 129 - 130)**

### **13 Questions**

*(to deal with any questions submitted in accordance with Council Procedure Rule 8.1)*



**Sheena Ramsey**  
Chief Executive

## GATESHEAD METROPOLITAN BOROUGH COUNCIL

### COUNCIL MEETING

Thursday, 21 September 2023

**PRESENT:** THE MAYOR COUNCILLOR E MCMASTER (CHAIR)

Councillors: K McCartney, J Adams, V Anderson, R Beadle, D Bradford, M Brain, L Brand, C Buckley, P Burns, B Clelland, P Craig, W Dick, S Dickie, C Donovan, A Douglas, P Elliott, S Gallagher, M Gannon, A Geddes, F Geddes, J Gibson, B Goldsworthy, M Goldsworthy, T Graham, J Green, L Green, S Green, M Hall, K Henderson, G Kasfikis, H Kelly, L Kirton, P Maughan, J McCoid, J McElroy, M McNestry, J Mohammed, L Moir, A Ord, C Ord, M Ord, I Patterson, S Potts, D Robson, S Ronchetti, J Simpson, J Turnbull, J Turner, K Walker, J Wallace, D Weatherley, H Weatherley, A Wintcher and K Wood

**APOLOGIES:** Councillors: D Burnett, L Caffrey, P Diston, K Dodds, D Duggan, J Eagle, G Haley, S Hawkins, R Mullen, B Oliphant and D Welsh

#### **CL33 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 20 JULY 2023**

COUNCIL RESOLVED:

- (i) That the minutes of the meeting held on 20 July 2023 be approved as a correct record.

#### **CL34 OFFICIAL ANNOUNCEMENTS**

The Mayor announced with great sadness that Mr Bahal Singh Dhindsa MBE, one of the founding trustees of the Gateshead Visible Ethnic Minorities Support Group had passed away.

The Mayor announced with great sadness that Mr Andy Waters, Parking and Streetworks Manager at Gateshead Council had passed away.

Council held one minute of silence to remember Mr Dhindsa and Mr Waters.

The Mayor announced that Lisa Stones, Senior Land Charges Officer at Gateshead Council had won the Customer Satisfaction Award – Best in Metropolitan Districts at the 2023 Land Data Local Land Charges Awards for Excellence.

#### **CL35 PETITIONS**

There were no petitions submitted.

**CL36 QUESTIONS FROM MEMBERS OF THE PUBLIC**

Mr Hyden submitted the following question:

*“The Government has been undertaking a consultation on supply of accessible housing (housing that allows wheelchair users and those with other mobility issues to enjoy their home) at the time of writing in September 2023.*

*I made a Freedom of Information request to Gateshead Council asking for average waiting times on the housing register for homeless applicants for those with and without disabilities, to ascertain whether there was any significant discrepancy between the two averages. The response was that Gateshead Council does not record this information, whereas most councils do record these figures.*

*Does the Council think there would be benefits in starting to gather these statistics from its own systems as part of its equality monitoring going forward to understand whether sufficient accessible housing is made available for those with mobility issues to ensure they do not suffer significant disadvantage in accessing suitable housing?”*

Councillor John Adams responded to the question.

**CL37 ANNUAL REPORT OF THE AUDIT AND STANDARDS COMMITTEE 2022/23**

Consideration was given to a report seeking approval of the Annual Report of the Audit and Standards Committee for 2022/23.

COUNCIL RESOLVED:

- (i) That the Annual Report of the Audit and Standards Committee 2022/23 be approved.

**CL38 NOTICE OF MOTION**

**CL39 NOTICE OF MOTION - DURHAM COUNTY COUNCIL SUCCESS RE FLY TIPPING FINES**

Councillor Ron Beadle moved the following motion:

Gateshead Council congratulates Durham County Council on their tough stance on fly tipping by issuing nearly one thousand fines in 2021/22.

Council notes that in the same period Gateshead Council issued one fine.

Council calls on the Chief Executive to write to the Chief Executive of Durham County Council to invite him to send an appropriate officer to conduct a Gateshead members' seminar to explain to members and officers how their success was achieved.

**CL40 AMENDMENT TO NOTICE OF MOTION - RE FLY TIPPING**

Councillor John McElroy moved the following amendment:

*Delete all after 'Gateshead Council' and replace with:*

notes that:

According to figures provided by the Department for the Environment, Food and Rural Affairs, the number of fly-tipping incidents in Gateshead roughly halved between 2016/17 and 2021/22 and wishes to express its gratitude to the hard-working staff who help tackle the blight of fly-tipping.

In the last two years the Council have undertaken a review of waste related anti-social behaviour to try and understand the root cause of the behaviour of those who aren't looking after their environment. We have used those findings to come up with a new approach to tackle fly tipping.

In recent years, officers have focused enforcement action on larger fly-tipping offenders, people who persistently target Gateshead and who make a living from doing so. The penalties that may be charged under Fixed Penalty Notices are too small to deter such behaviour, and it is preferable to take legal action where more substantial penalties may be levied. To only look at the number of Fixed Penalty Notices does not present a true picture of action taken by Council officers.

Experience and Council research has shown that the people who would have got Fixed Penalty Notices for small fly tips were often vulnerable people, who needed help and support to permanently change their behaviour. Fining these people was proving ineffective in behaviour change, and we found alternative mechanisms for ensuring our streets remained as clean and tidy as possible.

Gateshead Council takes this issue very seriously and as part of the £2 million investment in the local environment are in the process of setting up a new anti-social behaviour team, that will work with people to educate and change behaviours where appropriate and prosecute and fine those who persistently fail to do the right thing. Gateshead Council resolves to ignore representations on this matter from Lib Dem Councillors who failed to support a £2 million investment in the local environment when presented with the option in the Budget decisions.

The substantive motion was defeated.

On the amendment being put it was duly carried.

COUNCIL RESOLVED:

*Delete all after 'Gateshead Council' and replace with:*

notes that:

According to figures provided by the Department for the Environment, Food and Rural Affairs, the number of fly-tipping incidents in Gateshead roughly halved

between 2016/17 and 2021/22 and wishes to express its gratitude to the hard-working staff who help tackle the blight of fly-tipping.

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Experience and Council research has shown that the people who would have got Fixed Penalty Notices for small fly tips were often vulnerable people, who needed help and support to permanently change their behaviour. Fining these people was proving ineffective in behaviour change, and we found alternative mechanisms for ensuring our streets remained as clean and tidy as possible.

Gateshead Council takes this issue very seriously and as part of the £2 million investment in the local environment are in the process of setting up a new anti-social behaviour team, that will work with people to educate and change behaviours where appropriate and prosecute and fine those who persistently fail to do the right thing. Gateshead Council resolves to ignore representations on this matter from Lib Dem Councillors who failed to support a £2 million investment in the local environment when presented with the option in the Budget decisions.

#### **CL41 NOTICE OF MOTION - AMENDMENT TO CONSTITUTION**

Councillor Jonathan Wallace moved the following motion:

This Council calls on the Chief Executive to draw up a proposed amendment to the Council constitution that would allow the submission of amendments and motions to full Council by email. This change should be ready to be incorporated into the next review of the Constitution.

#### **CL42 AMENDMENT TO NOTICE OF MOTION - CONSTITUTION (MOTIONS)**

Councillor John Adams moved the following amendment:

*Add before first paragraph:*

Gateshead Council confirm that a notice of a motion must still be required to be supported by the councillor giving the notice and three other councillors, as outlined in Council Procedure Rule 9.1; and that an amendment to a motion on the Council agenda may be moved if it is supported by two councillors, as outlined in Council Procedure 17.6.

Gateshead Council confirm that a notice of motion must still be communicated to the office of the Chief Executive at least six clear days before the Council meeting at which it is to be considered, as outlined in Council Procedure Rule 9.1; and that an amendment may be moved if it is submitted to the Chief Executive no later than 10am on the day before the Council meeting, as outlined in Council Procedure 17.6. However, the Council recognises the benefits in terms of speed and efficiency of being able to submit motions and amendments to the office of the Chief Executive in a digital format, rather than hard copy.

*Delete all after 'to full Council' and replace with:*

by digital means, and without the need for a handwritten signature. Any proposed amendment must provide mechanisms to guarantee that any submission is genuinely from an elected member of this council, as proof of identity is an important consideration in this matter.

The substantive motion was defeated.

On the amendment being put it was duly carried.

COUNCIL RESOLVED:

*Add before first paragraph:*

Gateshead Council confirm that a notice of a motion must still be required to be supported by the councillor giving the notice and three other councillors, as outlined in Council Procedure Rule 9.1; and that an amendment to a motion on the Council agenda may be moved if it is supported by two councillors, as outlined in Council Procedure 17.6.

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*Delete all after 'to full Council' and replace with:*

by digital means, and without the need for a handwritten signature. Any proposed amendment must provide mechanisms to guarantee that any submission is genuinely from an elected member of this council, as proof of identity is an important consideration in this matter.

#### **CL43 QUESTIONS**

There were no questions received.

#### **CL44 EXCLUSION OF THE PRESS AND PUBLIC**

COUNCIL RESOLVED:

- (i) That the press and public be excluded from the meeting during consideration of the following items in accordance with Paragraphs 3 and 4 of Schedule 12A to the Local Government Act 1972.

**CL45 SPECIALIST AND SUPPORTED HOUSING NEEDS ASSESSMENT AND STRATEGY**

Consideration was given to a report seeking approval of a new Specialist and Supported Housing Needs Assessment and Strategy.

COUNCIL RESOLVED:

- (i) That the new Specialist and Supported Housing Needs Assessment and Strategy be approved.

**Mayor.....**



**GATESHEAD METROPOLITAN BOROUGH COUNCIL**

**COUNCIL MEETING**

**Thursday, 26 October 2023**

**PRESENT:** THE MAYOR COUNCILLOR E MCMASTER (CHAIR)

Councillors: K McCartney, J Adams, R Beadle, L Brand, D Burnett, P Burns, L Caffrey, W Dick, S Dickie, P Diston, K Dodds, C Donovan, A Douglas, P Elliott, S Gallagher, M Gannon, J Gibson, B Goldsworthy, M Goldsworthy, T Graham, L Green, S Green, G Haley, M Hall, K Henderson, G Kasfikis, H Kelly, J McCoid, J McElroy, J Mohammed, L Moir, R Mullen, A Ord, C Ord, M Ord, I Patterson, S Potts, D Robson, S Ronchetti, J Turner, K Walker, J Wallace, D Weatherley, H Weatherley, D Welsh and K Wood

**APOLOGIES:** Councillors: V Anderson, D Bradford, M Brain, C Buckley, B Clelland, P Craig, J Eagle, A Geddes, F Geddes, J Green, S Hawkins, M McNestry, B Oliphant, J Simpson, J Turnbull and A Wintcher

**CL46 LOCAL GOVERNMENT BOUNDARY COMMISSION FOR ENGLAND - ELECTORAL REVIEW OF GATESHEAD COUNCIL, PART TWO (WARDING ARRANGEMENTS)**

Consideration was given to the Council's draft submission to the Local Government Boundary Commission for England on Part Two of its review of Gateshead Council (Warding Pattern).

Councillor R Beadle moved the following amendment to the recommendations in the report:

In recommendation ii, add "and Leader of the Opposition" after "Leader of the Council".

Add new recommendation iii:  
with the following changes and resultant changes to estimates:

- a) Removing transfer of Saltwell Road, Ventnor Gardens and Ventnor Crescent from Saltwell to Low Fell ward (pp17-18);
- b) Removing transfer of Northside from Lamesley to Birtley South ward, and Maple Avenue from Birtley to Lamesley (pp24-25);
- c) Transferring the Central Nursery site from Dunston Hill and Whickham East ward to Lobley Hill and Bensham (pp24-25);
- d) Renaming Lamesley Ward to Birtley North and Lamesley Ward (p2 and 24);
- e) Renaming Lobley Hill and Bensham ward to Lobley Hill and Team Valley (pp14-

15);

- f) Renaming Pelaw and Heworth ward to Pelaw, Heworth and Bill Quay (p22).

On the amendment being put it was defeated.

The original recommendations were put as the substantive motion.

The original recommendations were duly carried.

- COUNCIL RESOLVED -
- (i) That the recommendation of the draft submission in terms of the Council size remaining the same at 66 Councillors, across 22 wards, based on the new warding pattern, with three new ward names being proposed as set out in the report be approved.
  - (ii) That the Chief Executive, following consultation with the Leader of the Council, may make any amendments to the draft Submission she deems appropriate prior to it being filed with the Commission on 30 October 2023.

**Mayor.....**



## COUNCIL MEETING

23 November 2023

### Corporate Plan 2023-2028 - *The strength of Gateshead is the people of Gateshead*

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Sheena Ramsey, Chief Executive

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#### EXECUTIVE SUMMARY

1. The purpose of this report is to recommend to Council '*The strength of Gateshead is the people of Gateshead*' as its Corporate Plan 2023-2028.
2. The Cabinet has considered the facts and issues arising from the report, including alternative options and took all relevant advice before formulating their recommendations.

#### RECOMMENDATION

3. It is recommended that Council:
  - (i) To agree '*The strength of Gateshead is the people of Gateshead*' as its Corporate Plan 2023-2028.
  - (ii) Agrees to commence engagement on the corporate plan priorities for 2023-2028 as set out at paragraph 9; and
  - (iii) Agrees to receive an annual report which reviews performance against the agreed priorities within the plan.

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**TITLE OF REPORT:** **Corporate Plan 2023-2028 - *The strength of Gateshead is the people of Gateshead***

**REPORT OF:** **Sheena Ramsey, Chief Executive**

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### **Purpose of the Report**

1. Cabinet is asked to recommend to Council '*The strength of Gateshead is the people of Gateshead*' as its Corporate Plan 2023-2028.

### **Background**

2. A corporate plan is a key document for any organisation and sets out priorities, objectives and how its success will be measured. A corporate plan allows the council to set resources against agreed priorities and provides the framework to help prioritise future opportunities.
3. A corporate plan translates policy commitments into deliverable organisational objectives and in effect, it outlines the practical steps that will be taken to turn ambitions into reality. With resources being fully aligned to the organisation's financial strategy.

### **Proposal**

4. Cabinet is asked to recommend to Council '*The strength of Gateshead is the people of Gateshead*' as its Corporate Plan 2023-2028 (Appendix 2).
5. The plan sets out the steps we will take to deliver our agenda for the borough, respond to emerging challenges and ensure the ongoing delivery of good-quality public services.
6. At a high-level, the plan sets out what the council will be doing over the next five years to make Gateshead a stronger place for our communities. It details what we want to achieve and our direction of travel for the next five years, which is both ambitious and reflective of the needs of our great borough.
7. While the plan identifies several priorities it does not aim to capture the enormous range of work going on across the council every day, which impacts and benefits the people, communities, partners, and businesses of Gateshead.
8. Underneath the plan, each area of the council will have an annual group plan that details work in that specific area, with these priorities ultimately feeding through to the workforce's annual appraisal and development process, in recognition that everyone working for the council has a role to play in delivering the corporate plan.

9. We intend to engage with our residents, partners, stakeholders, employees, and trade union colleagues to drive forward the priorities identified within the plan.
10. We will develop an annual action plan to monitor and track our performance in response to the priority areas. This will be aligned to the performance management and improvement framework. There will also be an annual highlight report produced outlining how we have performed each year.

## Recommendations

11. Cabinet is asked to recommend that Council:

- i. Agrees '*The strength of Gateshead is the people of Gateshead*' as its corporate plan for 2023-2028.
- ii. Agrees to commence engagement on the corporate plan priorities for 2023-2028 as set out at paragraph 9; and
- iii. Agrees to receive an annual report which reviews performance against the agreed priorities within the plan.

For the following reason:

To prioritise and guide the council's activity in response to borough-wide need. If agreed, the corporate plan will provide an agreed set of priorities which the council will respond to, and which resource can be aligned.

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**CONTACT: Iain Burns**

extension: 2184

### Policy Context

1. It is expected that the new corporate plan will have a positive economic, community, social and environmental impact across Gateshead and thereby promote the council's policy framework as set out in '*Making Gateshead a Place Where Everyone Thrives*', and Gateshead's Health & Wellbeing Strategy '*Good Jobs, Homes, Health and Friends*'.
2. Our Medium-Term Financial Strategy (MTFS) will translate the direction set out in the corporate plan into a sustainable financial strategy.
3. The plan will also facilitate closer working across the wider public sector, stakeholders, voluntary and community sector and local enterprise, on integrating functions and services and providing innovative solutions to the challenges faced by the borough and that of reducing financial resources.

### Background

4. The corporate plan builds upon our strategic approach '*Making Gateshead a Place Where Everyone Thrives*' and represents the overall strategic and policy direction for the Council.
5. The corporate plan communicates our priorities over the next 5 years. It seeks to achieve this through simplicity, making sense of the complexity of all the connected issues and breadth of the council's strategic role and service delivery, while ensuring sufficient flexibility in approach to respond to rapidly changing external conditions.
6. Our MTFS will translate the direction set out in the corporate plan into a sustainable financial strategy. A separate paper on today's Cabinet agenda provides an update on the MTFS refresh.

### Consultation

7. Consultation has been undertaken with all councillors on the approach towards the development of our corporate plan. Following full Council, a communication and engagement plan will support the launch of the plan with residents, partners, stakeholders, employees and trade union colleagues. Collective ownership is needed to deliver the priorities within corporate plan, and we want everyone to play a role in its delivery, embracing that the strength of Gateshead is the people of Gateshead.

### Alternative Options

8. The alternative, which has been discounted, is to not have a corporate plan for the council. In the absence of a corporate plan there would be limited scope to guide the work and priorities of the council, and this would mean activity was not prioritised or coordinated in response to the needs of the borough.

## Implications of Recommended Option

### 9. Resources:

- a) **Financial Implications** – The financial implications of the corporate plan will be addressed by the MTFS, emphasising the importance of an integrated approach. Our ongoing work to support the preparation of the MTFS refresh will continue to emphasise the link between available resources, priorities and pressures on both supply and demand.
- b) **Human Resources Implications** – There are no human resource implications arising directly from the recommendations in this report.
- c) **Property Implications** – There are no property implications arising directly from the recommendations in this report.

**10. Risk Management Implications** – There are no risks arising from the report itself, but an effective corporate plan helps reduce the overall risk of failing to apply council resources in a way that optimises achievement of agreed council outcomes, and key risks around non delivery of the outcomes set out in the corporate plan will be incorporated into the council's Strategic Risk Register.

**11. Equality and Diversity Implications** – There are no specific equality and diversity implications arising directly from the recommendations in this report. Priorities within the plan should reinforce the council's commitment to embracing equality, diversity, and support inclusion.

**12. Crime and Disorder Implications** – There are no crime and disorder implications arising directly from the recommendations in this report.

**13. Health Implications** – There are no health implications arising directly from this report.

**14. Climate Emergency and Sustainability Implications** - There are no climate emergency and sustainability implications arising directly from this report; however, the green agenda is a critical element of the corporate plan.

**15. Human Rights Implications** - There are no human rights implications arising from this report.

**16. Ward Implications** – There are no specific ward implications arising from this report. The plan will have a borough-wide impact.

### Background Information

None.



# The strength of Gateshead is the people of Gateshead

Corporate Plan 2023 - 2028

# Foreword by the Leader of the Council

Welcome to our Corporate Plan for 2023-28. This plan sets out the priorities the Council will focus on over the next five years. The identified priority areas will guide the work of the council and sets out our response to what we believe will deliver good outcomes for the people of Gateshead.

At this stage the plan sets out the council's view of the world and we anticipate that the plan will evolve and be shaped through consultation and engagement with a range of stakeholders.

We believe *'The strength of Gateshead is the people of Gateshead'* because, when faced with adversity - we come together and deliver for one another, working tirelessly for the benefit of the communities of Gateshead, just as we saw throughout the pandemic. We are stronger together and will continue to place people at the heart of everything we do.

Gateshead is unique and different to many other places in the United Kingdom. We are a borough of contrasts, we're two thirds rural and have large expanses of green space. We then have densely populated urban areas and towns. Home to globally recognised icons, such as the Angel of the North, and proud birthplace to the first domestic property in the world to be illuminated by electric light bulb.

We also have different levels of health inequality with life expectancy varying depending upon where you live in the borough. Lives in Gateshead are being cut short. In our poorest areas people's lives are up to 10 years shorter than in our better-off areas. This can be as much as 15 years shorter than the wealthiest parts of England. People in poorer areas also live more of their lives in bad health. This is not right nor should it be acceptable.

Wherever you live or chose to be in Gateshead, we want you to know that the council is relevant to you, it has a role in the life you lead, and that it delivers a good level of service for you.

We provide hundreds of services each day, some of which you'll see and have a direct impact on your life such as bins and local roads, some of

which you'll only need when you request it, such as social care. Some people need the council more, others less so. Whenever you do interact with us though, we want it to be a positive interaction or experience. This isn't saying we'll always say yes or respond in the way you want each time. However, when we do reply, there'll be a clear rationale or reason sat behind the decision.

We're a big, complex organisation and recognise that won't always get things right first time. What we can promise to do though, as a learning organisation, is to listen and take on board your feedback and apply improvements along the way.

As a council we continue to work towards a sustainable budget position. In working towards this, it does mean we have a reduced level of budget available to spend on the services deliver, which means that we cannot deliver everything that we used to, or that you might want us to. We are having to make extremely challenging decisions, but ones that are necessary to ensure we can continue to deliver statutory and essential services for residents.

We launched Thrive in 2018. This was our approach to ensuring we put people at the heart of everything that we do. Thrive is as relevant today as it was then, whilst recognising that the world in which we operate has changed significantly. Our Corporate Plan is the immediate response to prioritising our offer, and ultimately our available budget, to local people. This plan will evolve, and we will look to engage residents and our partners further in the refinement of this. In doing so, reaffirming our commitment to Gateshead and you.



**The Strength  
of Gateshead  
is the people of  
Gateshead**

A handwritten signature in black ink, appearing to read 'Martin Gannon'.

Councillor Martin Gannon, Leader of Gateshead Council

# Purpose of this plan

This plan sets Gateshead Council's strategic approach and priorities for 2023-2028 so that employees, councillors, delivery partners and other stakeholders understand:

- The strategic priorities of the council - so that resources, delivery plans, strategies and operational activity can be aligned to them; and
- How the council will continue to transform and drive improvement in services to deliver our priorities and operate as an organisation and partner in the most effective, productive, and impactful way.

## Supporting Strategies and Plans

This plan and the priorities in it are supported by a range of strategies and policies (both current and new) which set out how and what the Council will deliver, including:

- **Delivery strategies and policies** – strategies (some of which are statutory plans) that set out detailed actions and outputs which will help deliver priorities e.g. Health and Wellbeing Strategy and many more.
- **Place-based strategies** – for priority areas such as the Local Plan and River Tyne Renaissance

There are also plans and programmes which support and enable the council to deliver priorities in an effective, efficient, and productive way - including:

- The **Budget and Medium-Term Financial Strategy** sets out how the council's financial resources will be deployed. The Budget outlines the council's financial income and expenditure, and the Medium-Term Financial Strategy sets out how the council intends to deploy its financial resources
- Plans to improve the council's effectiveness and modernise its ways of working, for example through its **Workforce Development Strategy**

We will be developing a **Delivery and Performance Plan** which will outline the key actions, activity and metrics that support the delivery of the Corporate Plan priorities.



# Gateshead in numbers

## Gateshead

has a population of **196,200**



It is projected to increase to around **204,200** in **2043**

## Life expectancy

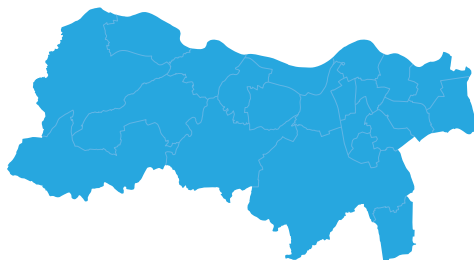
**81.5**  
women



**77.4**  
men



## POPULATION



## Residents over the age of 65

is projected to grow in future, which means we have an ageing population (**48,733 by 2040**)



## Gateshead is ranked 47th most deprived

out of 317 local authorities in England.



## Number of jobs

**89,000** in jobs



**5,610**  
businesses

trading in Gateshead



## 55% of residents

are qualified to at least NVQ Level 3 equivalent



## ECONOMY

The **Sage** is anticipated to support more than **1,140 jobs** and attract an extra **296,000 visitors** to the region.



Estimated to boost the regional economy by over **£29.5 million annually**.

Average household income is just over

**£37,600**  
per year



Around **95,500** or **71.7% of working age (16-64)**

Gateshead residents are in employment



## HOUSEHOLDS



**58% of housing** is owner occupied, and **19%** is managed by Gateshead Council.



**16% of housing** is rented

from a private landlord or letting agency and **6%** from a registered social landlord



**68 new** affordable homes built in 2021/22



Average house prices in Gateshead approx. **£154,000** (Feb 2023)

**61% of people** are active per week



**1501** average weekday cycle trips made



## HEALTH



**25% of adults** obese

**22% of people** are limited in day-to-day activities by health



**27% of year 6 children** classified as obese



**8%** are in bad health



Gateshead is approx. **two thirds rural**



Around **15%** of Gateshead is woodland



**23%** of household waste is recycled



Carbon emissions from the council have **reduced by 55%** since 2010



Around **17%** of Gateshead is protected for wildlife



## Gateshead Energy centre

**2.5%** of employers' energy is provided by our energy centre



Approx **152 Million** journeys are made using public transport in Tyne & Wear



# Making Gateshead a place where everyone thrives

Our strategic approach, Making Gateshead a place where everyone thrives, aims to redress the imbalance of inequality, whilst championing fairness and social justice in Gateshead.

As a council we are working with partners and others, to achieve the right outcomes for those people and families who require support. Many of our services are either universal e.g. bins, roads or targeted like social care. People and families need different degrees of support at different times in their lives.

We need our residents, community organisations, partners and stakeholders to join us in our bid to make Gateshead a place where everyone thrives.

The Corporate Plan is our guide and sets our priorities and direction of travel. Each year we will refresh a delivery plan which will set out how we will take our strategy forward in that year and what we expect the impact to be.

We want the Corporate Plan to remain current and relevant and ensure that it is a living document, which everyone plays their part in delivering.



# Our Organisational Vision

A great borough, with vibrant communities, where businesses can grow, residents feel supported and live fulfilled lives, and our environmental impact is minimised

We are committed to running an organisation that puts our residents first, delivers value for money, and works with our communities to ensure we focus on what is important.

## Our pledges

Putting people and families at the heart of everything we do

Tackling inequalities so people have a fair chance

Supporting our communities go support themselves and each other

Investing in our economy to provide sustainable opportunities for employment, innovation and growth

Working together and fighting for a better future for Gateshead

## All underpinned by

Good customer  
service

Sound financial  
planning

Inclusivity

Good  
governance

Continuous  
improvement

Culture

# Putting people and families at the heart of everything we do

Gateshead is a place that offers opportunities for all residents to live healthy and fulfilled lives and achieve their ambitions. This starts by giving all **children the best start in life**.



In doing so improve outcomes and opportunities for all. **We will think long-term and adopt a preventative approach** in determining our response to local need. The aim being to have access to services for those who need them, social care where required, alongside **population health improvements for all**.

This will require the wider Gateshead health system and partners to empower **good health outcomes across the life cycle**.

We will provide **integrated and targeted family support** where it is needed and reduce risks of harm to young people.

With an increasing older population, it is essential we ensure people **start life well, live fulfilling lives and enjoy later life in good health**. We will work with health partners and agencies to develop strong delivery plans tailored to local need.

We want residents to be able to make informed decisions over their life and will ensure information and advice if available and accessible. This will **promote independence through enablement; promote independence through technology; be based on strength base practice; all with a home first prioritisation**.





# Tackling inequalities, so people have a fair chance



Poverty and deprivation still have too big an impact upon too many of our residents. We want to **tackle those inequalities**, so people have a **fair chance** to achieve their personal goals and ambitions. Our aim is to be a borough with reduced inequalities where residents having improved access to social and economic opportunities, enabling them to live fulfilling lives.

To truly enable our residents to Thrive we must create the conditions for fairness and equality – maximising the wellbeing of our communities.

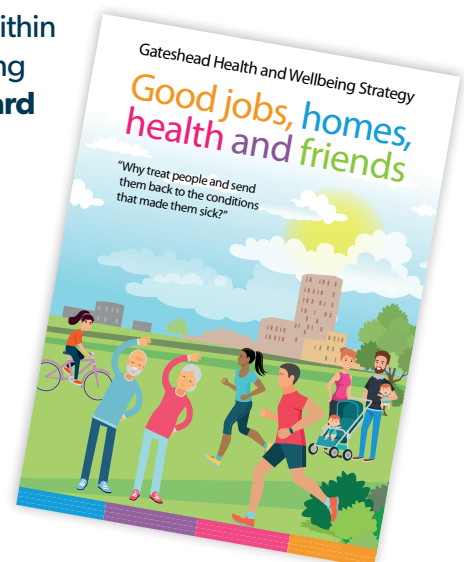
Over the next two years we aim to further the **actions** set out within our **Health and Wellbeing Strategy**. In doing so strengthening the role of ill health prevention and **ensuring a healthy standard of living for all**.

We all want children to have the best start in life and will champion and support the delivery of **high quality, inclusive education for Gateshead's children**.

Through an integrated, intensive and effective offer, we aim to **reduce the need for children and young people to come into our care**.

Ensure all children and young people in our care have the **best care and stable homes**.

We will also **improve outcomes for children with SEND** through the delivery of strengthened and inclusive services alongside our local partners.



# Supporting our communities to support themselves and each other



Ensuring that people are **safe and feel safe** is a wellbeing requirement. The strength and ability for communities to adapt to change and deal with shocks and emergencies is essential. Through being more resilient we can reduce the negative impact on individuals. Reducing the direct intervention needed by the Council to provide a fix.

We cannot achieve the ambitions of Thrive alone and in recognition of the contribution they make, we will **strengthen the support provided by the voluntary, community and social enterprises sector** within Gateshead.

We also recognise the support of Gateshead's **Caregivers** and want to continue to support those who choose to care as both a profession and those who look after relatives, friends or loved ones.

We also want to work with our communities to ensure we have the **range and choice of high-quality homes for children who need care**.

We will support and invest in the development of stronger and more resilient communities, enabling residents and partners to tailor service delivery to the local need – in Gateshead this is **locality working**. Delivering a local range of services in response to the direct needs of our communities. Evidence led and informed by feedback on the ground, we will deliver a range of tailored service in collaboration with our partners.



# Investing in our economy to provide sustainable opportunities for employment, innovation and growth

We want Gateshead to have strong local economic outlook, with **more businesses, good jobs, and inward investment**.

With this strong economic outlook, we want to tackle unemployment and ensure residents have **skills and qualifications** to enable them to **access opportunities**.

We will **support regeneration and development opportunities** that come forward and will support investors to do so. Creating a **fairer, green and more resilient economy** at the heart of this work.

It is important to **maximise the visitor and rural offer** that exists within the borough and embrace the wider regional cultural offer.

The council will work with neighbouring councils to support the formation of a North East Mayoral Combined Authority and seek to maximise the opportunities that **Devolution for the North East** provides residents, business and partners.

All of which provides a strong platform for our ambitions to **tackle health inequalities** within Fair Gateshead.



# Working together and fighting for a better future for Gateshead

We want Gateshead to have **an aspirational outlook and visionary future**, whilst reflecting the needs of local people and building for our future generations.

We want to ensure that there is a **broad range of homes** available for our residents. We will work with partners to meet housing needs now and for the future. We will **invest £168m to build new council homes and improve our current offer**.

It is important that residents have access to **improved connectivity** within Gateshead and the region, allowing them to travel for both work and pleasure purposes.

We will also look to **protect the environment** as we move towards a low-carbon future, helping the community minimise its carbon footprint and encourage the reduction of borough wide carbon emissions.

We want Gateshead to be a place where people have **pride in their local area** and will work to introduce minimum environmental standards within the borough.

We also want everyone to be an ambassador for the Gateshead – having **civic pride**, where **diversity is embraced**, and people are **proud of their community and home**. Creating a positive outlook for all.

We will **champion the work of the council**, together with encouraging our communities to play their part in **local democracy**. Understanding how they can **influence local decision making** and having a say in local improvements.



# Interconnected Priorities

The priorities in this plan are interconnected. Many of the priorities and the outcomes from the pledges are dependent on one another. For example, we know well-paid employment, affordable homes and transport, clean air and access to green spaces can all contribute to good physical and mental health.

## **Prioritising: Inclusivity**

We will:

- embed our organisational values and behaviours.
- promote, champion and advocate diversity.
- demonstrate inclusive leadership, partnership, and a clear organisational commitment to be a leader in equality, diversity, and inclusion.
- involve and enable our diverse communities in our decision-making processes.
- encourage and build a skilled and diverse workforce to build a culture of equity and inclusion in everything we do.

## **Prioritising: Customer experience**

We will:

- put our customers at the heart of everything do.
- provide a consistent quality of service to our customers.
- reflect customer feedback in the design and delivery of services.
- continue to adopt a digital by default approach, enabling self-service where achievable.
- co-design and collaborate with partners where possible, to deliver for local communities.
- effectively communicate and engage residents and partners in the work of the council.

## **Prioritising: Financial sustainability**

We will:

- ensure effective and prudent use of the council's resources.
- provide value for money through efficient and effective service delivery.
- provide services without the use of reserves.
- continue to identify and develop new and appropriate income generating opportunities that are in keeping with our Vision.
- maintain an investment strategy that preserves and improves the financial resources available to the council.
- rigorously manage the council's risks.
- have sound governance arrangements in place.

## **Prioritising: Culture**

We will:

- develop refreshed core values for the council to be incorporated into how we work and everything we do.
- develop a new Equality, Diversity & Inclusion Strategy to be rolled-out across the council.
- promote communication and transparency.
- welcome challenge and learn from our mistakes.

## **Prioritising: Continuous improvement**

We will:

- review and strengthen our performance management framework, including regular reporting and clear accountability.
- develop a clear programme of transformation and improvement activity.
- arrange for a peer challenge in 2024 and act promptly on key recommendations.
- recognise and celebrate good performance and address poor performance through a strengthened Appraisal & Development framework for employees.
- develop a council-wide awareness and culture of continuous improvement in every aspect of council activity.

## **Prioritising: Good governance**

We will:

- review the council's constitution to ensure it is accessible, comprehensive, and meets the needs of the council in the delivery of this Corporate Plan.
- promote awareness of the seven principles of public life ('the Nolan principles') and effective application of the respective codes of conduct for councillors and employees.
- review the council's overview and scrutiny function to ensure it is robust, challenges constructively, and contributes continually to the delivery of this Corporate Plan.
- ensure the revenue budget and capital programme remain balanced and sustainable over a rolling 5 year period.
- maintain a programme of reviews for our services to ensure they are delivered efficiently and effectively.

# Engagement with communities

- Focussing on our residents' needs
- Engaging with all our residents, and partners, to understand what matters to them
- Working in partnership to benefit Gateshead
- Providing quality public services that are accessible to all
- Making best use of our resources and look to invest in the future of the borough
- Adopting modern and efficient working practices
- Promoting a culture of fairness, openness and transparency
- Providing equality of opportunity in all our activities and ensure that discrimination does not occur
- Lobbying for Gateshead's interests both regionally and nationally









## COUNCIL MEETING

23 November 2023

### Medium Term Financial Strategy 2024/25 – 2028/29

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**Sheena Ramsey, Chief Executive**

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#### **EXECUTIVE SUMMARY**

1. The purpose of this report is to recommend to Council the approval of the Medium-Term Financial Strategy (MTFS) 2024/25 to 2028/29.
2. The Cabinet has considered the facts and issues arising from the report, including alternative options and took all relevant advice before formulating their recommendations.

#### **RECOMMENDATION**

3. It is recommended that Council:
  - (i) Approves of the Medium-Term Financial Strategy for 2024/25 to 2028/29 and the medium-term financial context as set out in this report and appendix.

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**TITLE OF REPORT:** Medium Term Financial Strategy 2024/25 – 2028/29

**REPORT OF:** Darren Collins, Strategic Director, Resources & Digital and Borough Treasurer

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### **Purpose of the Report**

1. To request Cabinet to recommend to Council the approval of the Medium Term Financial Strategy (MTFS) 2024/25 to 2028/29 including the proposed MTFS principles and the medium-term financial context as set out in this report and appendix.

### **Background**

2. The Medium-Term Financial Strategy (MTFS) is a key part of the Council's Budget and Policy Framework which aims to ensure that all financial resources are directed towards delivery of Council priorities. The Strategy describes the financial direction of the Council for financial planning purposes and outlines the financial pressures over a five-year period but is reviewed annually to reflect the dynamic nature of local government funding.
3. A three-year Budget Approach was agreed in December 2021 for planned use of reserves of £20m to allow time to identify cuts and efficiencies required over the three-year planning. 2024/25 is the final year of this three-year approach and this report proposes an extension to the planned use of reserves for a further two years to 2026/27.
4. On 6 February 2023 a one-year financial settlement was received for 2023/24. The settlement for 2023/24 included some high level figures in relation to 2024/25 social care grants, but there is still a great deal of uncertainty for funding beyond the current years settlement. Medium term financial planning continues to be challenging given the current financial climate. There is continued uncertainty in relation to the level of future funding, stubbornly high inflation amidst uncertainty around international issues, the national economy and cost of living crisis, notably around food, fuel and utility prices across the country. As such, the assumptions in the refreshed MTFS have been completely reviewed.
5. Funding of local authorities and demand pressures is a national issue with a growing number of local authorities reporting significant financial issues and failures. The challenges that the Council is facing should not be underestimated but the starting point for the refresh of the MTFS is built on the solid foundation of:

- A strong track record of delivering Revenue Outturn within budget. The 2022/23 Revenue Outturn was positive but there were a number of one-off issues that masked overspending in some areas. The positive outturn remains a significant achievement given the financial pressure faced by services and enables the Council's sound financial position to be maintained with an extremely challenging economic and financial context;
  - The 2023/24 Finance Settlement was considered to be more positive than anticipated. However, the impact of inflation has eroded the spending power which has a cumulative impact over the MTFS;
  - Despite the funding challenge, the Council agreed £13.5m of budget cuts for 2023/24 to achieve a legally balanced budget, recognising active management of the funding position and that use of reserves cannot be the solution to the funding gap;
  - The active management of reserves has enabled some flexibility on the current 3-year approach to enable a 5-year position to be proposed;
  - The funding assumptions in the refreshed MTFS are considered to be a more realistic estimate. Nonetheless, the caveat of significant uncertainty remains; and
  - The 2023/24 base budget includes capacity to deliver on the transformation challenge. In addition, this is strengthened by a proposal to add a further £2m in 2024/25.
6. Despite the 2023/24 Finance Settlement awarding some areas of funding for 2024/25 in relation to social care, and confirmation of council tax referendum principles, it remains the case that there is significant uncertainty about funding beyond the current year. Many government funding sources are short term or come with additional burdens. Economic conditions remain turbulent impacting on cost pressures and funding sources such as business rates.
7. The Council has a strong track record of delivering a balanced budget and managing within resources, however it is important to remember that the 2022/23 and 2023/24 budgets were balanced using £5.8m and £10m of Budget Sustainability reserve. The use of reserves is a one-off solution and only postpones the need to make permanent cuts rather than preventing them being needed. The scale of the challenge to agree a sustainable financial position over the medium-term without reliance on reserves remains significant.
8. There are many assumptions that will need clarification between now and February, in particular:
- The Local Government Finance Settlement expected late December;
  - Confirmation of retained business rates and associated relief grants at the end of January;
  - The impact of the pay award in 2023/24 and assumptions for 2024/25;
  - Confirmation of Council Tax Support Scheme;
  - Confirmation of the Collection Fund surplus or deficit in mid-January;
  - Council tax base to be reported to Cabinet in January;
  - Agreed Capital Programme;
  - Devolution budget implications;
  - Agreed increase in Council Tax in line with referendum principles; and
  - Delivery of the 2023/24 budget.

9. The process is iterative as these areas become known and ultimately impact on the level and timing of interventions and budget cuts required, as well as the level and profiling of reserves usage. Notwithstanding this uncertainty, the Council still needs to develop an approach to the 2024/25 legally balanced budget based on the latest set of assumptions set out in the proposed MTFS. A proactive budget approach to financial resilience will be to develop a pipeline of interventions and potential budget cuts to help mitigate the uncertainty, reported elsewhere on this agenda.

## Proposal

10. The refresh of the MTFS estimates that a funding gap of £49.7m by year 4 will need to be closed by delivering demand management interventions in social care totalling £11.5m. Alongside proposed corporate interventions totalling £6m, there remains a requirement to identify a pipeline of savings totalling £32.2m by year 4 of the MTFS to achieve sustainability. This can be summarised below:

2023/24 £m	Indicative Budget Forecasts	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
281.885	Estimated Base Budget	308.070	323.426	342.445	352.570	359.413
(264.998)	Estimated Funding Resources	(281.012)	(287.447)	(295.062)	(302.890)	(309.885)
16.887	Funding Gap (before Reserves)	27.058	35.979	47.383	49.680	49.528
(4.524)	Pandemic Reserves	(2.000)	(2.000)	(2.000)	0.000	0.000
(10.000)	Budget Sustainability Reserve	(9.175)	(5.000)	(2.000)	0.000	0.000
(2.363)	Reserves - Other	0.000	0.000	0.000	0.000	0.000
(16.887)	Total Reserves	(11.175)	(7.000)	(4.000)	0.000	0.000
0.00	Minimum Cumulative Funding Gap	15.883	28.979	43.383	49.680	49.528
0.00	Minimum Annual Funding Gap	15.883	13.096	14.404	6.297	(0.152)
<b>Options to close gap:</b>						
	Adults Social Care Interventions	(2.189)	(1.728)	(2.201)	(2.224)	(2.227)
	Children's Social Care Interventions	(0.394)	(1.105)	(1.244)	(0.392)	(0.392)
	Corporate Interventions	(5.666)	(0.292)	0.000	0.000	0.000
	Unidentified to Balance Budget	(7.634)	(9.971)	(10.959)	(3.681)	0.000
	Provisional Balanced Budget	0.000	0.000	0.000	0.000	(2.771)

(32.245)

11. The Council continues to operate in the context of an unprecedented period of financial and economic uncertainty. Set against the backdrop of over a decade of austerity, cuts to funding, increasing demand, spiralling inflation, and delays to reforms and continuing uncertainty over sustainable funding. Notwithstanding this context, the Council must be proactive in its approach to financial planning that allows for services that support residents in the borough. The need for an organisational plan to achieve a sustainable financial position without the reliance on reserves is vital and has led to a review in the approach to the presentation of the MTFS.
12. Preventative interventions and demand management will be key components of a sustainable budget strategy. However, these will often have a long lead in time and possibly require pump-priming support. The MTFS now sets out the financial context of the levels of demand management and cuts that will possibly be required to balance the budget over the medium term. This will provide a planning framework for an approach to budget setting.
13. The Council's new Corporate Plan and Group Plans should be the conduit for allocating resources to priority areas in a collaborative approach. Given the current

financial context, this will require an assessment of relative priorities, with some difficult decisions to be made.

14. The positive 2022/23 outturn has informed the review of reserves and it is proposed that the planned use of reserves is extended to a 5-year approach to 2026/27. Crucially this should only be supported where there is confidence the organisation can deliver against reduced demand and budgets through active interventions and transformation to preventative strategies for service delivery. This approach extends the significant use of reserves to continue to smooth the timing of interventions and transformation necessary to deliver a sustainable budget over the MTFS period. The risk of continuing to use reserves of this magnitude is significant and it is therefore critical that the outcome of this approach enables the Council to deliver, secure, and maintain a sustainable position in the medium-term without further reliance on reserves.
15. The MTFS reflects a balance between long-term and short-term planning; the longer-term transformational and demand management interventions alongside the short-term immediacy of a legally balanced budget for 2024/25.
16. In summary, the MTFS strategy is built upon on the following approach:
  - **Intervention of demand / cost pressures** - The MTFS outlines significant demand and cost pressures, particularly in social care. A fundamental approach to a sustainable budget is to propose positive interventions and transformation to manage down the demand. The approach must be underpinned by credible delivery plans with clear timescales.
  - **Planned Use of Reserves** - Recognising the timing required to achieve this approach, it is proposed to actively manage the volatile financial position and continue to use reserves to allow time for these interventions to be delivered. 2024/25 is the final year of the 3-year approach agreed by Cabinet in December 2021. Following the 2022/23 Revenue Outturn, and review of reserves, it is proposed that the use of reserves is extended for a further two years into 2026/27. The proposed timing of the application of Budget Sustainability Reserve in the MTFS is aligned to options to close the gap to minimise cuts while permanent solutions to the funding gap are found. The extension is predicated on the following:
    - The impact that high inflation is having on the MTFS since the original strategy was agreed in December 2021;
    - The active management of reserves that allows this flexibility;
    - The current Capacity Fund and a further £2m in 2024/25 to drive through to sustainability;
    - A budget approach to identify a pipeline of unidentified budget cuts estimated at £32m over the next 4 years;
    - The identification and delivery of £21.2m in budget cuts over the previous 3 years; and
    - Replenishment of reserves – the MTFS forecast includes budget growth of £5m in 2026/27 to replenish reserves as part of the strategic approach to achieve a sustainable budget.

- **Fundamental Review of Base** – this was agreed as part of the 3-year approach to budget in December 2021. This approach has commenced in social care, aligned to transformation. The framework will commence in other Service areas. Even with interventions and use of reserves, there is still an estimated funding gap of £32.245m over the four years 2024/25 to 2027/28, including £7.634m in 2024/25 after use of reserves, which will need to be closed to achieve a legally balanced budget. It is proposed that all Council Service areas are subject to fundamental review over the four years to 2027/28.

17. The proposed MTFS for 2024/25 to 2028/29 is attached at Appendix 2. This presents a continuing challenging financial position over the medium term due to continued uncertainty on funding and increasing demand.

18. To assist in meeting the financial challenges ahead the principles which underpin the MTFS have been reviewed and these are proposed as follows:

- The overall financial strategy will be to ensure that the Council's resources are directed to the thrive agenda framework. Financial sustainability will be achieved and maintained through targeted investment, demand management interventions, reducing costs and more efficient ways of working. The Council's MTFS will be reviewed on at least an annual basis.
- The Council will consider a range of delivery mechanisms and funding sources to support capital investment to deliver thrive priorities, including the use of prudential borrowing, and will ensure that the full costs associated with financing the investment are considered when investment decisions are taken.
- The Council will maintain its general reserve at a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- Overall Council spending should be contained within original estimates. If following monthly revenue monitoring, service budgets are projected to exceed original estimates, accountability plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original budget estimates.
- The Council recognises the impact of increases in council tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for increases against the delivery of the thrive framework and the need for services.
- The Council will meet its financial obligations and maintain financial sustainability through the setting of a balanced budget and the delivery of outturn within the overall budget each year.

19. A detailed review of the reserves will be undertaken as part of the budget and council tax setting. General Reserves and Strategic Earmarked Reserve balances as at 31 March 2023 can be found in appendix 1. Full breakdown of reserves can be found in the full MTFS document at appendix 2.
20. The Council recognises that usage of reserves is one-off in nature and must be linked with expenditure and income plans to support financial sustainability in the medium term. Therefore, using reserves in this way means that it is essential to have a planned pipeline of budget cuts and efficiencies to achieve a balanced budget in future years and reinvest to achieve thrive priorities. The Investment Plan and HRA Business Plan will also be aligned and prioritised to ensure affordability and to manage risks.

## **Recommendations**

21. Cabinet is requested to recommend to Council:

the approval of the Medium-Term Financial Strategy for 2024/25 to 2028/29 and the medium-term financial context as set out in this report and appendix including:

- (i) the MTFS principles;
- (ii) the approach to demand / cost interventions in social care;
- (iii) extending the planned use of reserves from 3 to 5 years; and
- (iv) a plan to replenish reserves to a sustainable level.

for the following reason(s)

- i) to contribute to the good financial management practice of the Council;
- ii) to assist the maintaining of the financial sustainability of the Council over the medium to long term.

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**CONTACT:**      Darren Collins                      extension: 3582



### Policy Context

1. The Medium-Term Financial Strategy (MTFS) includes financial projections analysis and context that supports the Council's policy approach 'Making Gateshead a Place Where Everyone Thrives'. The Council recognises there are huge financial pressures on not just Council resources, but those of partners, local businesses and residents. To deliver on the policy approach over the next five years, the Council will remain resolute in its determination to make Gateshead a place where everyone thrives. This means the Council's decision-making including resource allocation through the budget will be policy and priority led and driven.

### Background

2. The MTFS establishes the best estimates of the level of revenue resources available to the Council over the medium term and estimates the financial consequences of the demand for Council services. It assists financial planning and strategic financial management through providing the financial context within which the Council budget will be set. A Budget Approach is reported elsewhere on this agenda.
3. Medium term financial planning continues to be challenging given the current climate. There is continued uncertainty in relation to the level of future funding, stubbornly high inflation amidst uncertainty around international issues, the national economy and cost of living crisis, notably around food, fuel and utility prices across the country.
4. A three-year Budget approach was agreed in December 2021 for planned use of reserves of £20m to allow time to identify cuts and efficiencies required over the three-year planning. 2024/25 is the final year of this three-year approach and this report proposes an extension to the planned use of reserves for a further two years to 2026/27.
5. Other than some national allocations of some areas of social care funding for 2024/25, as with previous years there continues to be no guidance from Government on future funding and financial reforms which is a significant barrier to effective financial planning for the Council. The changing landscape to accessing funding has recently seen Local Authorities having to bid for additional funding.
6. The current context is exceptional and the unknown impacts alongside the level of risk to finances mean that forecasts will need to be closely monitored and potentially refreshed more frequently than usual as further consequences become clear.
7. The funding estimated to be received from Government and from council tax and business rate payers over the next five years is not sufficient to cover current level of spend plus new budget pressures. Local authorities are legally obliged to set a balanced budget each year and to ensure they have sufficient reserves to cover any unexpected events. Therefore, to legally balance the budget the Council must make spending plans affordable by matching it to the estimated funding available over that

time. Staying the same is not an option. The Council is required to change to deliver its priority outcomes within the limited funding available.

8. The Council will ensure that resources are used to maximum effect and allow the Council to continue to deliver new and better ways of working and invest to improve the efficiency of services provided. However, without an increase in the quantum of funding for local authorities alongside a fairer distribution, it is evident the estimated funding gap will have an inevitable impact on both the nature and scope of services that the Council is able to deliver. The Council will aim to manage the process of change to its services effectively through the Budget Approach reported elsewhere on this agenda.
9. The Council will continue to have significant revenue and capital budgets to invest and deliver services consistent with the delivery of key priority outcomes of “Making Gateshead a Place where Everyone Thrives”. The Council will retain its vision for the future of the Borough through promoting development and economic growth and this will assist in maintaining the medium-term financial sustainability of the Council.

### **Reserves Summary**

10. A breakdown of each reserve available to support the budget, and balances as at 31 March 2023 are outlined below;
  - **Council General Reserve £11.9m**- This is a statutory fund that acts as a contingency and allows the Council to meet any unforeseen costs. If the council overspend in a year this fund will meet that liability. The minimum balance on the reserve is 3% of the net revenue budget which meets the MTFS principles.
  - **Financial Risk and Resilience £19.2m**- This reserve is held in respect of key financial risks identified through risk management process. Balances include; Insurance £4m, grant clawback £3m, workforce development costs £3.5m, commercial risk £2.6m, Schools PFI £3.7m, ASC Direct Payments £0.8m, Highways maintenance £0.6m, Volunteering and Community Capacity £0.5m. and budget flexibility £0.5m.
  - **Thrive £7.5m** -This reserve is held to support the Council Thrive priorities of Economic, Housing and Environmental Investment (£3.3m), Poverty, Health and Equality Investment (£3.7m), and Discretionary Social Fund £0.5m.
  - **Budget Sustainability £36.7m** – Agreed in December 2021 an agreed approach to help support the timings of achieving significant budget savings and Thrive outcomes whilst still dealing with pandemic impacts over three-year period. £14.5m is committed in 2023/24 with the remaining £22.2m proposed to be used in this MTFS. A plan to replenish this reserve forms part of the MTFS.

11. The proposed use of reserves relies upon a planned pipeline of budget cuts and efficiencies over the period to achieve a balanced budget that is sustainable in future years.

### **Consultation**

12. The MTFS sets a financial context for the approach to budget. The Council's budget planning framework is supported by the development of integrated impact assessments (IIAs) for draft budget proposals. These assessments include identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010 and identify potential mitigation where applicable.
13. The Council maintains its strong commitment to equality, believing that all groups and individuals within the community and its workforce have equal opportunity to benefit from the services and employment it provides. IIAs help the Council to arrive at informed decisions and to make the best judgements about how to target resources.
14. The Leader of the Council has been consulted on this report.

### **Alternative Options**

15. There are no alternative options.

### **Implications of Recommended Option**

16. Resources:

- a) **Financial Implications** – the Strategic Director, Resources and Digital, confirms that financial context is contained within the report and appendices. Any direct implications will form part of the budget planning framework and identification of budget proposals.

The Council is legally required to set a balanced budget annually and should plan to achieve this using a prudent set of assumptions. As such, the Government's decisions about 2024/25 funding will be hugely significant and could have a material impact on the level of budget cuts to be identified, and the wider budget process.

- b) **Human Resources Implications** – The need to support Council employees as much as possible through changes is recognised. Any direct implications will

form part of the budget planning framework and identification of budget proposals.

- c) **Property Implications** - No direct property implications. Any direct implications will form part of the budget planning framework and identification of budget proposals.

17. **Risk Management Implication** - Risks arising from the direct impacts of this strategy will form part of the Council's approach to the budget planning framework.
18. **Equality and Diversity Implications** - An equality impact framework has been developed to assess budget proposals.
19. **Crime and Disorder Implications** – No direct crime and disorder implications. Direct implications arising from the impacts of this strategy will form part of the Council's approach to the budget planning framework and consultation process.
20. **Health Implications** - No direct health implications. Direct implications arising from the impacts of the Health and Wellbeing Strategy this will form part of the Council's approach to the budget planning framework and consultation process.
21. **Climate Emergency and Sustainability Implications** - The MTFS provides a framework with the express objective of achieving a sustainable financial position over the medium term. Addressing climate change remains a priority of the Council and the MTFS frames the resources available.
22. **Human Rights Implications** - No direct human rights implications.
23. **Ward Implications** - All areas of the Borough are covered by the principles set out in this strategy.

#### **Background Information**

- Provisional Revenue Outturn 2022/23 - 20 June 2023
- Revenue Monitoring 2023/24 Q1 – 18 July 2023

# Medium Term Financial Strategy 2024/25 - 2028/29

## 1.Summary

This Medium-Term Financial Strategy (MTFS) sets out the estimated financial resources that are needed and available for the Council to deliver its key priorities of the Thrive agenda and the new Corporate Plan. Since the last MTFS was agreed by Council in October 2022, a number of factors continue to affect the financial outlook for the Council. Following on from over a decade defined by the Government's austerity measures and underfunding, the war in Ukraine and the global pandemic has led to inflation increasing beyond the provisions in the previous MTFS, with the cost-of-living crisis notably around food, fuel and utility prices across the country impacting on residents and Council budgets. Although the rate is on a slow downward trend, the forecast for inflation remains stubbornly high and still well above the Bank of England target. As such, the assumptions on both cost pressures and assumed funding have been completely refreshed since the last MTFS in October 2022.

Work is continuing to identify and address the cost pressures that the Council is facing and to progress the final year of the three-year budget approach agreed by Cabinet in December 2021. This approach was in line with the agreed approach for the planned use of reserves of £20m to allow time to identify cuts and efficiencies required over a three-year planning period. Following the 2022/23 Revenue Outturn reported to Cabinet on 20 June 2023 which included a review of reserves, this updated MTFS assumes that the use of reserves is extended for a further two years to allow more time for transformational change. This strategy also includes a plan to replenish reserves in years 3 to 5 of the MTFS, which is considered good financial management.

The medium-term financial outlook remains uncertain and is subject to a high level of volatility characterised by the triple impact of historic underfunding, increasing demand and more recently high inflation. Based on estimates outlined in this report, the Council estimates that overall, it will need to close a cumulative financial gap of £49.7m by year 4 of the MTFS. The MTFS assumes positive interventions to manage demand and cost pressures in social care totalling £11.5m by year 4 and proposed use of reserves of £22m over years 2024/25 to 2026/27 to allow smoothing of transformation work to deliver these interventions. Alongside proposed corporate interventions totalling £6m, this leaves unidentified savings of £32m to deliver sustainability within the MTFS, summarised as follows:

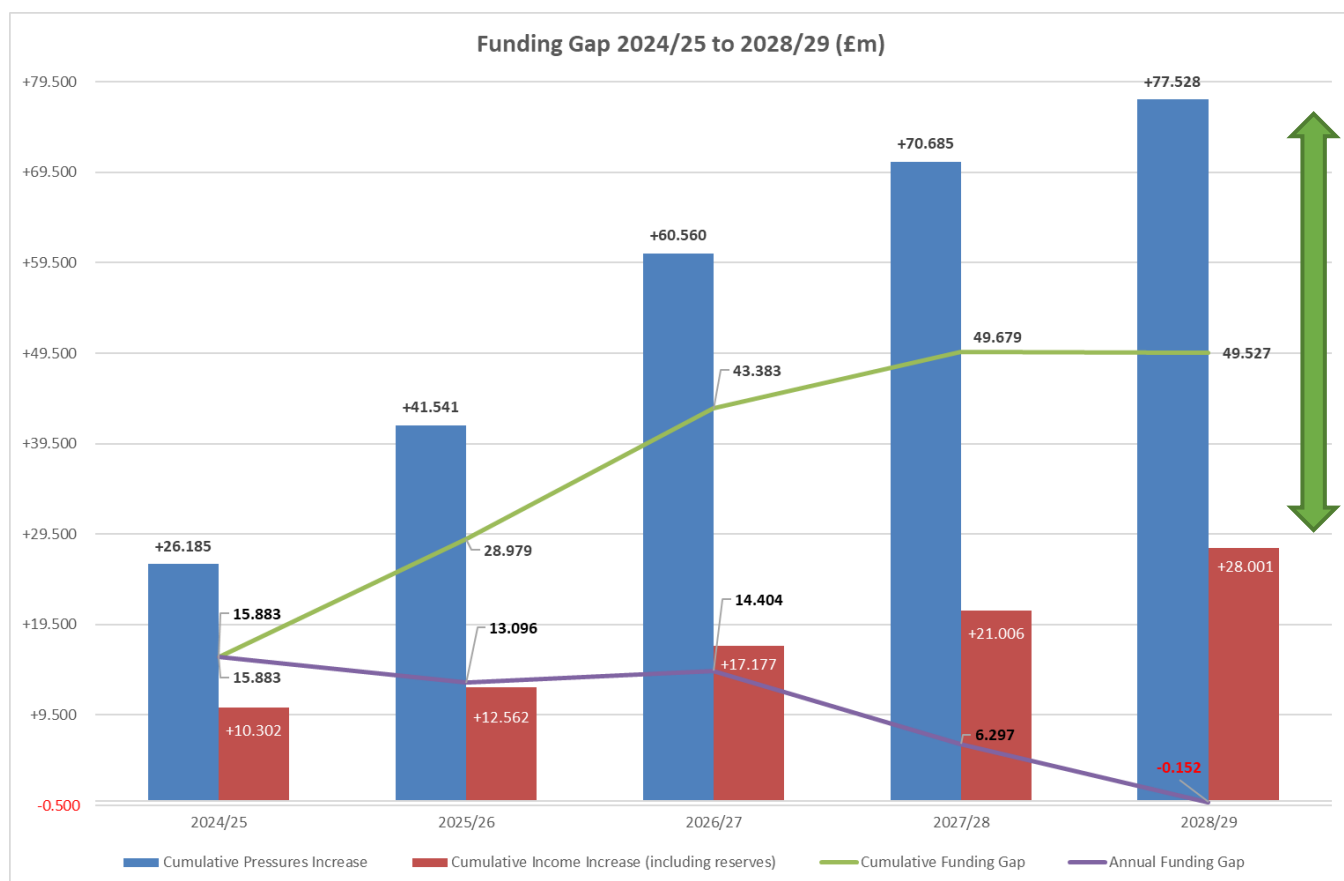
2023/24 £m	Indicative Budget Forecasts	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
281.885	Estimated Base Budget	308.070	323.426	342.445	352.570	359.413
(264.998)	Estimated Funding Resources	(281.012)	(287.447)	(295.062)	(302.890)	(309.885)
16.887	Funding Gap (before Reserves)	27.058	35.979	47.383	49.680	49.528
(4.524)	Pandemic Reserves	(2.000)	(2.000)	(2.000)	0.000	0.000
(10.000)	Budget Sustainability Reserve	(9.175)	(5.000)	(2.000)	0.000	0.000
(2.363)	Reserves - Other	0.000	0.000	0.000	0.000	0.000
(16.887)	Total Reserves	(11.175)	(7.000)	(4.000)	0.000	0.000
0.00	Minimum Cumulative Funding Gap	15.883	28.979	43.383	49.680	49.528
0.00	Minimum Annual Funding Gap	15.883	13.096	14.404	6.297	(0.152)
Options to close gap:						
	Adults Social Care Interventions	(2.189)	(1.728)	(2.201)	(2.224)	(2.227)
	Children's Social Care Interventions	(0.394)	(1.105)	(1.244)	(0.392)	(0.392)
	Corporate Interventions	(5.666)	(0.292)	0.000	0.000	0.000
	Unidentified to Balance Budget	(7.634)	(9.971)	(10.959)	(3.681)	0.000
	Provisional Balanced Budget	0.000	0.000	0.000	0.000	(2.771)
					(32.245)	

The budget gap is predominantly driven by the significant ongoing impact from demand pressure for social care and inflation on the Council's cost base. This is forecast to increase core costs by £77.5m over the period of the MTFS with £26.2m in 2024/25. Funding is forecast to increase by £28m over the 5-year period leaving a cumulative gap of £49.5m with £15.9m in 2024/25. After the social care demand interventions, and the corporate interventions, there is a requirement to identify further budget savings of £32.2m by year 4 of the MTFS to achieve financial sustainability. Securing savings to support closure of a gap at this level is a significant challenge but will be assisted by the emerging work on the delivery of the budget approach and through the delivery of change to align resources to priorities to enable residents of Gateshead to thrive.

Despite the 2023/24 finance settlement awarding some areas of funding for 2024/25 in relation to social care, and confirmation of council tax referendum principles, it remains the case that there is significant uncertainty about funding beyond the current year. Many government funding sources are short term or come with additional burdens. The MTFS makes some assumptions about inflationary increases in grants and assumes that the grants continue (except for New Homes Bonus), but until the Local Government Finance Settlement expected late December, these cannot be clarified with any certainty.

Economic conditions remain turbulent impacting on cost pressures and funding sources such as business rates.

The cumulative funding gap represents the shortfall between the estimated increase in costs less the estimated increase in funding. This can be presented graphically as follows:



Since the start of the Government's austerity measures in 2010, the Council has made substantial cuts and responded to demand pressures to deliver £190m budget savings. Despite ongoing financial challenges, the Council has delivered against its revenue budget since 2012/13 showing strong and stable financial management with an outstanding record of budget delivery.

The budget gap as estimated within this MTFS will continue to present a significant financial challenge that will be met by a Council wide approach driven by the delivery of the Thrive agenda and underpinned by transformation and prioritisation to maximise the efficient and effective use of our resources.

## 2.The Purpose, Priorities and Principles of the Medium Term Financial Strategy (MTFS)

### What is the Medium Term Financial Strategy?

The Medium-Term Financial Strategy outlines the approach to setting out the Council's financial future over the next five years (2024/25 to 2028/29). It estimates the additional costs and pressures that the Council is facing due to inflation, demand, and policy changes, alongside the estimated change in funding. The difference is the funding gap which must be closed to achieve a legally balanced budget.

### Purpose and priorities

The MTFS is a key part of the Council's Budget and Policy Framework which aims to ensure that all financial resources are directed towards the delivery of Council priorities. The Strategy describes the financial direction of the Council for financial planning purposes and outlines the financial pressures over a five-year period but is reviewed annually to reflect the dynamic nature and continuing uncertainty of local government funding.

The MTFS establishes the estimated level of revenue resources available to the Council over the medium term and estimates the financial consequences of the demand for Council services. It improves financial planning and strategic financial management through providing the financial context within which the Council budget will be set.

The review also allows for consideration of the Council's reserves policy and level of reserves to ensure there is adequate protection against unforeseen events.

In the current financial climate, the Council's principal financial aim is to continue to effectively align scarce resources to support Council priorities.

The Council's strategic approach, **Making Gateshead a Place Where Everyone Thrives**, provides a framework to demonstrate how the Council will work and make decisions in the future which will be policy and priority-led and help resource the impact being made on delivery of the Health and Wellbeing Strategy. It is predicated on the following Council pledges:



**Our  
Challenges**

**Support our  
communities to support  
themselves and each  
other**

**Put people and  
families at the heart  
of everything we do**

**Invest in our economy to  
provide opportunities  
for employment,  
innovation and growth**

**Tackle inequality so  
people have a fair  
chance**

**Work together and  
fight for a better future  
for Gateshead**

The Council's MTFS sets out the financial context for the Council's resource allocation process and budget setting. The Councils Performance Management Framework supports the aims within the Strategy by aligning performance with the overall approach to the budget to support the financial sustainability for the Council ensuring that resources are deployed on the outcomes for making Gateshead a Place Where Everyone Thrives.

There are huge financial pressures on not just Council resources, but those of partners, local businesses, and residents. The Council will continue to work with partners, other organisations, residents and communities to deliver positive outcomes within a reduced budget envelope.

To remain affordable and deliver sustainable public services, the MTFS has three main objectives: -

- Consider the scale of financial challenges over the medium term and take appropriate actions and interventions to achieve financial sustainability and a balanced budget year on year.
- Ensure the Council aligns its limited funding to deliver against priorities.
- Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.

### **Approach and principles**

The MTFS is consistent with the priorities the Council is pursuing. The principles underlying the MTFS 2024/25 to 2028/29 are as follows:

- The overall financial strategy will be to ensure that the Council's resources are directed to the Thrive agenda framework. Financial sustainability will be achieved and maintained through targeted investment, demand management interventions, reducing costs and more efficient ways of working. The Council's MTFS will be reviewed on at least an annual basis.
- The Council will consider a range of delivery mechanisms and funding sources to support capital investment to deliver thrive priorities, including the use of prudential borrowing, and will ensure that the full costs associated with financing the investment are considered when investment decisions are taken.
- The Council will maintain its general reserve at a minimum of 3% of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- Overall Council spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, accountability plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
- The Council recognises the impact of increases in council tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for increases against the delivery of the thrive framework and the need for services.
- The Council will meet its financial obligations and maintain financial sustainability through the setting of a balanced budget and the delivery of outturn within the overall budget each year.



### 3.External (Cost) Pressures

The Council is facing numerous financial challenges from external factors which it needs to overcome if it is to remain on a sustainable financial footing. (Also see PESTEL analysis in supporting information).

The Local Government Association (LGA) estimates that<sup>1</sup>:

- Local authorities face £1.4 billion in additional costs and demand pressures, such as inflation and demographic growth, in 2023/24, and a further £2.4 billion in 2024/25.
- The cost to local authorities of delivering their services at current levels will exceed their core funding by £2 billion in 2023/24 and £900 million in 2024/25.
- If inflation fails to fall in line with the March 2023 budget, and instead is in line with the more recent inflation projections from the Bank of England, this would add £740 million in cost pressures in 2023/24 and £1.5 billion in 2024/25.

The MTFS assumes CPI to fall to 2% in 2025/26. If it remained at anticipated Q3 levels of 5.4%, this would add a further £2m to the MTFS funding gap in 2025/26.

#### **Inflationary Pressures (Unavoidable)**

Since February 2022, the war in Ukraine has led to inflationary increases, notably around food, fuel and utility prices, which are affecting the economy generally. Annual headline CPI inflation eased to 8.7% in April, down from 10.1% in March and a peak of 11.1% in October 2022. Inflation has been on a slow downward trend after its peak of 11.1%. The rate dropped again on 20 September to 6.7% in the year to August, down from 6.8% in the year to July and from 7.9% in the year to June. The reductions are predominantly driven by last year's rise in energy costs falling out of the comparison but remains higher than the Bank of England's expectations of 2%. Whilst remaining at a high level in 2023/24, CPI is forecast to fall to approximately 5% by the end of the year and is expected to fall further still in future years as the position stabilises.

#### **Pay Award / National Living Wage (NLW)**

This cost pressure relates to the cost of pay awards agreed for employees of the Council as well as social care fees. Local Authority pay awards are determined through the national bargaining process rather than being mandated by Government. Pay award 2023/24, (offer status) made by the National Employers is in line with the previous year and has been factored into contingency estimates. Any pay award or NLW increases is unfunded from Government and must be met from settlement funding which puts additional pressure on the Council's budget.

#### **Cost of Borrowing**

On 3 August 2023, the Bank of England (BoE) increased its rate from 5% in June 2023 to 5.25% in response to rising inflation and this rate was maintained in September's review. This was the fourteenth consecutive increase, and is the highest rate since March 2008, as part of the BoE's monetary policy which looks to reduce inflation to 2% and provide certainty in the financial markets. Any increase in the base rate or further uncertainty in the economy could translate into increased cost of borrowing.

## **Gateshead Context**

Over the years all local authorities have faced significant cuts to their funding from central government because of the Government's austerity measures, at a time when pressure on core service delivery has increased, particularly in Children's Services and Adult Social Care. Many Councils have been forced to abandon spend on preventative measures to fulfil their statutory duties.

- **Cost of living Crisis**

Current financial outlook in terms of high inflation and interest rates as well as cost of living risks, notable around food, fuel and utility prices that our residents and businesses are facing.

- **Lack of Funding Reform to Address Areas with High Needs/Low Tax Bases**

Longer-term reform of local government funding has been delayed until the next Parliament and a structural solution is needed to meet the many statutory duties and demands placed on local authorities.

Over the last decade, Government strategy to reduce reliance on grant and localise funding has resulted in moving ever-larger amounts of funding away from councils who have the highest need to those who can grow the most resource locally. The change of emphasis in how funding has been allocated has benefited councils with low needs, a large and growing council tax base, and a thriving business estate, by comparison to authorities like Gateshead with high needs and low council tax and business rate base. The link between need and funding has been eroded. The Council will continue to lobby the Government for a fairer and sustainable system for local government funding.

- **Social Care Funding**

Adult Social Care is the Council's largest budget with significant demand and cost pressures supporting some of the most vulnerable residents in the borough. Whilst the Council has welcomed additional funding for Adult Social Care in 2023/24 and 2024/25, including new grants such as the Market Sustainability and Improvement Fund and the Discharge Fund, the duration and level of this funding is unknown as it is re-purposed funding intended for social care reforms which have been delayed. This lack of clarity around the future funding for social care beyond 2024/25 makes it difficult to plan strategically and resource effectively without risk to the Council.

- **Brexit Impacts**

The medium and long-term implications of Brexit remain unclear and are still emerging and will continue to do so for some time to come, but they can be summarised as shortage of labour, shortage of goods and materials including longer lead in times and price increases.

- **Thirteen Years of Austerity**

An early consequence of over a decade of funding cuts has been cuts to preventative spend. As funding reduced and demand for services increased, many councils have been forced to abandon spend on preventative measures to fulfil their statutory duties. The cumulative impact of years of cuts has a significant impact on communities. The Council has consistently lobbied the Government over the disproportionate cuts to funding which impact unfairly on local authorities with high levels of deprivation, and low tax bases.

- **Short-term and Late Funding Settlements /One-off tranches of Funding**

Councils' ability to mitigate the funding uncertainty and demand pressures has been hampered by a financial framework characterised by one-year and late funding settlements, the proliferation of one-off funding pots, and continuing delays to funding reforms.

One-year local government settlements hinders councils' ability to strategically plan over the period of the MTFS, something which is crucial to deliver investment, valued local services and support to vulnerable residents. This situation is compounded by the lateness of financial settlements in the budget setting timetable with major grant funding announcements as late as February and some made after the budget is set in February.

Whilst additional funding is always welcome, short term annual funding leaves councils and partners unable to plan service delivery over the medium/long term. It hinders the ability to recruit and put long term stabilising measures into action.

The changing landscape to accessing funding has recently seen Local Authorities having to bid for additional funding. Furthermore, many of these specific grants are competitive, ringfenced, lower value which are then resource intensive to bid for and manage. Gateshead has been successful in the bid to the UK Shared Prosperity Fund; however, there is an expectation costs will offset the funding therefore not included in the MTFS forecast.

Overall, the increasingly fragmented approach to local government funding challenges the Council's ability to plan effectively over the medium to long term.

- **Pressure on Reserves**

Reliance on use of reserves for permanent budget requirements is not a prudent and sustainable approach in the long-term but can be used, where appropriate, to pump prime 'invest to save' initiatives or in a planned approach to bring permanent budget savings through transformation. A plan to replenish reserves forms part of this MTFS.

- **Devolution**

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed in principle to a devolution deal which the Government has confirmed it is 'minded to' approve. A devolution deal for the region means unlocking £4.2 billion of investment, over 30 years, and seeing additional powers transferred from Whitehall to local people with better knowledge and experience of our communities. It is expected to create 24,000 extra jobs, generate 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment. The new authority, which would cover an area which is home to around 2 million people, will have the power to make decisions on areas such as transport, skills, housing, finance, and economic development. The deal includes:

- An investment fund of £1.4bn, or £48m a year, to support inclusive economic growth and support our regeneration priorities.
- An indicative budget of around £1.8bn, or £60m a year, for adult education and skills to meet local skills priorities and improve opportunities for residents.
- A £900m package of investment to transform our transport system, with £563m from the City Regional Sustainable Transport Fund, on top of funding already announced for our buses and metro system.

- £69m of investment in housing and regeneration, unlocking sites to bring forward new housing and commercial development.

The impact of the new arrangements will continue to be reviewed throughout the period of the MTFS.

## **4. Council's Current Financial Position**

### **Revenue Outturn 2022/23**

Council agreed the £254.3m revenue budget for 2022/23 on 24 February 2022. The overall provisional 2022/23 revenue outturn position results in an overall Council positive balance of £3.4m, after the application of agreed reserves funding to support financing of the budget and is the net addition to the Council's general fund reserves. Further information is available in the Provisional Revenue Outturn 2022/23 reported to Cabinet on 20 June 2023. The report included a review of strategic reserves and included a proposal to merge the two Earmarked Pandemic Reserves into the Budget Sustainability Reserve to support the budget over the MTFS period. The active management of reserves will enable the continuation of planned use of reserves to allow time to find significant permanent budget savings to achieve financial sustainability.

The positive year-end position is a testament to the collective approach taken by groups and services to keep pressures under review within the financial year and ensuring that action was taken in a timely manner to ensure outturn within budget. Effective financial management has ensured that all covid funding resources and time limited funds have been maximised alongside consideration of setting aside funding for future pressures and lost income.

Although the overall outturn is positive, the position includes several one-off transactions and masks overspends in some services. The positive outturn remains a significant achievement given the financial pressures faced by the services and enables the Council's sound financial position to be maintained within an extremely challenging economic and financial context. The Council has a strong and stable financial base with an outstanding record of budget delivery. Since the start of austerity, the council has made significant cuts and responded to demand pressures to deliver £190m of budget savings.

### **Revenue Budget 2023/24**

On 21 February 2023 the Council agreed a revenue budget of £289.903m which was balanced through planned use of £25.883m of reserves. This approach was in line with the agreed three-year approach for planned use of reserves to allow time to identify cuts and efficiencies.

Funding announcements made after the budget was set in February have resulted in increased funding available in relation to Better Care Fund (£0.416m) and Public Health Grant (£0.562m). To reflect this additional funding the expenditure budgets and financing have both been increased in the 2023/24 base budget. Within the current financial year, the expenditure base budget of £8.996m in relation to pandemic costs has been removed along with the use of budgeted funding in relation to the pandemic reserve (£8.996m) to reflect the approach to use Budget Sustainability to support the budget in the future. This results in a net reduction to the 2023/24 base budget of £8.018m to £281.885m.

Given high inflation and demand there is an expectation that delivery of the budget will be under significant pressure. Notwithstanding the positive outturn in 2022/23, the challenge that the Council faces should not be underestimated.

## **5. Financial Challenge Beyond 2023/24**

Medium term financial planning remains extremely difficult due to significant uncertainty amidst international issues, the national economic and cost of living crisis, coupled with the continuing delays to finance reforms, which are not anticipated until 2025/26 at the earliest.

As part of the 2023/24 finance settlement, the Government confirmed that reforms to the local government funding regime will not be implemented in the current Spending Review period. This exacerbates the short-term approach to funding which is a hindrance to longer-term strategic planning. While the Council will continue to lobby the Government in relation to delays to funding reform, unfairness of the current regime which has no correlation to need, and the short-term nature of settlements, it's likely that the Council will be operating in this environment for the foreseeable future.

Other than some national indications of social care funding for 2024/25, the level of funding beyond 2023/24 has not been specified by Government resulting in greater risks in relation to the localisation of business rates and the local council tax scheme. The delays to the reform of local government funding means that it is unlikely that the 2024/25 finance settlement will provide any sort of multi-year allocation which would enable the Council to develop the MTFS with greater certainty. The unknown impacts alongside the level of risk to finances mean that all forecasts will need to be closely monitored and potentially refreshed more frequently than usual as consequences become clear. Staying the same will not be an option for the Council. The Council will be required to change to deliver its priority outcomes within the estimated funding assumptions. The budget setting for 2024/25 and beyond is set to remain highly challenging.

In response to the impact on the economy that the inflationary pressure is causing, the Bank of England has increased its base rate from 5% in June 2023 to the current rate of 5.25% on 3 August 2023.

Any increase in the base rate or further uncertainty in the economy could translate into increasing the cost of borrowing should the Council need to borrow for the Capital Programme. This will have a corresponding impact on the revenue budget and business cases for projects included in the Capital Programme.

For planning purposes, provision is included for the impact of pay awards and estimated impacts of the National Living Wage which are unfunded by government.

Savings proposals may have staffing implications. These will be managed through the Council's Redundancy Policy and Procedure as necessary. At this stage it is proposed that any cost of redundancy payments and the release of pensions (if applicable) as required by the Local Government Pension Scheme Regulations will be met from within the overall corporate resource position at outturn each year, should the position allow. This position will be kept under review and updated as part of the budget proposals to Cabinet.

## **Economic Growth**

Local economies are linked to national economic growth. Our vision for Gateshead is of a fairer, greener and more resilient economy that enables everyone to thrive and delivers good jobs, growing businesses and great places to live and work. The Council aims to promote a strong and sustainable local economy leading to wellbeing and prosperity for residents, communities and businesses. This will be supported by a planned approach to investment to boost local economic growth such as improving local infrastructure and wider transport links. Success in this area will enable the Council to have a stronger medium- and long-term financial position and allow redirection of resource to activities which protect the most vulnerable.

The Council faces challenges with additional burdens relating to Planning and Building Control due to the changes in legislation with the new Building Safety Act 2022 coming into effect early 2023.

From a financial perspective the Council will look to invest resources to generate economic growth that may result in increased business rates and council tax income to the Council. This may contribute to closing the financial gap.

## Significant Challenges in Social Care

The social care demand and cost pressures estimated at £28.5m (excluding expenditure matching ring-fenced grant funding) over the period of the MTFS represents the biggest cost of the estimated funding gap. Part of the strategy to deliver a sustainable financial position will be to manage this demand through interventions and service transformation.

<b>Adult Social Care</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
External fees	5.121	2.294	2.392	2.511	2.631
Demands	1.065	1.134	1.806	1.762	1.681
<b>Total Pressures</b>	<b>6.186</b>	<b>3.429</b>	<b>4.198</b>	<b>4.273</b>	<b>4.313</b>
BCF additional funding	0.440	0.164	0.168	0.171	0.174
MSIF additional funding	1.336	-	-	-	-
Discharge Fund additional funding	1.054	-	-	-	-
<b>Total</b>	<b>9.016</b>	<b>3.593</b>	<b>4.366</b>	<b>4.443</b>	<b>4.487</b>
<b>Demand Interventions</b>	<b>(2.189)</b>	<b>(1.728)</b>	<b>(2.201)</b>	<b>(2.224)</b>	<b>(2.227)</b>

<b>Childrens Social Care</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
External fees	1.545	0.646	0.662	0.678	0.694
Demands	-	-	-	-	-
Home to School Transport	1.889	-	-	-	-
<b>Total Pressures</b>	<b>3.434</b>	<b>0.646</b>	<b>0.662</b>	<b>0.678</b>	<b>0.694</b>
<b>Demand Interventions</b>	<b>(0.394)</b>	<b>(1.105)</b>	<b>(1.244)</b>	<b>(0.392)</b>	<b>(0.392)</b>

### Adult's Social Care

An ageing population means that a greater number of people in Gateshead are likely to be living with long term conditions and becoming frail in the years ahead, this will increase demand on both health and social care services.

It is difficult to predict future needs of vulnerable groups. However, the Joint Strategic Needs Assessment (JSNA) forms the evidence base for strategic planning which predicts that the number of people aged 65+ with selected conditions/needs which may impact on their physical and mental wellbeing both now and in the future will increase significantly by 2040.

The Integrated Adults and Social Care Services Living Thriving Lives Plan 2023-2028 sets out a five-year strategy for the service outlining areas of focus, direction and ambitions. The Strategy is underpinned by an action plan and will support the delivery of the Medium Term Financial Strategy by managing the demand for services. The Strategy has 5 main areas of focus:

- Prevent, reduce, and delay the need for support;
  - Information and Advice – good and accessible information and advice, supporting people to make good decisions about their care and support and what is available to them.
  - Promoting Independence through Enablement – enablement gives people the opportunity to live their most independent life. The ambition is to strengthen services and seek opportunities to expand and diversify and embedding an enablement approach in all areas of practice.
  - Promoting Independence through Technology – creating a Technology Enabled Care strategy, working with the market and developer for solutions and working with partners to co-design solutions.

- Strength Based Practice – Gateshead has a wealth of community assets that can support people at all stages of their life. These community services may help to prevent the need for formal care, or improve the wellbeing offer for people with support needs.
- Home First – continue to explore the existing and future needs of our population and develop housing options including extra care and other alternatives and embedding technology solutions. Ensure a vibrant domiciliary care market focusing on enablement, making direct payments more accessible and working with partners to ensure caregivers needs are embedded in discharge processes.
- Caregivers  
Commitment to improving and developing services to better support unpaid caregivers to help them to continue caring and support their health and wellbeing.
- Workforce  
Continue to be a good employer to retain our existing colleagues but to also attract new colleagues into the service, and we strive to create a culture of continuous learning and create opportunities for development amongst our teams.
- Commissioning  
Effective commissioning will be driven by a data led, evidence-based approach which also promotes collaboration, integration, and innovation across the Gateshead System to meet identified current and future needs, as well as any gaps in provision. The ambition is to provide a high quality, high performing market through support and collaborative service design with people, providers, and communities.
- The Voice of People and Communities  
The ambition is to be a learning organisation that views people and communities as experts in their care and how they can be best supported to improve and maintain their wellbeing.

To deliver the aims of this Strategy will require a review of how people access adult social care, domiciliary care market transformation and investment, a review of and improved access and infrastructure for direct payments, a review of the approach to hospital discharge, a partnership approach to service delivery, development of alternative provision such as expansion of extra care and a refocus of in-house services.

Through Gateshead Cares, a multi-agency alliance of health and social care organisations in Gateshead, there are strong joint working arrangements across system partners which are well embedded to deliver an integrated approach to health and care in Gateshead.

The Better Care Fund (BCF) is part of a wider programme of work to integrate health and care across Gateshead Place for the benefit of local people and their communities. The programmes and services funded through the BCF are focused on shifting the balance of services towards community support with a focus on prevention, early help and self-help to avoid hospital admissions; developing integrated care and treatment for people with health and care needs; minimising the length of stay in acute settings and supporting home first discharge arrangements where feasible.

In addition, the Service intends to adopt the locality working principles to support the Thrive agenda and develop accessible services that support people at place. In delivering all of the outcomes described it will be necessary to create a new social care delivery pathway that puts localities, prevention and people at the heart of what we do and is built on the foundation of strengths based practice and person centred delivery.

## Children's Social Care

In Gateshead the numbers of children in care have increased significantly over the last two years from 439 at March 2021 to 529 at March 2023. This is exacerbated by an increase in the complexity of need and a market which is unable to meet the demand. The current cost of living crisis on the back of a global pandemic has had significant and long-lasting impacts on child poverty which is critical to the local context.

There is a lack of placement sufficiency locally, regionally, and nationally resulting in increased cost pressures from children living in higher cost placements.

The frequency of cases of children with complex behaviors is having an impact on the capacity and availability of mental health services. There is a very limited market to accommodate these children and therefore the cost of doing so is significant.

A combined strategy that addresses a reduction in the overall number of children in the looked after system alongside a focus on ensuring that children can live within family units wherever possible and as locally as possible, either within extended family units or with Gateshead's foster carers is in place.

There is a focus on reducing the need for children to come into the care system with a range of strategies and approaches focused on children on the edge of care.

The Pre-birth service was set up in 2022 to work with families who are expecting a baby where there are known safeguarding risks to provide intensive support to prevent the child coming into the care system. As a result of this strategic approach there has been a reduction in children under the age of 1 in the system in the 12 months from 51 in March 2022 to 39 in March 2023.

The edge of care service focused on preventing teenagers coming into care is being refreshed alongside the new contextualised safeguarding team. They are working in collaboration with the new Trusting Hands Team with investment from the Integrated Care Board (ICB) to support older children to remain living at home with support.

Where children do need to come into the care of the Council, a refreshed sufficiency strategy has been developed which is focused on ensuring children can live with extended family on kinship care arrangements where possible, or with our own foster carers.

There has been a significant growth in the use of Independent Fostering Association (IFA's) places in the last year which has risen by 60%, from 57 to 91 placements, due to a lack of in house availability. IFA placements cost twice as much as in house foster placements.

As a result, a refreshed marketing and communication strategy is in place to ensure that the Council recruits as many foster carers into Gateshead as possible as this is better for children and a more cost effective way to care for children. During 2022/23, 20 additional fostering households have been recruited and there is an annual target of a further 30 fostering households each year for the next three years. A regional pathfinder project was launched in early 2023 with funding from the Department for Education (DfE) to support a collaborative approach to recruitment across the North-East.

Two new children's homes have opened in Gateshead in the last five years and a further two are scheduled to open in 2023. The two most recent homes will provide four more places for children. There is a strategy in place to move children in external residential homes back to live locally in Gateshead within our own provision or within externally commissioned provision within Gateshead. Whilst the average cost of a commissioned home is approximately £4,781 per week, this can include costs of over £20,000 per week for children with the most complex needs.



A new commissioning and tendering exercise for supported living provision will go live in October 2023 which will increase the sufficiency of places for older young people which will support independence and provide cost effective living options for young people who do not require care.

The commissioning service have a refreshed approach to market shaping and supporting the market. This will include supporting private providers in Gateshead to care for Gateshead's children; ensuring that relationships with the Local Authority are strong and that wrap around support incentivises private providers to care for local children.

Home to School Transport is also an area of significant financial pressure and one which has seen significant growth in recent years and this is expected to continue. There are a number of reasons for the increase in costs including, complexity of need, location of provision, availability of drivers and appropriately accessible vehicles and fuel prices. Further growth of £1.80m has been factored into the MTFS in 2024/25 in recognition of the overspend last financial year and forecast overspend in the current financial year.

## **Looking Ahead Threats**

- ▶ Cost of living crisis and high inflation rates if these continue to rise or do not reduce to BoE estimates;
- ▶ Any unachieved budget savings in the agreed savings programme leading to pressure the following financial year;
- ▶ Continued growth in demand in Adult and Children's Social Care Services and funding reforms and interventions are insufficient to address this;
- ▶ Unfunded pay pressures such as public sector pay award and the Government's National Living Wage aspirations, which also impacts on negotiations with care providers and commissioning costs;
- ▶ The performance of traded and investment income linked to wider economy;
- ▶ Continuing uncertainties on the pandemic impact on income from business rates and council tax and fees and charges;
- ▶ Challenges in recruitment and reductions/shift in work force from working in social care, linked to competing industries such as retail and hospitality;
- ▶ Addressing the health, employment, and poverty inequalities that the pandemic has added to;
- ▶ Increased demand for welfare, mental health services and debt advice;
- ▶ Increased demand for business advice and support.

## **Looking Ahead Opportunities**

- ▶ Fundamentally review all Council services to focus resources on the delivery of priority outcomes and shaping the Council to how it needs to be in the future to withstand other pressures and delivery priorities;
- ▶ Continue to embrace and embed new ways of working arising from the pandemic such as putting the customer first, more efficient working practices, staff resilience and adaptability;
- ▶ Opportunity to accelerate climate change targets through reduced building use and travel;
- ▶ Accelerating and building on working with communities in locality hubs alongside the voluntary sector and other partners;
- ▶ Embracing the move to self-service and online services to provide a quick and streamlined service;
- ▶ Opportunities to rationalise Council buildings and assets through the Corporate Asset Management Strategy;
- ▶ Working closer in partnership with key partners such as the voluntary sector, health partners and the Police and Crime Commissioner to help residents to thrive;
- ▶ Following the housing review, the ability to drive forward housing delivery and provide a good service to tenants.

## 6.MTFS Estimates

Stubbornly high inflation continues to exacerbate the uncertainties of accurate modelling, adding pressure to the current year as well as forecasting for the future years impact, substantial pay awards and increased uncertainty around funding.

The MTFS has been prepared on best estimates using the current information we have to date amidst significant uncertainty about international issues, the national economy and cost of living crisis. Given the high uncertainty the impact of any changes to some of these assumptions and key risks are included in the supporting information. The table below shows the estimated financial gap over five years with the proposed use of reserves. These are shown in more detail within the review of reserves section.

2024/25 is the final year of the 3-year agreed budget approach which includes planned use of reserves agreed by Cabinet in December 2021. However, following the 2022/23 Revenue Outturn reported to Cabinet in June 2023, alongside active management of reserves agreed at Q1 Revenue Monitoring reported to Cabinet in July, an updated and reprofiled use of reserves is proposed in this MTFS. It is proposed that the use of reserves is extended for a further two years into 2026/27, with £11.175m in 2024/25, £7m in 2025/26, and £4m in 2026/27 to smooth the impact of cuts over the next 4 years. Significant use of reserves can only be justified on the following two fundamental outcomes:

- **Permanent savings must be delivered to close the estimated funding gap without further reliance on reserves beyond the MTFS period; and**
- **There must be a plan to replenish reserves to a prudent level over the MTFS period.**

The extension on the planned use of reserves from 3 to 5 years is predicated on the following:

- The impact that high inflation is having on the MTFS since the original strategy on use of reserves was agreed in December 2021;
- The active management of reserves that allows this flexibility;
- The current Capacity Fund and a further £2m proposed in 2024/25 to drive through to sustainability;
- A budget approach to identify and deliver a pipeline of budget cuts of £32m over the next 4 years; and
- A proposed plan to replenish reserves from 2026/27.

This remains an extremely challenging medium-term forecast. Using reserves in this way means that it is crucial to plan and deliver a pipeline of savings, efficiencies, and reinvestment to achieve a balanced budget in future years and to achieve Thrive priorities.

The financial gap can be summarised as follows:

2023/24 £m	Indicative Budget Forecasts	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
289.903	<b>Net Revenue Budget</b>	281.885	308.070	323.426	342.445	352.570
(8.996)	Base Adjustments	(1.563)	0.000	0.000	0.000	0.000
	General Inflation	0.209	1.600	0.599	0.543	0.326
	Contractual Inflation	0.286	0.292	0.298	0.304	0.310
	Corporate Pay Pressures	8.193	4.998	5.058	3.619	3.681
	Corporate Pressures - Capacity Fund	2.000	0.000	0.000	0.000	0.000
	Corporate Pressures - Replenish Reserves	0.000	0.000	5.000	0.000	0.000
0.416	Adults Social Care pressures	9.016	3.593	4.366	4.443	4.487
	Children's Social Care Pressures	3.434	0.646	0.662	0.678	0.694
0.562	Public Health	0.239	0.361	0.368	0.375	0.383
	Strategic Economic Investment (Capital)	4.371	3.867	2.669	0.162	(3.038)
281.885	<b>Revised Base Budget</b>	308.070	323.426	342.445	352.570	359.413
	Revenue Support Grant	(18.733)	(19.107)	(19.489)	(19.879)	(20.277)
	Retained Business Rates	(34.796)	(35.492)	(37.213)	(38.989)	(39.768)
	Top Up Grant/Equalisation	(23.196)	(23.660)	(24.134)	(24.616)	(25.109)
	Council Tax Base & Growth	(116.826)	(120.834)	(124.962)	(129.213)	(133.592)
	Other Grants (inc Public Health)	(87.460)	(88.353)	(89.264)	(90.192)	(91.140)
(264.998)	<b>Total Funding Resources</b>	(281.012)	(287.447)	(295.062)	(302.890)	(309.885)
16.887	<b>Funding Gap (before Reserves)</b>	27.058	35.979	47.383	49.680	49.528
(4.524)	Pandemic Reserves	(2.000)	(2.000)	(2.000)	0.000	0.000
(2.363)	Other Reserves					
(10.000)	Budget Sustainability Reserve	(9.175)	(5.000)	(2.000)	0.000	0.000
0.000	<b>Total Reserves</b>	(11.175)	(7.000)	(4.000)	0.000	0.000
	<b>Minimum Cumulative Funding Gap</b>	15.883	28.979	43.383	49.680	49.528
	<b>Minimum Annual Funding Gap</b>	15.883	13.096	14.404	6.297	(0.152)
	<b>Options to close gap:</b>					
	Adults Social Care Interventions	(2.189)	(1.728)	(2.201)	(2.224)	(2.227)
	Children's Social Care Interventions	(0.394)	(1.105)	(1.244)	(0.392)	(0.392)
	Corporate Interventions	(5.666)	(0.292)	0.000	0.000	0.000
	<b>Unidentified to Balance Budget</b>	(7.634)	(9.971)	(10.959)	(3.681)	0.000
	<b>Provisional Balanced Budget</b>	0.000	0.000	0.000	0.000	(2.771)

(32.245)

## Rates used within the MTFS 2024/25 to 2028/29 assumptions

Assumptions	2024/25	2025/26	2026/27	2027/28	2028/29
CPI	5.41%	2.00%	2.00%	2.00%	2.00%
Pay Inflation	5.41%	2.00%	2.00%	2.00%	2.00%
Council Tax Increase (core)	2.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Increase (ASC Precept)	2.00%	1.00%	1.00%	1.00%	1.00%

Council tax assumptions for planning purposes and not agreed until February 2024

Capital investment must also be kept under review and clearly aligned to priorities and financial sustainability to ensure affordability and to manage risks. This will include a strategic investment plan to underpin the prioritisation of capital investment.

The starting point for the MTFS forecast is the 2023/24 net budget of £289.903m approved by Council in February 2023, adjusted to reflect amendments agreed by Cabinet as part of Q1 Revenue Monitoring, resulting in a revised 2023/24 starting base of £281.885m. The MTFS forecast assumes delivery of this budget and ongoing costs are incorporated into the projections.

## Inflation

**Inflationary Pressures** – The inflationary pressures identified in 2023/24 will have a cumulative effect across the MTFS period. It is anticipated that levels of inflation will not reduce significantly by the end of 2023/24 and therefore there is likely to be ongoing pressures during 2024/25.

CPI assumption is based on current Office for Budget Responsibility (OBR) forecasts for 2024/25 and is thereafter based on the Government target of maintaining inflation at 2%. CPI impacts on both costs and funding.

**Energy Costs** – Energy costs are set within a North-East Procurement Organisation (NEPO) framework. 2022 was an unprecedented year in relation to energy costs with +100% increase in both Gas and Electricity costs. Early estimates indicate that this will rise further in 2023/24 by c.15% for gas and 20% for electricity, before falling by c.20% in 2024/25. Fluctuations in the volatility of energy costs are managed through Contingency.

**Fuel Costs** – Fuel cost rose significantly in 2022, although recently costs have started to reduce. This is however still high cost compared to 2021 with uncertainty as to future years.

**Pay Pressures** – the current pay award offer for 2023/24 made by the National Employers is in line with 2022/23 at an increase of £1,925 per employee. This has yet to be confirmed. Assumed 5.41% pay award for 2024/25 and 2% thereafter in line with CPI. For planning purposes provision is included for the impact of pay awards and estimated impacts of the National Living Wage which are unfunded by government.

**Contractual Inflation** – Rising costs to existing contracts.

Inflation	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Utilities Increase	0.000	0.000	0.100	0.100	0.100
Other Costs (NNDR & insurance)	0.209	0.213	0.217	0.221	0.226
Pay Award	7.693	2.998	3.058	3.119	3.181
Investment interest tapering	0.000	1.387	0.282	0.222	0.000
Contractual Inflation	0.286	0.292	0.298	0.304	0.310
<b>Total</b>	<b>8.188</b>	<b>4.890</b>	<b>3.955</b>	<b>3.966</b>	<b>3.817</b>

## Corporate Pressures

Job evaluation review has commenced in 2023/24 and it is expected to be finalised in 2025/26. It requires a fundamental review of the whole pay and grading structure to tackle recruitment and retention issues and market pressures facing the Council.

## Strategic Economic Investment

The Council's capital investment plans are set out in the capital strategy and programme, with the latest approved programme covering the period between the 2023/24 to 2027/28 financial years. The effective use of capital resources, including asset management, is fundamental to the Council achieving its medium- and long-term strategic objectives. Capital investment has a significant impact upon the local economy and helps to ensure that the Council can continue to provide the best possible services and outcomes within Gateshead.

All capital investment decisions will have implications for the revenue budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within the Council's financial plans and to demonstrate that the capital investment is affordable. Revenue implications may include the costs associated with supporting additional borrowing as well as any changes to the running costs associated with the asset or wider benefits to the Council such as the delivery of ongoing revenue budget savings or additional income through the generation of business rates, council tax or energy revenues.

The Council continues to explore external funding possibilities when developing capital projects to minimise the borrowing requirement as far as possible. Within the MTFs, assumptions have been made around the level of external funding in the future, but detailed work programmes will not be committed to until the allocations have been confirmed. Projects and investment plans may therefore be re-prioritised depending on the availability of external funding.

The generation of capital receipts can help to provide resources to support additional capital investment or can help to reduce the borrowing requirement and therefore the cost to the revenue budget. The generation of capital receipts to support the capital programme has historically been challenging, representing low land values and high remedial costs due to land contamination. It is currently assumed that £0.75m p.a. will be achieved through capital receipts and further consideration is needed into how the few potentially higher value sites can be brought forward to achieve improved capital receipts to support the delivery of capital schemes.

Significant challenges and priorities for the Council's capital investment over the medium term that are set out in the Council's key strategies include:

- Investing in assets to enable the Council to meet its key objective of Making Gateshead a Place Where Everyone Thrives.
- Investment in housing to ensure the supply of housing best meets current and future needs and aspirations to create thriving, mixed communities throughout Gateshead.
- Investment to achieve the Council's climate change aspirations.
- Continuing to regenerate the Gateshead Quays and Baltic Business Quarter area as part of the Council's Accelerated Development Zone, working with our development partner to build upon the successful delivery of iconic projects such as the Sage Gateshead and Baltic to create a significant new mixed-use development to help unlock economic growth and generate additional business rates and raise the profile of Gateshead.
- Continuing to support the regeneration of Gateshead Urban Core to deliver a centre with the stature and vibrancy of a city and continuing to invest in improvements to local centres across Gateshead.
- Improving the Council's corporate ICT infrastructure, equipment and systems to improve connectivity, security and resilience and ensure that the Council remains fit for the future and can provide services as efficiently and effectively as possible.
- Investing in strategic infrastructure to support growth within Gateshead. This includes investment in areas such as transport infrastructure to provide an integrated transport system which meets demand and improves connectivity and accessibility as well as investment in the Council's schools to help increase capacity.
- Investing in the provision of energy infrastructure to support the expansion of the District Energy network to provide lower cost, lower carbon energy to support regeneration and economic development, generate income and provide long term resilience against rising energy prices.
- Meeting essential health and safety and mandatory obligations, such as Equality Act improvements, to improve the accessibility and sustainability of Council owned assets.

The financial planning framework provided by the MTFS will provide the context for a Council Investment Plan that will inform the allocation of resources within the capital programme.

## **Resources - Other Grants**

Regarding funding changes, for the Public Health Grant an indicative allocation for 2024/25 was published in March 2023 with an increase of 1.3% on 2023/24 levels. From 2025/26 inflationary increases in grant are anticipated. It should be noted if any funding formula are changed this could result in significant changes and potential reduction to grant. However, Government Departments may seek to mitigate the extent of any reductions to Councils that are adversely affected by formula changes by providing transitional arrangements.

For the Better Care Fund, the Council has received inflationary increases in previous years and expects this to continue.

There are well documented national pressures on Social Care and additional funding has recently been granted to support Social Care reforms, most notably the Market Sustainability and Improvement Fund and the Discharge Fund. Although the increase in funding is significant, it is coupled with new burdens, and therefore this funding does not help to reduce the Council's funding gap. Furthermore, the duration of this funding is uncertain, with Government announcements referring to 2023/24 and 2024/25 only, making the ability to efficiently plan and implement long term strategies extremely difficult.

The Council also received an increase for the Social Care grant in 2023/24 and assumed increases in 2024/25 based on the announcement about the national allocation. Beyond 2024/25, this has been assumed cash flat for future years.

The New Homes Bonus scheme was a key funding source for the Council and was due to be phased out by now. The Council received a small allocation for 2023/24 but no further funding has been included in the MTFS on the assumption that this grant will cease.

In 2023/24 the Council received a Services Grant which is anticipated will continue in some form of distribution to the Council.

The MTFS projections assume all grants will continue beyond 2023/24, with the exception of New Homes Bonus.

2023/24 £m	Funding / Grants	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
(17.787)	Public Health	(18.026)	(18.386)	(18.754)	(19.129)	(19.511)
(7.771)	Better Care Fund	(8.211)	(8.375)	(8.543)	(8.714)	(8.888)
(11.387)	Improved Better Care Fund	(11.387)	(11.387)	(11.387)	(11.387)	(11.387)
(19.543)	Social Care Grant	(22.433)	(22.433)	(22.433)	(22.433)	(22.433)
(2.654)	ASC MSIF	(3.990)	(3.990)	(3.990)	(3.990)	(3.990)
(1.596)	ASC Discharge Fund	(2.650)	(2.650)	(2.650)	(2.650)	(2.650)
(17.455)	S31 Business Rates	(18.399)	(18.767)	(19.142)	(19.525)	(19.916)
(0.094)	New Homes Bonus	0.000	0.000	0.000	0.000	0.000
(2.365)	Services Grant	(2.365)	(2.365)	(2.365)	(2.365)	(2.365)
(80.652)	<b>Total</b>	(87.460)	(88.353)	(89.264)	(90.192)	(91.140)

## Council Resources

There is still no clarity from Government on funding beyond the current year and finance reform has been delayed until the next parliament. The Settlement will not be known until mid to late December and is likely to only be for one year.

On 12 December 2022 the Government announced changes to referendum limits for Council tax. As a result, following consultation the Council was able to increase Council tax by 2.99% and the Adult Social Care Precept by 2% for 2023/24. The Government have confirmed that the same principles will apply in 2024/25 but it's unclear how long these limits will remain in place. Each 1% increase results in approximately £1.1m of additional income. For forecast purposes, from 2025/26 onwards the MTFS assumes the rate returns to the previous levels of 1.99% maximum increase in council tax and 1% maximum increase in Adult Social care precept. These assumptions are for planning purposes only and Council Tax rates will be agreed by Council each year in February. A revised Council Tax and Business Rates base will be updated and agreed by Cabinet in January 2024, in advance of setting the Council Budget in February 2024.

The Council receives Section 31 compensation from Government when they decide to freeze the business rates multiplier which is applied against the rateable value of business properties.

## 7.Housing

The Council's Housing Strategy recognises that the future success of Gateshead is dependent on ensuring that all its different neighbourhoods thrive and are great places to live and visit. This requires the right mix of safe and secure housing that people can afford, together with good schools, parks, sports and cultural facilities, roads and transport links, and streets and

public spaces free of litter and anti-social behaviour. This will be brought together in the development of the next Gateshead Local Plan which is currently underway.

The Council acknowledges that the scale of new housing development needs to increase. A new Housing Development Programme aims to build 3500 new homes over the next 5 years. This programme will be delivered by working with a range of partners, developers, and funders. The housing led regeneration of key places such as High Street South, Felling, Beacon Lough and Chopwell will continue to be a priority. Both the Housing Development Programme and housing led regeneration priorities and plans will align with the Council's medium-term position and investment plan.

The Housing Revenue Account (HRA) Business Plan and associated Asset Management Strategy ensures affordable 5 and 30 year financial and investment plans. The plan makes a significant contribution to the Housing Development Programme, with a planned HRA funded development programme of 400 new homes over the next 10 years. The HRA Business Plan has also been refreshed to ensure it continues to be financially viable and investment is affordable.

## **8.Schools**

Schools are funded through ring-fenced resources, mainly Dedicated Schools Grant (DSG) and several other grants including the Pupil Premium. Children's services funding is included within the core council funding known as the Settlement Funding Assessment.

The Government introduced a National Funding Formula (NFF) for mainstream schools from 2018/19, with some local discretion available within formula. Government have recently sought views on the approach to completing further reforms to the NFF and how to transition away most effectively from local formulae to all mainstream schools' funding allocations being determined directly by the NFF in the years ahead.

At 31 March 2023 the overall reserves balances for all maintained schools in Gateshead totalled £8.28m, a decrease of £0.67m from March 2022. This position demonstrates that overall position of schools is declining with the number of schools with projected deficits increasing. The current turbulent times and the additional cost pressures for utilities, food, and pay awards makes the position difficult to estimate going forward.

To support with the pandemic impacts schools are receiving additional grants such as Recovery Premium and National Tutoring Programme aimed at helping children recover lost education resulting from the pandemic. It is uncertain how long this funding will continue. The National Tutoring Programme funding is reducing and is at risk of claw back if schools do not spend it in line with the very specific conditions of grant.

The impact of future wage inflation is also not known with higher than expected pay offers for teachers and a flat rate offer for non-teaching staff. The Department of Education (DfE) provided an additional grant in 2023/24 for additional costs, but it is unclear if this will cover actual costs. The 2022/23 additional grant was mainstreamed into the DSG for 2023/24.

The impact of the Supreme Court ruling on Harpur Trust V Brazel for part time, term time only workers will also have a financial impact on schools. Whilst schools have set aside a provision for this, the full consequences are not yet fully known until the outcome of the Government consultation and further information is released.

It is also thought that the full impact of the pandemic and the current economic situation on pupil's characteristics is not fully known with increased numbers of pupils eligible for Free School Meals (FSM) which will impact on the funding to schools. The percentage of FSM pupils in state funded schools has increased each year from 15.4% January 2019 to 23.8% January 2023. The cost of the provision of school meals has been heavily impacted by inflationary increases presenting a significant financial issue.

The number of Education Health and Care Plan (EHCP) requests continues to increase, and even with the creation of additional special school and additionally resources mainstream school (ARMs) places, the waiting list for special school places and specialist provision continues to increase with demand outstripping supply.

## 9. Reserves

Local authorities must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Strategic Director, Resources and Digital is required, as part of the budget setting process each year, to provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion.

The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen major one-off events. This is considered best practice and demonstrates sound financial planning. The use of financial reserves will not in itself resolve a budget problem, but it can allow for smoothing of impacts or allow the Council time to address issues.

The Statement of Accounts 2022/23 (subject to audit) shows all the reserves balances held by the Council, but it should be noted that not all of these can be used to support the budget. Reserves can be:

- Held for accounting purposes. These are not true cash balances and are unable to be used to support the budget and are classed as unusable in the Council's statement of accounts and therefore will not be detailed in the sections below.
- The General Fund is split between a General Reserve and reserves attributable to schools (LMS Budget Share Reserve).
- Strategic earmarked reserves the Council has chosen to hold for a specific purpose.
- Ring fenced reserves which can only be used for a specific purpose and are not available to support council tax or budget setting of general Council services.

### Reserves Policy

The Council's policy on reserves is as follows:

- The Council will **maintain its general reserve at a minimum of 3%** of the net revenue budget to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The Council will maintain earmarked reserves for specific purposes which are **consistent with achieving its key priorities**. The use and level of earmarked reserves will be reviewed annually.
- The Council's general reserve is available to support budget setting over the period of the MTFS and usage should be **linked to the achievement of financial sustainability over the medium term**.

### Review of Reserves

A review of reserves was undertaken as part of the 2022/23 Revenue Outturn and covered:

- 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 at 31 March 2023 remain subject to audit.

A breakdown of each reserve and the reason it is needed is outlined below;

Reserve	Why Needed	Available to support Council budget	Balance as at 31 March 2023
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 (subject to minimum levels being maintained)	£11.9m
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 – ringfenced to schools	£8.3m

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 Needed	Available to support Council budget	Balance as at 31 March 2023
<b>Financial Risk and Resilience</b>	This reserve is held in respect of key financial risks identified through the risk management process and the savings required as part of the Council MTFS. This includes Insurance (£4m), grant clawback (£3m), workforce development costs (£3.5m), commercial risk (£2.6m), Schools PFI (£3.8m), ASC Direct payments (£0.8m), Highways maintenance (0.6m), Volunteering and Community Capacity (£0.4m) and budget flexibility (£0.5m)	Yes	£19.2m
<b>Thrive</b>	This reserve is held support to Council thrive priorities of Economic, Housing and Environmental Investment (£3.3m) Poverty, Health and Equality Investment (£3.7m), and Discretionary Social Fund (£0.5m)	Yes	£7.5m
<b>Budget Sustainability</b>	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. As part of the 2022/23 Revenue Outturn, the Pandemic Reserve was consolidated into this reserve. £14.5m of this is committed within the 2023/24 budget with a further £22m proposed in this MTFS meaning this reserve will be fully utilised by March 2027. A plan to replenish this reserve forms part of the MTFS.	Yes	£36.7m

## Ringfenced Reserves

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

Reserve	Why Needed	Available to support Council budget	Balance as at 31 March 2023
Developers' 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	£2.2m
Unapplied Revenue Grants	This reserve was created to comply with accounting rules where unspent grants and contributions, without grant conditions are to be used in the following years.	No	£1.4m
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	£3.8m
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	£4.0m
Housing Revenue Account	This fund is statutory to maintain a revenue account for local authority Council housing provision. It contains the balance of income and expenditure as defined by the Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.	No	£19.6m
Capital Receipts Reserve	This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end use and may be earmarked for use in the Council's capital programme.	No, unless approved by Government for transformation	£19.0m
Capital Grants Unapplied	This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the funds, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms.	No	£12.7m

For financial resilience the Council may need to consider replenishment of the general reserve over the MTFS period.

The overall level of financial resources available to the council is finite and therefore the continued use of reserves above a certain level cannot be sustained in the longer term without placing the Council's financial position at risk. The MTFS recognises that the Council's financial reserves are maintained at a prudent level to protect present and future Council services and includes a plan to replenish reserves in years 3 to 5 of this MTFS.

The Council accepts that while balancing the annual budget by drawing on general reserves can be in certain circumstances a legitimate short-term option it is not considered good financial management to finance recurrent expenditure in this way in the medium to long term. The Council recognises that usage of reserves is one-off in nature and must be linked with expenditure and income plans to support financial sustainability in the medium term.

## **10. Community Wealth Building / Social Value**

The Council has agreed to implement a Community Wealth Building (CWB) model as one of the tools to support the Thrive agenda. Through community wealth building, Gateshead is advancing its Thrive agenda aspirations to be an inclusive economy where the wealth is not extracted but broadly held and generative, with local roots, so that income is recirculated, communities are put first, and people are provided with opportunity, dignity and well-being. The Council's Corporate Commissioning and Procurement service work to ensure that Council priorities, community wealth building and social value are incorporated into all commissioning and procurement activity. In November 2021, Cabinet agreed all contracts with a value over £100,000 would have a weighting of 20% against Social Value. To date the Council has received £4.1m in Social Values offers including apprenticeships, work placements, donations in kind including donations to the Mayor's charities and awards schemes.

## **11. Conclusion**

The factors and assumptions outlined above result in a forecast cumulative gap of £49.7m within the MTFS driven mainly by Social Care demand pressures and additional inflationary costs.

Achieving sustainable finances represents a formidable challenge for the reasons outlined in this report and some tough choices will need to be taken to achieve long term sustainability. It is essential that the delivery of Council priorities and achievement of priority outcomes is linked to resource allocation in a sustainable way.

Sound and responsible financial management will provide a strong foundation to deliver against the challenges outlined above. The Council has a strong track record of financial performance and will continue to use resources in the best possible way to help residents of the borough thrive.

The Medium Term Financial Strategy of the Council will be kept under review to ensure that the financial context within which the Council operates is understood and informs effective decision making in a dynamic environment.

## Sensitivity Analysis for 2024/25 figures

= current assumptions built into MTFS

### Pay Inflation

Employee costs represent the biggest area of the Council's spend and so pay inflation is a significant cost for the Council. The base assumption is pay inflation of 5.41%. Each percentage costs c.£1.5m

Pay Inflation	1%	2%	3%	4%	5.41%	5%	6%
Cost (£m)	1.485	2.971	4.456	5.941	7.693	7.427	8.912
Additional/(reduced) cost from MTFS	(6.208)	(4.722)	(3.237)	(1.752)	-	(0.266)	1.219

### Council Tax

Following changes to referendum limits, the base assumption is a Council Tax core increase of 2.99% plus 2% for ASC precept. Each 1% of Council Tax generates c.£1.1m of income.

Council Tax	0%	1%	2%	3%	4%	4.99%	6%
Income Generated (£m)	0.000	(1.110)	(2.219)	(3.329)	(4.439)	(5.538)	(6.658)
(Additional)/reduced income from MTFS	5.538	4.428	3.318	2.208	1.099	-	(1.121)

Assumptions used for planning purposes and not approved until February 2024. Note for anything over 4.99% (2024/25, including ASC Precept) the Council must hold a local referendum before implementing any increase.

### Funding

The base assumes CPI increase on Revenue Support Grant. Each 1% increase/decrease is a funding impact of £0.180m.

Revenue Support Grant	0%	2%	4%	5.41%	6%	8%	10%
Income Generated (£m)	-	(0.355)	(0.711)	(0.961)	(1.066)	(1.422)	(1.777)
(Additional)/reduced income from MTFS	0.961	0.606	0.251	-	(0.105)	(0.460)	(0.816)

### Risk Assessment of Key Threats

A series of potential changes in the inflationary outlook, the Spending Review, Local Government Settlement, Business Rate reform and the results of the fair funding review inevitably means there are many uncertainties and sources of risk attached to the forecast.

A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified. These are reviewed each year as part of the refresh of the MTFS. The key strategic financial risks to be considered in developing the MTFS are as follows: -

Risk	Likelihood	Impact	Risk Management
1. Future available resources are less than assumed.	Possible	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2024/25 and beyond are based on best estimates at this time. A prudent approach has been adopted based on previous years' experience as well as using regional network contacts to inform modelling.
2. Volatility of Business Rates funding including uncertainty around impact of appeals	Likely	High/ Medium	Volatility of funding stream outside of council control but impact mitigated by the financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning. Dependency on government funding in this area.
3. Public Health funding is insufficient to meet responsibilities	Possible	Medium	Funding confirmed for 2023/24 and an indicative allocation has been given for 2024/25, however funding in future years is unknown. The lack of certainty of continuation of grant going forward is a significant risk of circa £17.5m. Public Health responsibilities were to be rolled into the new system under the move to 75% rate retention. Networks and regional lobbying to ensure a sustainable transition of funding is agreed.
4. Pay Awards, fee increases and price inflation higher than assumed	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and care fees. Where pay awards have been agreed these are factored into the estimates where affordable. With current high inflation and cost of living crisis the potential impacts can be seen within the sensitivity analysis.
5. Future spending plans are underestimated	Possible	Medium	Service planning process identifies future budget pressures, and these have informed the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures.
6. Anticipated savings/ efficiencies are not achieved	Possible	High	Regular monitoring and reporting take place but the size of the funding cuts increase the likelihood of this risk. Non-achievement of savings requires compensating reductions in planned spending within services. Greater scrutiny of savings will take place with senior management oversight.
7. Revenue implications of capital programmes are not fully anticipated	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in the MTFS projections.
8. Income targets are not achieved	Possible	Medium	Current economic climate likely to impact. This forms part of the regular monitoring and reporting that takes place. Full review of fees and charges is undertaken on an annual basis. Reduced income requires compensatory reduction in spending plans. Some budgets rebased as part of the 2023/24 budget.
9. Budget monitoring not effective	Possible	High	Regular monitoring and reporting in line with corporate framework. Action plans including positive interventions developed to address problem areas. Regular reports to CMT and Cabinet. Track record of delivering budget.
10. Exit strategies for external funding leasing/tapering not met	Unlikely	Medium	Regular monitoring and reporting.
11. Loss of principal deposit	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which prioritise security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions.

Risk	Likelihood	Impact	Risk Management
12. Collection rates for retained business rates and council tax lower than anticipated	Possible	High	Impact mitigated by the review of bad debt provisions. Proactive approach to stimulating economic growth. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process and key performance indicators.
13. Changes to Government policy including Health and Social Care changes	Likely	Medium/High	Best estimates of impact of government policy on funding factored into MTFS. Estimates are prudent and based on recent experience. Specific areas of uncertainty identified and subject to focussed actively, close monitoring and review. Risks of Better Care Fund are managed through the joint Council/ICB Better Care Fund Programme Board. The impacts of welfare reform continue to be planned for and monitored through the Council Scrutiny Framework. Charging reform implementation of 18 (3) of the Care Act is managed by an operational working group.
14. All MTFS risks not adequately identified	Unlikely	Low	Council's Risk Management Framework ensures all operational and strategic risks are identified as part of the annual service planning process. Regional networks such as SIGOMA provide ability to assess and compare strategies to ensure assumptions are comprehensive.

## PESTEL analysis

This is a strategic tool to evaluate the external environment of an organisation by breaking down opportunities and threats into several factors. The table below highlights some considerations impacting on the Councils medium term strategy and plans.

### **Political**

- Change in Government policy direction and regulation including social care and NHS can impact on social care models and shared funding arrangements and without adequate funding can be an added pressure
- Labour laws /National Living Wage can impact on legal views and costs
- Environmental laws impact on planning, council buildings and costs
- Stability of political parties will ensure policies do not change regularly
- National infrastructure and transport links decisions can impact on local economy
- PWLB rates can have a significant impact on capital projects and affordability
- Brexit - Uncertainty of European Grants and unknown impacts on the economy
- Welfare reform/Housing demands /Universal Credit- Governments changes are likely to have an impact in relation to potential bad debt of council tax income and housing rents and the services needed by residents
- Local Government Funding Reform – the aim to making councils more self-sufficient and less reliance on grants.

### **Economic**

- National and local economic growth rates
- Energy prices increasing or decreasing
- Price pressures/ supply chain pressures
- Labour market availability and shifts
- Exchange rates
- Inflation rates both CPI and RPI - Levels of inflation and medium-term trajectories of it have an impact on capital and revenue investment projects on rising costs and contractual commitments.
- Interest rates on investments, borrowing and debt
- National and local Unemployment rates
- The Council plays a strong role in ensuring a strong and vibrant local economy which can in turn lead to better jobs and skilled local people.

- Levels of employment influence the need for resident welfare support as well as other type of local government support.

### ***Socio-cultural***

- Local health indices
- Deprivation levels - Gateshead is currently ranked 47th out of 317 local authorities in England in the overall IMD 2019, where one is the most deprived (rank of average score).
- Local population demographics – having a young, healthy workforce or aging population with complex needs changes service needs
- Child poverty can influence the levels of looked after children and family support
- Health of local workforce

### ***Technological***

- Pace of change impacts on upgrades to systems and customer expectations for accessing services
- Level of digital skills locally will determine who can access online services and who need more support such as telephone or face to face service provision.
- Appetite for innovation can influence service adaptation to customer needs
- New technology improves ability to introduce/improve agile working – making workforce more flexible.

### ***Environmental***

- Weather and impacts
- Local Climate Change Agendas
- Government Climate Change Aspirations
- Local Pollution
- Aspirations to be Environmentally Friendly
- Environmental impacts ripple through everything the Council does and as such all reports to Cabinet must consider these implications

### ***Legal***

- Discrimination law
- Consumer law
- Employment law
- Health & Safety laws
- Changes in regulation and legislation in relation to local government
- Licenses and permits

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## COUNCIL MEETING

23 November 2023

### Treasury Management – Performance to 30 September 2023

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**Sheena Ramsey, Chief Executive**

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#### **EXECUTIVE SUMMARY**

1. The purpose of this report is to recommend to Council 'Treasury Management performance for the six months to 30 September 2023.
2. The Cabinet has considered the facts and issues arising from the report, including alternative options and took all relevant advice before formulating their recommendations.

#### **RECOMMENDATION**

3. It is recommended that Council:
  - (i) To note the Treasury Management Performance to 30 September 2023; to contribute to sound financial management and the long-term financial sustainability of the Council.

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**TITLE OF REPORT:** Treasury Management – Performance to 30 September 2023

**REPORT OF:** Darren Collins – Strategic Director, Resources and Digital

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### **Purpose of the Report**

1. The purpose of this report is to review Treasury Management performance for the six months to 30 September 2023, covering investments and borrowing. This is consistent with approved performance management arrangements.

### **Background**

2. Cabinet will receive half yearly performance reports on the agreed Treasury Management budget identifying any variances. This report sets out the monitoring position at 30 September 2023.
3. Council agreed the Treasury Policy Statement and Treasury Strategy 2023/24 to 2027/28 which provided a framework for the Strategic Director, Resources and Digital to exercise his delegated powers on 24 March 2023.
4. Council also agreed the original Treasury Management 2023/24 budgets on 23 February 2023 of £20.646m, split £8.973m for General Fund and £11.673m for the HRA.

### **Proposals**

5. The projected outturn for 2023/24 at 30 September 2023 for the General Fund is £7.178m compared to the budget of £8.973m, an underspend of £1.795m. The HRA projection is £12.043m compared to the budget of £11.673m, an overspend of £0.370m.
6. The Audit and Standards Committee reviewed the Treasury Management performance to 30 September 2022 on 31 October 2023 and raised no comments for submission to Council.
7. It is important that effective budget monitoring and action planning is in place to ensure that spending in 2023/24 is contained within approved budgets as this will contribute to a sustainable financial position for the Council.

### **Recommendation**

8. Cabinet is asked to recommend that Council note the Treasury Management Performance to 30 September 2023; to contribute to sound financial management and the long-term financial sustainability of the Council.

**Policy Context**

1. The proposals in this report are consistent with Council priorities and in particular they ensure that effective use is made of the Council's resources to ensure a sustainable financial position and support of the framework for achieving the Council's strategic approach 'Making Gateshead a Place Where Everyone Thrives'. The Council recognises there are huge financial pressures on not just Council resources, but those of partners, local businesses and residents. This requires the Council's decision-making to be policy and priority led and driven.

**Background**

2. The Prudential Code plays a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA, the Chartered Institute of Public Finance and Accountancy, as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.
3. In December 2021 CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code (the Code) which represent best practice. The Council fully complies with the Code and this contributes towards achieving good practice.
4. Part 1 of the Local Government Act 2003 specifies the powers of a local authority to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. Borrowing is linked to the CIPFA Prudential Code for Capital which sets out a range of prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent and sustainable. The Prudential Code refers to the need for a clear and integrated treasury strategy.
5. In addition, under Section 15 of the Local Government Act 2003, authorities are required to have regard to the MHCLG's guidance on Local Government Investments. This document stipulates the requirement for an annual investment strategy to be integrated into the Council's Treasury Strategy.
6. Under Part 4 of the Council's Constitution the Strategic Director, Resources and Digital will produce a Treasury Policy Statement annually, setting out the general policies and objectives of the Council's treasury management function.

**Treasury Management Strategy Statement**

7. The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Council on 24 March 2023. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

## Mid-Year Performance to 30 September 2023

8. This report sets out the latest position on the 2023/24 Treasury Management budget as at 30 September 2023 and projects interest on borrowing and investment income to the end of the financial year.
9. The combined General Fund and HRA projected outturn for 2023/24 at 30 September 2023 is £19.221m compared to the estimate of £20.646m, a projected underspend of £1.425m. The underspend relates to two main areas:
  - a) Borrowing costs are lower than budget. Due to the council holding high levels of cash reserves and reduced projected capital financial requirements borrowing has been delayed until later in the financial year
  - b) Investment interest achieved is higher than budgeted estimates. Due to changes in the market conditions and higher levels of interest available the council has received a higher return on investments placed during the financial year.
10. Appendix 2 details the budget for 2023/24 compared to an assessment of the projected outturn for the year.

## Consultation

11. The Leader of the Council has been consulted on this report.

## Alternative Options

12. There are no alternative options, as the Treasury Management mid-year performance report recommended for approval is required to comply with the policy on delegation, review requirements and reporting arrangements as outlined in the Treasury Policy Statement and Treasury Strategy.

## Implications of Recommended Options

13. **Resources:**
  - a) **Financial Implications** - The Strategic Director, Resources and Digital confirms that the financial implications are set out in this report. There are no additional financial implications associated with the report itself.
  - b) **Human Resources Implications** - There are no human resources implications arising from this report.
  - c) **Property Implications** – There are no property implications arising from this report.
14. **Risk Management Implications**

The Treasury Policy and Treasury Strategy which informs activity in this area were prepared with the primary aim of minimising risk to ensure that the Council's principal sums are safeguarded. Maximising income is considered secondary to this main aim.
15. **Equality and Diversity Implications**

16. **Crime and Disorder Implications**

There are no crime and disorder implications arising from this report.

17. **Health Implications**

There are no health implications arising from this report.

18. **Climate Emergency and Sustainability Implications**

There are no climate emergency or sustainability implications arising from this report.

19. **Human Rights Implications**

There are no human rights implications arising from this report.

20. **Ward Implications**

There are no direct area and ward implications arising from this report.

## Mid-Year Report - Performance to 30 September 20232

### Investment Performance

1. The latest projection of gross investment income for 2023/24 based on interest earned to date and expected interest to March 2024 is £5.102m, compared to an original estimate of £4.560m.
2. This gross investment interest is adjusted to account for £0.700m interest payable to third parties (budget £0.742m), temporary loans of £0.031m (budget £0.011m) and interest receivable of £1.273m from various third parties (budget £1.273m). This gives a projected net interest to the General Fund 2023/24 of £5.644m compared to the budget of £5.080m. The variance to budget is mainly as a result of higher levels of interest received due to higher increases to the Bank of England base rate than anticipated when the 2023/24 budget was set.

### The Economy

3. Since the historically low bank base rates during the covid pandemic interest rates have been on an upward curve from December 2021. The Bank of England's Monetary Policy Committee have agreed the following increases so far in 2023/24:

Date	Base Rate
01 April 2023	4.25%
11 May 2023	4.50%
23 June 2023	5.00%
04 August 2023	5.25%

It is anticipated that base rate increases have peaked at 5.25% and are projected to fall slightly in the second half of the current financial year to 5.00%.

### Rate of Return

4. The average rate of return is monitored for each investment type the Council enters into and these are used to calculate an average rate of return for the year to date. The current rate of return is 4.85%, which is an improvement on the original estimate of 3.82%.
5. The quarterly LINK Asset Services Investment Benchmarking report assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across regional Local Authorities. In the most recent report received at June 2023 the Council achieved a weighted average rate of return of 4.81% on its investments for Quarter 1 2023/24 which is above the risk adjusted expectations (4.20% to 4.54%) defined in the Benchmarking Report for our Group.
6. The average rate of return would be expected to increase during the remainder of the financial year as low interest investments mature, increased stability in the bank base rates, investment balances are projected to remain consistent and new deposits placed with higher yielding returns.
7. In the current financial year the economic conditions in the investment market improved and the Council will likely realise levels of interest rates achieved in recent financial years. The majority of available interest rates up to 12 months duration are

at or around 5.60% compared to the bank base rate of 5.25% (at 30 September 2023). No further increases in the Bank Base Rate are forecast during the current financial year ending 31st March 2024, with investment returns forecast to remain fairly consistent in the short and medium term.

## **Borrowing**

14. The total borrowing for the Council and HRA as at 30 September 2023 was £684.966m, which was within the operational borrowing limit of £855.000m. This borrowing is made up of £636.966m Public Works Loans Board (PWLB) loans and £48.000m market loans.
15. The Treasury Strategy estimates for the 2023/24 financial year were based on a total borrowing requirement of £81.573m with £62.406m relating to the GF and £19.166m the HRA. Due to the council holding high levels of cash reserves there has been no borrowing taken in the year to date. The timing of any further borrowing will depend on cash flow requirements to support the capital programme.
16. The current forecast for interest payable on borrowing is allocated to the General Fund and the Housing Revenue Account (HRA) as shown in the following table:

	<b>General Fund</b>	<b>HRA</b>
Forecast Interest Payable	£13.591m	£12.228m
Average rate of interest	3.38%	3.79%

This represents a gross saving of £0.828m on the original estimate, of which £0.793m is a saving for the General Fund and £0.035m additional cost to the HRA.

## **Compliance with Treasury and Prudential Limits**

17. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24 as demonstrated in Appendix 3.
18. **Liability Benchmark**

A new prudential indicator has been introduced for 2023/24, the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum and Appendix 4 shows the current position as 30 September 2023.

## **Summary of Mid-Year Performance**

19. The projected net impact of investment and borrowing activity on the revenue budget in 2023/24 is an underspend of £1.425m, comprising £1.795m General Fund underspend and £0.370m HRA overspend.



	General Fund			HRA		
	Estimate	Projected Outturn	Variance	Estimate	Projected Outturn	Variance
	£m	£m	£m	£m	£m	£m
Investments	(5.080)	(6.083)	(1.003)	(0.555)	(0.150)	0.405
Borrowing	13.591	12.798	(0.793)	12.228	12.193	(0.035)
Premia	0.462	0.463	0.001	0.000	0.000	0.000
<b>Net Position</b>	<b>8.973</b>	<b>7.178</b>	<b>(1.795)</b>	<b>11.673</b>	<b>12.043</b>	<b>0.370</b>

20. Current interest rates for investments are around 5.60% for 12 months and 5.50% for 6 months, allowing the Council to maintain existing returns from investing cash balances. PWLB rates are currently higher than budgeted and will be monitored to ensure borrowing is taken at the optimum time to minimise the number of long term loans entered into at the current higher level of interest rates.
21. The balance of external and internal borrowing is generally driven by market conditions. The council will continue to monitor the market to identify any opportunity to repay borrowing earlier than planned, subject to any discounts received.

### Maturity Profile of Fixed Rate Borrowing

The following table shows that Gateshead is within the prudential limits set for the maturity profiles of fixed rate borrowing.

<b>Fixed Rate Borrowing</b>				
	<b>Lower</b>	<b>Upper</b>	<b>Actual @ 30 September</b>	<b>Max Actual to date</b>
<b>&lt; 1 yr</b>	0%	15%	2.78%	2.78%
<b>1 – 2 yrs</b>	0%	19%	2.29%	2.99%
<b>2 – 5 yrs</b>	0%	22%	8.42%	9.15%
<b>5 – 10 yrs</b>	0%	22%	10.98%	11.71%
<b>10 – 20 yrs</b>	0%	17%	5.04%	6.50%
<b>20 – 30 yrs</b>	0%	41%	6.65%	6.65%
<b>30 – 40 yrs</b>	0%	42%	32.73%	33.46%
<b>40 – 50 yrs</b>	0%	41%	29.64%	33.29%
<b>50 yrs +</b>	0%	11%	0.00%	0.00%

### Maturity Profile of Variable Rate Borrowing

The following table shows that Gateshead is within the prudential limits set for the maturity profiles of variable rate borrowing.

<b>Variable Rate Borrowing</b>				
	<b>Lower</b>	<b>Upper</b>	<b>Actual @ 30 September</b>	<b>Max Actual to date</b>
<b>&lt; 1 yr</b>	0%	16%	1.46%	2.92%
<b>1 – 2 yrs</b>	0%	11%	0.00%	0.00%
<b>2 – 5 yrs</b>	0%	11%	0.00%	0.00%
<b>5 – 10 yrs</b>	0%	11%	0.00%	0.00%
<b>10 – 20 yrs</b>	0%	11%	0.00%	0.00%
<b>20 – 30 yrs</b>	0%	11%	0.00%	0.00%
<b>30 – 40 yrs</b>	0%	11%	0.00%	0.00%
<b>40 – 50 yrs</b>	0%	11%	0.00%	0.00%
<b>50 yrs +</b>	0%	11%	0.00%	0.00%

### Operation and Authorised Limits (External Debt)

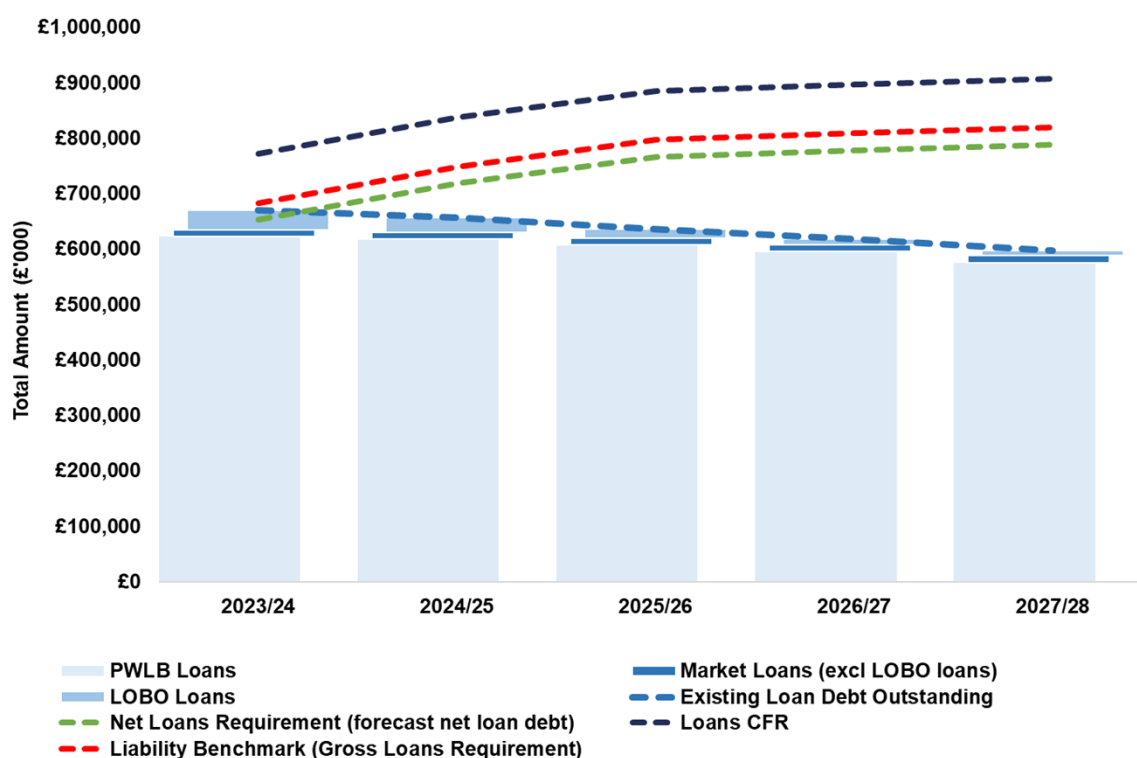
	<b>£m</b>
Operational Limit 2023/24	850.000
Authorised Limit 2023/24	865.000
Actual External Debt Outstanding 30 Sept 2023	684.966
Maximum Debt Outstanding to 30 Sept 2023	684.966

### Non-Specified Investments

As part of the Annual Investment Strategy, the approved limits in respect of non-specified investments have been agreed. The limits and actual performance are detailed below for counterparties with ratings which fall short of the Council's high credit rating. Investments over 364 days are also classed as non-specified.

	<b>Limits 2023/24</b>	<b>Actual Levels 30 Sep 2023</b>	<b>Maximum to date</b>
Rated Not High	25.00%	0.00%	5.82%
Not Rated	0.00%	0.00%	0.00%
Over 364 days (max of 3 yrs.)	£15m / 20.00%	£0m / 0.00%	£0m /0.00%

## Liability Benchmark



The Liability Benchmark gross loans requirement, subject to using internal borrowing and maintaining £30m (liquidity allowance) in Treasury Management investments, is £683m compared to the existing loan debt of £671m, so external debt is circa £12m below the benchmark.



## COUNCIL MEETING

23 November 2023

### Capital Strategy 2024/25 to 2028/29

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**Sheena Ramsey, Chief Executive**

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#### **EXECUTIVE SUMMARY**

1. The purpose of this report is to recommend Council to approve the Capital Strategy for 2024/25 to 2028/29.
2. The Cabinet has considered the facts and issues arising from the report, including alternative options and took all relevant advice before formulating their recommendations.

#### **RECOMMENDATION**

3. It is recommended that Council:
  - (i) To agree the Capital Strategy Plan 2024/25 to 2028/29.

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**Title of report:** Capital Strategy 2024/25 to 2028/29

**Report of:** Darren Collins – Strategic Director, Resources and Digital

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### **Purpose of the Report**

1. Cabinet is asked to recommend that Council approve the attached Capital Strategy for 2024/25 to 2028/29 to support the framework used to set and monitor the Capital Programme.

### **Background**

2. In December 2021 the Chartered Institute of Public Finance (CIPFA) revised the Prudential Code for Capital and the Code of Practice on Treasury Management to align these documents to the revised MHCLG Guidance on Local Government Investments.
3. The revised guidance emphasis is the need to ensure capital expenditure is prudent, proportional, affordable and sustainable, with greater weight placed on the assessment and management of the long-term implications of capital expenditure on the revenue budget and the delivery of the Council's policy objectives.
4. All Councils are required to have a Capital Strategy in place which is approved by full Council. This supports decision making and ensures Councils have a robust approval, reporting and monitoring framework in place which clearly links capital expenditure to the wider Council objectives and impact on the revenue budget.

### **Proposals**

5. Cabinet is asked to recommend that Council approve the Capital Strategy attached at Appendix 2, to ensure that the Council fully complies with the requirements of good financial practice in capital accounting.

### **Recommendation**

6. Cabinet is asked to agree the Capital Strategy as attached at Appendix 2 and recommend the Strategy for approval to Council.

For the following reason:

To ensure that the Council fully complies with the requirements of good financial practice in capital accounting.

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**CONTACT:** Clare Tait, ext. 3617

## **Policy Context**

1. The proposals in this report are consistent with the Council's priority of Making Gateshead a Place Where Everyone Thrives and the Medium Term Financial Strategy, in particular they ensure that effective use is made of the Council's resources to achieve the Council's priorities whilst ensuring a sustainable financial position.

## **Background**

2. Part 1 of the Local Government Act 2003 specifies the powers of a local authority to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. Borrowing is linked to the CIPFA Prudential Code for Capital which sets out a range of prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent and sustainable.
3. In addition, the revised Prudential Code requires all Councils to have in place a Capital Strategy which has been approved by full Council. To ensure Councils have a robust approval, reporting and monitoring framework in place which clearly links capital expenditure to the wider Council objectives and demonstrates the impact on the revenue budget.
4. The Prudential Code also refers to the need for a clear and integrated treasury strategy which, by the application of set prudential and treasury management financial indicators enables the Council to assess and monitor the prudence, affordability, sustainability and proportionality of the capital programme.
5. CIPFA has produced the Prudential Code, which represents best practice, adopting the attached Capital Strategy will ensure the Council fully complies with the Code and this contributes towards achieving good practice.

## **Capital Strategy**

6. The Capital Strategy for 2024/25 to 2028/29 is attached at Appendix 2. This covers the specific capital investment activities included with the Capital Programme and the framework in place for the annual review of the five-year rolling programme.
7. The Capital Strategy ensures all decisions on capital investment support the Council's priorities and the Council's Medium Term Financial Strategy (MTFS) and sets out the decision-making, monitoring and reporting framework for capital expenditure.
8. In compliance with the Prudential Code, the Capital Strategy also sets out the Council's approach to the following areas:
  - Use of the capitalisation flexibility
  - The impact of the ongoing costs of capital expenditure on the revenue budget and if any reliance is placed on investment returns to balance the revenue budget
  - Assessment of the risks associated with the Capital Programme
  - Any restrictions around borrowing
  - Long term projections around borrowing and the repayment of debt
  - The Council's approach to commercial investments



- Use of independent external advice to support decision-making
- How other long-term liabilities, such as equity investments and financial guarantees are identified and monitored.
- The level of knowledge and skills available within the Council to support informed decision-making.

## **Consultation**

9. The Leader of the Council has been consulted on this report.

## **Alternative Options**

10. There are no alternative options, as the Capital Strategy recommended for approval is required in order to comply with CIPFA's Prudential Code for Capital.

## **Implications of recommended options**

11. **Resources:**

**a) Financial Implications** - The Strategic Director, Resources and Digital confirms that there are no additional financial implications associated with this report.

**b) Human Resources Implications** - There are no human resources implications arising from this report.

**c) Property Implications** – There are no property implications arising from this report.

12. **Risk Management Implications**

There are no risk management implications arising from this report.

13. **Equality and Diversity Implications**

There are no equality and diversity implications arising from this report.

14. **Crime and Disorder Implications**

There are no crime and disorder implications arising from this report.

15. **Climate Emergency and Sustainability Implications**

There are no climate emergency or sustainability implications arising from this report.

16. **Human Rights Implications**

There are no human rights implications arising from this report.

17. **Ward Implications**

There are no direct ward implications arising from this report.

18. **Background Information:**

The following documents have been used in preparation of the report:

1. Local Government Act 2003
2. CLG Guidance on Local Government Investments
3. CIPFA's Prudential Code for Capital
4. CIPFA's Code of Practice on Treasury Management

# **Capital Strategy**

## **2024/25 – 2028/29**

## 1. Purpose of the Capital Strategy

- 1.1 The purpose of the Capital Strategy is to drive the authority's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, proportional and affordable long-term delivery of services.
- 1.2 The Capital Strategy supports the Investment Plan and aligns to the Council's strategic approach of Making Gateshead a place where Everyone Thrives by:
- Putting people and families at the heart of everything we do
  - Tackling inequality so people have a fair chance
  - Supporting our communities to support themselves and each other
  - Investing in our economy to provide sustainable opportunities for employment, innovation, and growth across the borough
  - Working together and fight for a better future for Gateshead
- 1.3 Local Authorities are required, by regulation, to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. A key element of the code is that local authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made.

## 2. Technical Background

2.1. The Capital Strategy is framed within the following statute and guidance:

Legislation	Professional Codes	Guidance
Local Government Act 2003 - Part 1	CIPFA	Government and CIPFA
1.1 Power to borrow 1.12 Power to invest 1.15 Regard to guidance issued 1.3 Affordable borrowing limit	Prudential Code 2021 Treasury Code of Practice 2021	Minimum Revenue Provision Local Government Investments

2.2. In response to a growing number of authorities increasing their use of non-financial investments (such as commercial property portfolios) to generate income to compensate for reducing resources supporting the delivery of their core services, the Prudential Code was updated in 2021. The revised code and guidance sought to increase transparency and to provide a single place to assess the proportionality of this activity in comparison to an authority's core services.

2.3. The Strategy is completed in line with best practice as outlined within the Chartered Institute of Public Finance and Accountancy (CIPFA) revised 2021 Treasury and Prudential Code, it:

- Applies a long-term approach.
- Explores external influences on Capital Strategy e.g. Local Enterprise Partnership (LEP).
- Examines Commercial activity/ambition.
- Determines implications of the Treasury and Prudential Code on the Capital Management Strategy.

- Ensures Council Plan priorities drive capital investment.
- Examines available resources and capacity to deliver.
- Assesses affordability against ambition and addresses any gaps.
- Identifies capital financing principles.
- Demonstrates integration with other strategies and plans.
- Identifies risks and mitigation.
- Outlines Governance, monitoring processes and procedures.

### 3. The Capital Planning Framework

3.1. The Capital Strategy is an integrated part of the Council's Planning framework. It has an impact on, and is impacted by, other strategies both internally and externally which include the following:

Strategy	Description
Core Strategy	Sets out the spatial planning framework to deliver economic prosperity and healthy, sustainable communities through economic and housing regeneration and new developments
Medium term Financial Strategy (MTFS)	Sets out the financial implications of delivering its key priorities, on the Council, over a five-year period whilst considering potential changes in demographics, legislation, government policies and the economy.
Health and Wellbeing Strategy	Sets the approach to achieving the vision of "Good jobs, homes, health and friends" and assists in the delivery of the Thrive agenda.
Treasury Management Strategy	Sets out the acceptable limits on ratings, investment periods, amounts to be invested and the borrowing strategy.
Asset Strategy	Details existing asset management arrangements and outcomes and planned action to improve asset use
Highways Asset Management Plan	Aims to facilitate the development and improvement of the way in which highway maintenance and management functions are carried out. This will assist in the optimal allocation of resources
Climate Strategy	Provides a framework to table climate change, allowing a collaborative approach and provide actions to contribute to the environmental goals of the Council and wider community.
Housing Strategy	Sets out the long-term vision for housing. The aim of the strategy is to ensure Gateshead continues to provide, good quality affordable homes and housing services that meet the needs and aspirations of the local people.

Strategy	Description
Digital Strategy	Enables customers to access online and mobile services, enables the council to work differently and more efficiently and enables the Council, residents, and businesses to compete in the digital world.
Economic Development Strategy	Sets the vision for the economic growth and development of Gateshead through redevelopment and inward investment

## 4. Principles

4.1. Capital expenditure can be defined as expenditure that results in the acquisition, construction, or enhancement of an asset (e.g., land, buildings, roads, plant and equipment), that continues to benefit the Council for a period of more than one financial year. Projects can be capitalised if they meet the definition of capital expenditure and are over the current approved de minimus of £10,000. Any item below this limit is charged to revenue.

4.2. The Prudential Code requires that authorities demonstrate that they make capital expenditure and investment decisions in line with services objectives and have proper stewardship arrangements, provide value for money, are prudent, proportional, sustainable, and affordable.

4.3. To ensure that the Council meets this requirement, it will:

- Ensure capital expenditure contributes to the achievement of the Council's Priority Outcomes.
- Ensure investment decisions make best use of resources. The impact of capital expenditure and use of resources is understood and a holistic view taken through the Medium-Term Financial Strategy. Income is not factored into the Medium-Term Financial Strategy although it is used to assess capital schemes.
- Have a clear framework for making capital expenditure decisions.
- Ensure a corporate approach to generating capital resources is established. The approach to providing funding for capital is set out in section 5 of this strategy.
- Have access to sufficient long-term assets to provide services. The Council uses statistical information, including population trends and housing development plans along with asset condition surveys and regular valuations of our assets to help plan long-term need.

4.4. Where loans to third parties are being used to fund expenditure that is classed as capital in nature, the loans will be accounted for as capital expenditure and will therefore be approved as part of the capital programme. Capital loans to third parties will only be considered where there is agreed terms of repayment, and repayments will be treated in accordance with the Council's Treasury Management Strategy.

## 5. Investment for Commercial Return

5.1. To date the Council has not entered any non-treasury financial investments which are purely to generate a commercial return. The Council owns a portfolio of tenanted non-residential properties which generate a revenue return for the

Council however, these properties have been held for a significant number of years and support the wider corporate priorities.

5.2. There are currently no plans to consider entering a non-treasury financial investment solely or primarily to obtain a revenue return. However, if an opportunity to do so arose the long-term financial impact and the risks inherent to the schemes would be assessed as part of the due diligence process. Where the size of the investment or the risk of the investment required external advice, this would be obtained. Cabinet would approve any potential investment to obtain a commercial return.

## 6. Funding

6.1. The Council's Capital Programme is funding through a range of sources including:

Source	Description
Prudential Borrowing	The introduction of the Prudential Code in 2004 allows the Council to undertake unsupported borrowing. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. This has revenue implications for the Council in the form of financing costs, including the Minimum Revenue Provision, which is considered via the annual budget setting process.
External Grants for Specific Purposes	These include grant allocations categorised for specific purposes to deliver specific schemes or outcomes. Where the Council is already funding a scheme or targeted outcome from council funding streams such as borrowing or capital receipts, then such grants will be used to reduce the use of council funding in the defined order outlined at 5.2.
External Grants for Non-Specific Purposes	These are grant allocations for the delivery of the Council's capital plans (most often from government departments), that are categorised as non-specific. These grants are used to fund the approved capital programme and reduce the Council's need to borrow.
Infrastructure Contributions e.g. S106 Contributions, Community Infrastructure Levy (CIL) etc	Some projects within the Capital Programme are funded by contributions from private sector developers. Where applicable we request contributions towards infrastructure, such as roads and transport, schools, libraries, household waste recycling centres and rights of way, relating to the development.
Other External Contributions	Organisations or partners may make a contribution towards the delivery of a specific capital project. The same principles will apply as to External Grants for Specific Purposes (see above).
Reserves and Revenue Set Aside	The Council can use revenue resources to fund capital projects, where these have been approved as part of the budget setting process or an approved business case.

	This includes specific reserves, payback from invest to save schemes or revenue contributions.
Capital Receipts	The Council can generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources, which will be available to support the Council's plans. This funding source will be prioritised to fund assets with the shortest useful life, such as IT equipment, to reduce the requirement to borrow for assets that attract a greater annual Minimum Revenue Provision cost.
New Homes Bonus	New Homes Bonus is a (non-specific) revenue grant given by Central Government to Councils which is based on the number of homes built or brought back into habitation in the previous year and is payable for four years. New Homes Bonus can be used to fund revenue or capital expenditure. This will be decided annually through the budget setting process
Leasing	Lease obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks to the Council owning and delivering such assets itself.

6.2. The application of funding sources to capital expenditure incurred during the year will be applied in the following order, where possible, to minimise revenue implications:

- Scheme specific income e.g., specific grants, S106 contributions, Community Infrastructure Levy and Other External Contributions
- Reserves and Revenue set aside funding, where agreed.
- Non-Specific grants
- New Homes Bonus
- Capital Receipts
- Borrowing

## **7. Environmental, Social and Governance Considerations**

7.1. In 2019 the Gateshead Council declared a Climate Emergency and set a target of achieving carbon neutrality from its activities as soon as practicable and in any event by 2030, in line with the new target for the UK agreed by Parliament in 2019. Where possible, officers will identify energy efficient methods and embed low carbon outcomes as appropriate in capital contracts.

7.2. To ensure that the costs and benefits of any potential projects is balanced with the social, economic, and environmental implications of carbon reduction initiatives, the following should be considered.



- Energy efficiency measures should be considered at the start of any capital project and included in the whole project costs when establishing a business case.
- Where possible, ESG schemes should be integrated within existing funded programmes, e.g., a boiler replacement programme should replace boilers with lower carbon alternatives as part of the capital building maintenance programme.
- A whole building approach should include whole life costings which will range from shorter to longer term pay back periods, and it may be possible to use short term savings to subsidise longer term improvements.
- Scheme Specific Funding, such as external grants and Section 106/CIL contributions should be considered and actively sought to fund projects.
- Scheme should assess whether they can include an element of lobbying of government departments to provide funding for low carbon measures, such as the Department of Education when funding new schools and major improvements.

## **8. Equalities Impact**

8.1. Following the introduction of the Equality Act 2010 ('the EA') a public authority must, in the exercise of its functions, have due regard to the need to

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
- Advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2. The protected characteristics set out in the EA are age, disability, race, pregnancy/maternity, religion or belief, sex, gender reassignment, and sexual orientation. Marriage and civil partnership are also protected characteristics for the purposes of the duty to eliminate discrimination.

8.3. In setting the Capital Programme, the three equality aims set out above have to be considered as a relevant factor alongside financial constraints and all other relevant considerations. The EA does not require a specific template or format for this assessment however, cases considering the public sector equality duty have held that an Equality Impact Assessment is the best way to demonstrate that the equalities impacts have been identified and considered.

8.4. Where a capital project is added to the Capital Programme, officers will have regard to the equalities impacts and this will identify whether a further impact assessment is required if the proposal is agreed.

## **9. Debt, Borrowing and Treasury Management**

9.1. A requirement under the Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services is to prepare a Treasury Management Policy and Strategy setting out the Council's policies for managing investments and borrowing. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential

Code and to set Prudential Indicators to ensure that the Council's capital investment plans are affordable, prudent, proportional and sustainable.

- 9.2. The Local Government Act 2003 permits local authorities to borrow to finance capital expenditure provided that the plans are affordable, prudent, proportional and sustainable in the long term. For borrowing to be considered prudent and affordable there must be an identifiable source of revenue funding to meet the future costs of the borrowing. Ideally this will be revenue savings or additional income. The costs of borrowing and any anticipated income/savings are included within the Medium-Term Financial Strategy. The Treasury Management Policy and Strategy and the Capital Programme identifies a borrowing need. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet the capital expenditure plans.
- 9.3. Under the Prudential Code and Treasury Management Code, the Council is required to set parameters around its borrowing and treasury activity, including an authorised borrowing limit for each year which cannot be breached. Additionally, when funding capital expenditure through borrowing, the Council is required to set aside a sum from revenue each year to repay the debt, known as the Minimum Revenue Provision (MRP).
- 9.4. To ensure the separation of the core treasury function under security, liquidity and yield principles (SLY), and the policy and commercialism investments usually driven by expenditure on an asset, the Capital Strategy is reported separately from the Treasury Management (TM) Strategy. Therefore, the debt related to the activity and the associated interest costs, payback period, Minimum Revenue Provision policy or for non-loan type investments, the cost against the current market value and the financial risks are part of the Treasury Management Policy and Strategy.
- 9.5. The borrowing strategy outlines the different borrowing options available to fund the capital financing requirement and how the risk around borrowing will be managed. The prudential framework and indicators, which are set annually, ensure that the capital programme remains affordable, sustainable, proportional and prudent by setting maximum levels of overall borrowing, interest rates exposure and the total borrowing maturity exposure per period.
- 9.6. The Treasury Management Investment Strategy specifies the Council's approach to specified and non-specified treasury management investments and non-treasury financial investments. Non-treasury financial investments are investments entered into either directly or through investment in a third party primarily to generate a financial yield and are not capital expenditure.

## **10. Governance**

- 10.1. The Council's constitution and financial regulations govern the capital programme as set out below:
- All capital expenditure must be carried out in accordance with the financial regulations and the Council's constitution.
  - Capital expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.
  - The Capital Programme must be approved by Full Council as part of the Council's annual budget process. The programme is set for a five year period and reviewed annually

- All schemes are formally approved into the capital programme.
- Additional schemes can be added to the capital programme during the year when there is additional external funding received, where there is an urgent health and safety issues, where the additional capital investment will support the financial position through long term savings or additional income or where the scheme supports the priorities and require immediate action.
- Each scheme must be under the control of a responsible person/project manager.
- All variations to the Capital programme are approved by Cabinet prior to incurring expenditure.

10.2. The Council has a SMG Project Board, a cross-departmental group consisting of officers from each service department, finance, property, legal and procurement. SMG Projects oversees the development and delivery of the Council's capital programme.

10.3. For large/higher risk capital projects, a project group will be established to manage the delivery of the project. This will be a multi-disciplinary team and will usually include the project manager and, as a minimum, representatives from the Capital Team, Property Services and Design Services. In these cases, external advice may also be used to ensure all risks have been identified, assessed and are at a level that is acceptable to the Council. Monitoring of the scheme will continue throughout the project to ensure risk continues to be effectively managed.

10.4. In year, the Capital Programme is monitored and reported to SMG Projects Board, the Corporate Management Team and then to Cabinet and Full Council, on a quarterly basis, as part of the Council's budget monitoring.

10.5. Governance arrangements, including risk management (see section 10), will be reviewed to ensure that they remain fit for purpose and are in line with best practice.

## 11. Risk

11.1. The Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.

11.2. The Council is exposed to a range of risks that could be triggered by local, national or global events resulting in, for example:

Type of risk	Description
Financial	Related to the investment of the Council's assets and cash flow, market volatility, currency etc.
Macroeconomic	Related to the growth or decline of the local economy, interest rates, inflation and, to a lesser degree, wider national and global economics.
Credit and Counterparty	Related to investments, loans to organisations, individuals and counterparties in business transactions.

Operational	Related to operational exposures within its organisation, its counterparties, partners and commercial interests.
Strategic	Related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its Priority Outcomes.
Reputational	Related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
Environmental and social risks	Related to risk around the environment e.g., ownership of contaminated land and disposal of waste or social e.g., being a good civic organisation, which can be highlighted in the perceived relationships with employees, local community, businesses, etc.
Governance	Related to ensuring that prudence and careful consideration sits at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks that balance oversight and efficiency.

11.3. Managing the Council's risks is an area of significant focus for senior management and members, and the Council adopts an integrated view to the management and qualitative assessment of risk.

11.4. The Council aims to minimise its exposure to unwanted risks – risks that are avoidable and which carry no commensurate reward for the Council – through a range of cost-effective mitigation strategies.

11.5. To ensure that risks are minimised for the delivery of the capital programme, a structured framework of planning and monitoring is maintained as detailed in section 9, which is intended to identify those schemes at risk of non or late delivery.

## 12. Knowledge and Skills

12.1. Officers and Councillors involved in the decision-making process are required to have an appropriate level of skill and knowledge, or to have access to these skills, to make informed decisions.

12.2. The officers from Financial Management, involved in the day-to-day management of the Capital and Treasury Management Teams are Consultative Committee of Accountancy Bodies (CCAB) qualified accountants. Link Asset Services provide external advice and support on treasury management issues and are also available to provide advice on capital accounting issues.

12.3. For individual capital schemes which are more complex and potentially higher risk, external advice will be sought to assist with the due diligence process. Where

external advice is taken, the outcome of the advice will be included within reports to Senior Officers and Councillors as part of the decision-making process.

- 12.4. Treasury management and capital training is available to Officers and Councillors and can include both formal training delivered by external advisor and in-house presentation around specific issues.

## APPENDIX 2

### GATESHEAD COUNCIL - CAPITALISATION POLICY

All capital expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis.

Expenditure on the acquisition of a non-current asset, or expenditure that adds to, and not merely maintains, the value of a non-current asset is capitalised and classed as a non-current asset. However, this is provided that the non-current asset yields benefits to the Council and the services it provides for a period of more than one year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation, enhancement or laying out of land.
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
- Acquisition, installation or replacement of plant, machinery and vehicles.
- Replacement of a component of a non-current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset.
- Increase substantially the extent to which the asset can or will be used for the purposes of the Council.

The Council capitalises expenditure on developing and implementing computer software and licenses as an intangible asset, provided that the expected life exceeds one year.

The Council also capitalises Project Management costs where this is directly linked to the delivery of a major project included within the Capital Programme.

All capital expenditure creating or enhancing a non-current asset (see definitions above) will be recorded in the Council's Asset Register where the asset can be identified. Some expenditure may also relate to assets owned by a third party rather than the Council and this is capitalised as Revenue Funded from Capital under Statute (REFCUS) in accordance with accounting regulations.

The Council's de-minimis level for valuation purposes is £40,000 and £10,000 for individual items of capital expenditure, with the exception of certain external funding regimes where different levels of capitalisation are specified.

All expenditure is capitalised through the capital accounts and financed at the year-end, as long as the scheme has been approved through the Council's capital programme. This includes programmes of spending such as purchase of fleet vehicles, ICT equipment, strategic maintenance or health and safety schemes, where individual project spend could be less than the current de-minimis level.



## COUNCIL MEETING

23 November 2023

### Capital Programme and Prudential Indicators 2023/24 – Second Quarter Review

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**Sheena Ramsey, Chief Executive**

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#### **EXECUTIVE SUMMARY**

1. The purpose of this report is set out the latest position on the 2023/24 Capital Programme and Prudential Indicators at the end of the second quarter to 30 September 2023
2. The Cabinet has considered the facts and issues arising from the report, including alternative options and took all relevant advice before formulating their recommendations.

#### **RECOMMENDATION**

3. It is recommended that Council:
  - (i) Recommends to Council that all variations to the 2023/24 Capital Programme as detailed in Appendix 2 are agreed:
  - ii) recommends to Council the financing of the revised programme set out in this report; and
  - (i) confirms to Council that capital expenditure and financing requirements have been revised in line with the amended budget and none of the approved Prudential Indicators set for 2023/24 have been breached.

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**TITLE OF REPORT:**           **Capital Programme and Prudential Indicators 2023/24  
– Second Quarter Review**

**REPORT OF:**               **Darren Collins, Strategic Director, Resources and Digital**

### **Purpose of the Report**

1. This report sets out the latest position on the 2023/24 Capital Programme and Prudential Indicators at the end of the second quarter to 30 September 2023. The report assesses reasons for the variances from the approved programme and details the proposed financing of the capital programme. In addition, the report considers the impact of CIPFA's Prudential Code on the capital programme and the monitoring of performance against the statutory Prudential Indicators.

### **Background**

2. The original budget for the capital programme for 2023/24, as agreed by Council on 23 February 2023, totalled £112.1m. At the first quarter review, this reduced to £113.5m and at the second quarter review expenditure is now projected to be £106.8m, £82.3m General Fund and £24.5m HRA by year end.
3. The proposed reduction in the capital programme at the second quarter comprises of the following movements:

	<b>£m</b>
Other movements	(0.633)
Reduced Project Costs	(0.364)
Re-profiling of capital expenditure to future years	(5.716)
<b>Total Variance</b>	<b>(6.713)</b>

4. Planned investment has been re-profiled to future financial years on several schemes, amounting to a reduction of £5.7m in 2023/24, the schemes which have slipped include the following:
  - £3m on Gateshead Quays, work is ongoing to finalise the construction contract.
  - £1.2m on installation of electric vehicle charging points in Council.

### **Proposal**

5. The report identifies planned capital expenditure of £106.8m for the 2023/24 financial year. The expected resources required to fund the Capital Programme are as follows:

**£m**

Prudential Borrowing	48.019
Projected Capital Receipts	0.750
Capital Grants and Contributions	33.487
Major Repairs Reserve (HRA)	19.264
Capital Grants and Contributions (HRA)	1.465
Right to Buy Receipts (HRA)	3.770
<b>Total Capital Programme</b>	<b>106.755</b>

9. CIPFA's Prudential Code advises the regular monitoring of performance against the prudential indicators which regulate borrowing and investment. Targets and limits for the prudential indicators for 2023/24 were agreed at Council on 23 February 2023 and borrowing and investment levels have remained within these limits. Performance against the indicators for 2023/24 is set out in Appendix 5.

## Recommendations

6. It is recommended that Cabinet:
- (i) recommends to Council that all variations to the 2023/24 Capital Programme as detailed in Appendix 2 are agreed;
  - (ii) recommends to Council the financing of the revised programme set out in this report; and
  - (iii) confirms to Council that capital expenditure and financing requirements have been revised in line with the amended budget and none of the approved Prudential Indicators set for 2023/24 have been breached.

For the following reasons:

- (i) To ensure the optimum use of the Council's capital resources in 2023/24.
- (ii) To accommodate changes to the Council's in-year capital expenditure plans.
- (iii) To ensure performance has been assessed against the approved Prudential Limits.

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**CONTACT: Clare Tait**

extension: 3716

### Policy Context

1. The proposals within this report are consistent with the objectives contained within the Council's corporate Capital Strategy and will contribute to achieving the objectives set out by the Council's Thrive Agenda. The financial implications of the capital programme are incorporated within the Council's Medium-Term Financial Strategy (MTFS).

### Background

2. The original budget for the capital programme for 2023/24, as agreed by Council on 23 February 2023, totalled £112.1m. Details of potential future capital schemes for the 2023/24 to 2027/28 Capital Programme were considered alongside the schemes within the existing programme. The capital and revenue implications of each proposed scheme were considered to ensure that they were affordable and could be accommodated within the level of revenue support available within the MTFS.
3. The projected year-end expenditure was £113.5m at the end of the first quarter and this is reduced to £106.8m at the end of the second quarter.
4. The £6.7m reduction is due to additional capital expenditure and re-profiling of existing schemes to future years. All variations in the programme during the second quarter are detailed in Appendix 2.
5. Appendix 3 summarises the original budget and actual expenditure to 30 September payments by Corporate Priority. The budget, projected year end expenditure and comments on the variances of each scheme are detailed in Appendix 4.
6. The prudential code sets out a range of Prudential Indicators that were agreed by Council on the 23 February 2023. Performance against the indicators for 2023/24 is set out in Appendix 5.

### Consultation

7. The Leader of the Council has been consulted on this report

### Alternative Options

8. The proposed financing arrangements are the best available in order to ensure the optimum use of the Council's capital resources in 2023/24.

### Implications of Recommended Option

#### 9. Resources:

- a) **Financial Implications** – The Strategic Director, Resources and Digital confirms that the financial implications are as set out in the report.

- b) **Human Resources Implications** – There are no human resources implications arising from this report.
  - c) **Property Implications** - There are no direct property implications arising from this report. Capital investment optimises the use of property assets to support the delivery of corporate priorities. The property implications of individual schemes will be considered and reported separately.
- 10. **Risk Management Implication** - Risks are assessed as part of the process of monitoring the programme and in respect of treasury management. The Cabinet will continue to receive quarterly reports for recommendation of any issues to Council, together with any necessary action to ensure expenditure is managed within available resources.
  - 11. **Equality and Diversity Implications** - There are no equality and diversity implications arising from this report.
  - 12. **Crime and Disorder Implications** – There are no direct crime and disorder implications arising from this report.
  - 13. **Health Implications** - There are no health implications arising from this report.
  - 14. **Climate Emergency and Sustainability Implications** - The sustainability implications are considered as part of developing and implementing individual capital projects. Planned investment within the capital programme is expected to result in improvements throughout the Borough.
  - 15. **Human Rights Implications** - There are no direct human rights implications arising from this report.
  - 16. **Ward Implications** - Capital schemes will provide improvements in wards across the Borough.

### **Background Information**

- 17. Report for Cabinet, 21 February 2023 (Council 23 February 2023) - Capital Programme 2023/24 to 2027/28.
- 18. Report for Cabinet 18 July 2023 (Council 20 July 2023) Capital Programme and Prudential Indicators 2023/24 – First Quarter Review

Appendix 2

Reason for movement	Portfolio	Group	Project Title	Variance £000
Other movements	Resources, Management and Reputation	EIG	Major Projects - Project Management Costs	50
	Resources, Management and Reputation	HEHC	Blaydon West Primary School	7
	Environment and Transport	EIG	Transforming Cities (Tranche 2)	264
	Environment and Transport	EIG	Local Transport Plan - Integrated Transport	(1,705)
	Adult Social Care	IASCS	Social Care System	342
	Housing	HEHC	Local Authority Housing Fund (LAHF)	2,854
	Housing	HEHC	Building Safety Improvements	1,728
	Housing	HEHC	Tyne Bank	57
	Housing	HEHC	Lift Replacement Programme	33
	Housing	HEHC	Communal Mechanical & Electrical Works	7
	Housing	HEHC	Basement Improvements	(99)
	Housing	HEHC	Environmental & Estate Improvement	(124)
	Housing	HEHC	Decent Homes	(154)
	Housing	HEHC	Garage Improvement Programme	(159)
	Housing	HEHC	Major Investment Scheme	(164)
	Housing	HEHC	Regeneration and Demolition	(217)
	Housing	HEHC	Door & Window replacements	(499)
	Housing	HEHC	New Build/Acquisition - Various	(2,854)
Other movements Total				(633)
Slippage to future years	Resources, Management and Reputation	EIG	Gateshead Quays	(3,000)
	Resources, Management and Reputation	HEHC	Installation of Electric Vehicle charging points in Council Depots	(1,058)
	Resources, Management and Reputation	R&D	IT Strategic Plan	(55)
	Environment and Transport	EIG	Local Transport Plan - Planned Maintenance	(36)
	Environment and Transport	EIG	Bensham Road Corridor	(163)
	Environment and Transport	EIG	Unveiling the Angel	(290)
	Environment and Transport	EIG	Riverside Park	(572)
	Environment and Transport	HEHC	Traffic Sign Replacement	(100)
	Environment and Transport	HEHC	Traffic Signal Renewal	(309)
	Children and Young People	CSC&LL	Extensions and adaptations to the homes of foster carers	(100)
	Housing	EIG	Metrogreen	(33)
Slippage to future years Total				(5,716)
Project completed	Environment and Transport	EIG	Greenhomes Chopwell	(364)
Project completed Total				(364)
Grand Total				(6,713)

## Appendix 3

	Approved 2023/24 Allocation £000	Revised Q1 Allocation £000	Revised Q2 Allocation £000	Variance £000
<b>COMMUNITIES</b>				
Culture, Sport and Leisure	840	720	720	0
Communities and Volunteering	62	56	56	0
Communities - Culture, Sport and Leisure	0	85	85	0
<b>COMMUNITIES Total</b>	<b>902</b>	<b>861</b>	<b>861</b>	<b>0</b>
<b>PEOPLE</b>				
Children and Young People	14,800	9,686	9,586	(100)
Adult Social Care	6,053	7,918	8,260	342
<b>PEOPLE Total</b>	<b>20,853</b>	<b>17,604</b>	<b>17,846</b>	<b>242</b>
<b>PLACE AND ECONOMY</b>				
Environment and Transport	22,732	30,948	27,673	(3,275)
Economy	1,775	2,283	2,283	0
Housing	29,885	29,106	29,482	376
<b>PLACE AND ECONOMY Total</b>	<b>54,392</b>	<b>62,337</b>	<b>59,438</b>	<b>(2,899)</b>
<b>RESOURCES, MANAGEMENT AND REPUTATION</b>				
Resources, Management and Reputation	31,719	30,956	26,900	(4,056)
<b>RESOURCES, MANAGEMENT AND REPUTATION Total</b>	<b>31,719</b>	<b>30,956</b>	<b>26,900</b>	<b>(4,056)</b>
<b>LOAN</b>				
Environment and Transport	4,209	1,709	1,709	0
<b>LOAN Total</b>	<b>4,209</b>	<b>1,709</b>	<b>1,709</b>	<b>0</b>
<b>Grand Total</b>	<b>112,075</b>	<b>113,468</b>	<b>106,755</b>	<b>(6,713)</b>

Appendix 4

	Approved 2023/24 Allocation £000	Revised Q1 Allocation £000	Revised Q2 Allocation £000	Variance £000	Comment
<b>COMMUNITIES</b>					
<i>Culture, Sport and Leisure</i>					
Fixed Play Facility Renewals	720	720	720	0	
Virtual Reality Fitness Systems	120	0	0	0	
<i>Communities and Volunteering</i>					
Community Hubs	62	56	56	0	
<i>Communities - Culture, Sport and Leisure</i>					
Gateshead International Stadium Investment	0	85	85	0	
<b>PEOPLE</b>					
<i>Children and Young People</i>					
Children's Three bed Residential Home	0	237	237	0	
Extensions and adaptations to the homes of foster carers	160	310	210	(100)	Slippage to future years
School Condition Investment	1,800	1,800	1,800	0	
Schools Devolved Formula Funding	250	250	250	0	
Schools Basic Need Funding	12,590	5,000	5,000	0	
Schools SEN High Needs Funding	0	2,028	2,028	0	
Family Hubs	0	61	61	0	
<i>Adult Social Care</i>					
Disabled Facilities Grants (DFGs)	1,950	2,211	2,211	0	
Technology Enabled Care	150	100	100	0	
Telecare Equipment	75	75	75	0	
Sister Winifred Laver Centre	3,628	4,815	4,815	0	
Social Care System	250	718	1,060	342	Additional budget required
<b>PLACE AND ECONOMY</b>					
<i>Environment and Transport</i>					
Bensham Road Corridor	676	326	163	(163)	Slippage to future years
Flagged Footways	340	340	340	0	
Flood Alleviation Investment	5,483	5,483	5,483	0	
Local Transport Plan - Integrated Transport	1,233	2,826	1,121	(1,705)	Other movements
Local Transport Plan - Planned Maintenance	3,288	4,997	4,961	(36)	Slippage to future years
Quays fixed and VMS signage	500	450	450	0	
Quays traffic signal upgrades	241	180	180	0	
Replacement Bins	130	133	133	0	
Riverside Park	685	722	150	(572)	Slippage to future years
Salix Energy Efficiency Works	150	150	150	0	
Traffic Sign Replacement	150	175	75	(100)	Slippage to future years
Transforming Cities (Tranche 2)	6,904	11,298	11,562	264	Other movements
Unclassified Road Resurfacing - Micro Asphalt	500	547	547	0	
Gateshead District Energy Scheme - Old Ford/Nest House	114	301	301	0	
Street Lighting Column Replacement	1,698	1,698	1,698	0	
Traffic Signal Renewal	350	659	350	(309)	Slippage to future years
Unveiling the Angel	290	300	10	(290)	Slippage to future years
Greenhomes Chopwell	0	364	0	(364)	Project completed
District Heating and Private Wire Connections	0	0	0	0	
Solar PV	0	0	0	0	
<i>Economy</i>					
Baltic Quarter Remediation	0	88	88	0	
Blaydon Business Centre Extension	821	0	0	0	
Broadband Delivery UK	82	82	82	0	
Digital Gateshead	790	869	869	0	
Greensfield Business Centre Refurbishment	62	242	242	0	
High Street North - Future Place	20	42	42	0	
UKSPF	0	960	960	0	
<i>Housing</i>					
Block Communal improvements	705	705	705	0	
Building Safety Improvements	790	8	1,736	1,728	Other movements
Communal Mechanical & Electrical Works	579	718	725	7	Other movements
Contractual Obligations	2,000	1,700	1,700	0	
Decent Homes	5,351	7,958	7,804	(154)	Other movements
Development Site Preparation Works	850	945	945	0	
Digital Transformation	700	650	650	0	
Domestic Heating Improvements	2,604	2,837	2,837	0	
Fixed budget fees	550	550	550	0	
Garage Improvement Programme	200	259	100	(159)	Other movements
High Street South	1,627	686	686	0	
HRA Commercial Property Improvements	50	79	79	0	
Major Investment Scheme	1,970	328	164	(164)	Other movements
Metrogreen	73	99	66	(33)	Slippage to future years
Option Appraisal	0	0	0	0	
Safety & Security	59	59	59	0	
West Askew Road junction improvements	2,786	2,786	2,786	0	
Regeneration and Demolition	1,259	1,259	1,042	(217)	Other movements
Aids & Adaptations	1,500	1,500	1,500	0	
Basement Improvements	0	100	1	(99)	Other movements
Door & Window replacements	797	876	377	(499)	Other movements
Environmental & Estate Improvement	100	143	19	(124)	Other movements
ICT Refresh	40	40	40	0	
Lift Replacement Programme	0	590	623	33	Other movements
New Build/Acquisition - Various	3,295	3,651	797	(2,854)	Other movements
Passive Air Units	0	80	80	0	
Local Authority Housing Fund (LAHF)	0	0	2,854	2,854	Other movements
Tyne Bank	0	0	57	57	Other movements
Housing Development	2,000	500	500	0	

	Approved 2023/24 Allocation £000	Revised Q1 Allocation £000	Revised Q2 Allocation £000	Variance £000	Comment
<b>RESOURCES, MANAGEMENT AND REPUTATION</b>					
<i>Resources, Management and Reputation</i>					
Gateshead Quays	20,377	21,153	18,153	(3,000)	Slippage to future years
Baltic Quarter Enabling Infrastructure	214	222	222	0	
Customer Experience	112	123	123	0	
Gateshead Quays Multi Storey Car Park	116	116	116	0	
Health & Safety	963	872	872	0	
Major Projects - Project Management Costs	290	290	340	50	Additional budget required
Refurbishment of Metrology Lab	195	153	153	0	
Replacement of Fleet and Horticultural Equipment	2,275	1,525	1,525	0	
Strategic Maintenance	1,485	1,901	1,901	0	
Technology Plan: Infrastructure	3,840	2,683	2,683	0	
Technology Plan: Transformation Through Technology & New Ways of Working	369	500	500	0	
Installation of Electric Vehicle charging points in Council Depots	1,162	1,148	90	(1,058)	Slippage to future years
IT Strategic Plan	261	226	171	(55)	Slippage to future years
Specialist equipment to improve inclusion for Children and Young People - High incidence needs	30	15	15	0	
Specialist IT equipment for Children and Young People with low incidence needs (hearing and vision impairment)	30	30	30	0	
Blaydon West Primary School	0	0	7	7	Project investigations
<b>LOAN</b>					
<i>Environment and Transport</i>					
Loan to Gateshead Energy Company District Energy extension	4,209	1,709	1,709	0	
<b>Grand Total</b>	<b>112,075</b>	<b>113,468</b>	<b>106,755</b>	<b>(6,713)</b>	



**PRUDENTIAL INDICATORS 2023/24**

The 2023/24 Prudential Indicators were agreed by Council on 23 February 2023 (column 1). This is now compared with the 2023/24 actual Q2 position as at the 30 September 2023 (column 2).

Certain Treasury Management indicators must be monitored throughout the year on a regular basis in order to avoid breaching agreed limits. The capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and none of the other approved Prudential Indicators set for 2023/24 have been breached.

<b><i>Capital Expenditure</i></b>		
	2023/24 £000 Reported Indicator	2023/24 £000 Quarter 2
Non-HRA	89,526	82,256
HRA	22,549	24,499
<b>Total</b>	<b>112,075</b>	<b>106,755</b>
To reflect the reported capital monitoring agreed by Council during the year		

<b><i>Ratio of Financing Costs to Net Revenue Stream</i></b>		
	2023/24 Reported Indicator	2023/24 Quarter 2
Non-HRA	15.53%	NA
HRA	40.90%	NA

<b><i>Capital Financing Requirement</i></b>		
	2023/24 £000 Reported Indicator	2023/24 £000 Quarter 2
Non-HRA	423,998	449,950
HRA	345,505	345,505

<b>Authorised Limit for External Debt</b>	
	2023/24 £000 Reported Indicator
Borrowing	865,000
Other Long Term Liabilities	0
<b>Total</b>	<b>865,000</b>
Maximum YTD 30/09/2023 <b>£684.966m</b>	

<b>Operational Boundary for External Debt</b>	
	2023/24 £000 Reported Indicator
Borrowing	850,000
Other Long Term Liabilities	0
<b>Total</b>	<b>850,000</b>
Maximum YTD 30/09/2023 <b>£684.966m</b>	

The Council's actual external debt at 30 September 2023 was £684.966m. 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.

#### ***Adherence to CIPFA code on Treasury Management***

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

**Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing**

	2023/24 £000 Reported Indicator		2023/24 £000 Actual Position	
	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Percentage</b>	<b>Maximum YTD</b>
Under 12 months	15%	0%	2.78%	2.78%
12 months to 24 months	19%	0%	2.29%	2.99%
24 months to 5 years	22%	0%	8.42%	9.15%
5 years to 10 years	22%	0%	10.98%	11.71%
10 years to 20 years	17%	0%	5.04%	6.50%
20 years to 30 years	41%	0%	6.65%	6.65%
30 years to 40 years	42%	0%	32.73%	33.46%
40 years to 50 years	41%	0%	29.64%	33.29%
50 years and above	11%	0%	0.00%	0.00%
All within agreed limits.				

**Upper / Lower Limits for Maturity Structure of Variable Rate Borrowing**

	2023/24 £000 Reported Indicator		2023/24 £000 Actual Position	
	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Percentage</b>	<b>Maximum YTD</b>
Under 12 months	16%	0%	1.46%	2.92%
12 months to 24 months	11%	0%	0.00%	0.00%
24 months to 5 years	11%	0%	0.00%	0.00%
5 years to 50 years and above	11%	0%	0.00%	0.00%
All within agreed limits.				

On 8 March 2007, Council agreed to the placing of investments for periods of longer than 364 days in order to maximise investment income before forecasted cuts in interest rates. An upper limit was set and agreed as a new Prudential Indicator.

**Upper Limit on amounts invested beyond 364 days**

	2023/24 £000 Reported Indicator	2023/24 £000 Actual Position	2023/24 £000 Maximum YTD
Investments	<b>15,000</b>	<b>0</b>	<b>0</b>

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## COUNCIL MEETING

23 November 2023

### Local Council Tax Support Scheme for 2024/25

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**Sheena Ramsey, Chief Executive**

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#### EXECUTIVE SUMMARY

1. The purpose of this report is to recommend to Council Cabinet is requested to recommend to Council a Local Council Tax Support Scheme for the year 2024/25.
2. The Cabinet has considered the facts and issues arising from the report, including alternative options and took all relevant advice before formulating their recommendations.

#### RECOMMENDATION

3. It is recommended that Council:
  - i) approves the proposed scheme as set out in paragraphs 9 to 12 of the report; and
  - ii) delegates powers to the Strategic Director, Resources and Digital to provide regulations to give effect to the scheme including publishing full details online.

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**TITLE OF REPORT:** Local Council Tax Support Scheme for 2024/25

**REPORT OF:** Darren Collins, Strategic Director, Resources and Digital and Borough Treasurer.

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### **Purpose of the Report**

1. Cabinet is requested to recommend to Council a Local Council Tax Support Scheme for the year 2024/25

### **Background**

2. The Local Council Tax Support Scheme (LCTS) was introduced by Central Government in 2013 as a replacement for the Council Tax Benefit scheme. As part of the introduction the Government:
  - placed the duty to create a local scheme for working age claimants with local authorities
  - prescribed that persons of pension age would be dealt with under the existing regulations set by Central Government and not the Local Authorities local scheme.
    - Pensioners, subject to their income, can receive up to 100% support towards their Council Tax. The Council has no powers to change the level of support provided to pensioners and therefore any changes to the level of LCTS can only be made to working age schemes
  - reduced initial funding from the level paid through benefit subsidy to Local Authorities under the previous Council Tax Benefit scheme.
  - funding for the Local Council Tax Support scheme has been absorbed into other Central Government grants paid to Local Authorities that continues to reduce year on year
3. When designing a scheme the Council must also consider its responsibilities under:
  - The Child Poverty Act 2010
  - The Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970
  - The Housing Act 1996 which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups
4. The Council should also consider changes that might adversely (or beneficially) impact on its residents in year, in particular, the increased cost of living, the removal of hardship funding and any changes announced in the budget, especially in relation to changes in benefit income which affect entitlement within the local scheme.
5. Under legislation, the Council's own Local Council Tax Support scheme must be approved each year by Council by 11 March at the latest. A proposed council tax support scheme within this report is therefore a scheme for 2024/2025.

## Modelling and Assumptions

6. The challenges local authorities face in designing a Local Council Tax Support scheme is to balance the overall cost of a scheme, the needs and affordability for residents, simplicity and the cost of administration. There are a number of issues to consider which include:
  - a. The cost of living crisis is still creating uncertainty in terms of inflation, increased energy, fuel and food bills.
  - b. Many residents in receipt of LCTS have had a reduced annual bill since 2020/21 through the application of hardship relief but there is no certainty that such provision will be made by Government for 2024/25.
  - c. The roll-out of Universal Credit for working age claimants is set to proceed at pace during 2024/25. Whilst LCTS is administered by the Council, Universal Credit including Housing costs is administered by DWP. It is felt that changing core benefits at the same time as LCTS increases risk for this client group.
  - d. The current LCTS scheme allows 1 month backdating of a claim which is in line with schemes nationally. There can be a potential loss of entitlement of LCTS if Universal Credit claimants do not make a prompt claim, however the Council seek to mitigate where possible with the use of current hardship funding.
7. Local Council Tax Support schemes will always need to protect pensioner households so there will always be a cost to the budget. Based on current numbers of claimants this would equate to around £9.99 million in 2024/2025.
8. Modelling has suggested that increasing the contribution for working age claimants would not be affordable and would therefore not decrease the overall cost of the scheme. Examples are included in Appendix 2.

## Proposal

9. The proposed Local Council Tax Support scheme for Gateshead has been established with due regard to the Council's statutory obligations and in order to support those claimants most in need of financial assistance, consistent with the Council's other priorities and policies.
10. Apart from some minor adjustments to bring the scheme in line with the Government's Housing Benefit and Universal Credit schemes, the proposed LCTS scheme for 2024/25 will remain the same scheme that has been in place since 2013/14. The proposed scheme will retain the same provision for pensioners and the original 8 underlying principles outlined below for working age claimants:
  - Protection should be given to certain groups – all working age claimants to pay at least 8.5% of their council tax liability
  - The scheme should encourage people to work
  - Everyone in the household should contribute
  - Capital or Savings threshold should be maintained at £16,000
  - War Pensions should be disregarded
  - Minimum level of support should be £1 (per week)
  - Child benefit should be disregarded as income.
  - A discretionary fund should be maintained.
11. The proposed scheme therefore retains the minimum contribution for all working age claimants at 8.5% of their Council Tax liability and does not recommend an increase to this figure.



12. It is proposed that the discretionary part of the scheme is set at £25,000 to help support the most vulnerable claimants in exceptional circumstances.

## **Recommendations**

13. Cabinet is requested to recommend that Council:

- i) approves the proposed scheme as set out in paragraphs 9 to 12 of the report; and
- ii) delegates powers to the Strategic Director, Resources and Digital to provide regulations to give effect to the scheme including publishing full details online.

For the following reasons:

- i) To meet the statutory requirements of the Local Government Finance Act 2012 in relation the establishment of a framework for Localised Council Tax Support.
- ii) To mitigate the impact of the increased cost of living on Council Tax support claimants.
- iii) To mitigate the impact of funding reductions on Council finances.
- iv) To support the Council's "Thrive" agenda.

## APPENDIX 1

### Policy Context

1. The proposals in this report are consistent with Council priorities and in particular ensuring that effective use is made of Council resources to support the framework for “Making Gateshead a place where everyone thrives”.

### Background

2. The Welfare Reform Act 2012 included the abolition of the Council Tax Benefit scheme with effect from 1 April 2013.

The Act created the need for each billing authority in England to develop a scheme that ‘states the classes of person who are to be entitled to a reduction under the scheme’. The Council must, before developing a scheme, consult any major precepting authority which has power to issue a precept, publish a draft scheme in such a manner as it sees fit, and then consult such other persons as it considers are likely to have an interest in the operation of the scheme.

3. The Council scheme, since 2013 has been based on 8 underlying principles:
  - **Principle 1 – Protection should be given to certain groups** – All working age claimants to pay at least 8.5% of their council tax liability. The council will support through the local scheme the remaining amount up to 91.5%.
  - **Principle 2 – The scheme should encourage people to work** – The earnings taper will not be increased and the earnings disregard will not be decreased.
  - **Principle 3a – Everyone in the household should contribute: Non-Dependants** - Non dependant deductions will increase in line with government recommendations and be on a sliding scale according to income.
  - **Principle 3b – Everyone in the household should contribute: Second Adult Rebate** – there will be no second adult rebate.
  - **Principle 4 – Benefit should not be paid to those with relatively large capital or savings** – The level of savings a claimant can have will be £16,000. A tariff will be applied for savings held between £6,000 and £16,000.
  - **Principle 5 – War pensions should not be included as income** – In recognition of the sacrifices made by war pensioners, war pension income will be excluded as income.
  - **Principle 6 – There should be a minimum level of support** – The minimum award of council tax support will remain at £1 per week.
  - **Principle 7 – Child benefit will not be included as income** – All child benefit income will continue to be disregarded in the calculation.
  - **Principle 8 – Establishment of a discretionary fund** – A discretionary fund will allow for additional support to be provided to the most vulnerable in exceptional circumstances.

## Consultation

4. The Leader of the Council has been consulted in the preparation of this report. Where the proposed scheme for a year remains the same as in previous years, no formal consultation is required to be undertaken.

## Alternative Options

5. Alternative options could involve the adoption of a scheme which offers less support by increasing the minimum contribution or more support to residents by increasing at a greater rate the Council's commitment of resources. The proposal retains the significant level of support from the Council to working age claimants in line with policy priorities.

## Implications of Recommended Option

### 6. Resources:

#### a) Financial Implications –

- 6.1 The proposed approach enables the Council to operate a support scheme within the funding available and to mitigate the impact on working age claimants by utilising council resources.
- 6.2 Adopting the scheme means that approximately 12,000 council tax payers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax (the cost is estimated at around £137 per year or around £2.60 per week). This modelling is based on current numbers of claims.
- 6.3 The full impact on the Collection Fund also continues to be monitored and the behaviour of those claimants who are required to pay has been analysed during the current and previous years. Collection from this client group has remained static in the first nine years of the scheme and continues to do so in 2023/24.
- 6.4 A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.
- 6.5 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 net overall cost of the scheme to the Council is approximately £25.28 million.

#### b) Human Resources Implications – There are no human resource implications directly arising from this report

#### c) Property Implications - There are no property implications directly arising from this report

7. **Risk Management Implication** - Retaining a scheme based on the same principles eliminates the risk of a local scheme not being supported from a technology perspective.

8. **Equality and Diversity Implications** - An Integrated Impact Assessment has been carried out.
9. **Crime and Disorder Implications** – There are no crime and disorder implications arising from this report.
10. **Health Implications** – Financial concerns arising from the Governments Welfare Reforms and the impacts of Covid may adversely affect the mental and physical health of some residents.
11. **Climate Emergency and Sustainability Implications** - There are no climate emergency and sustainability implications arising from this report.
12. **Human Rights Implications** – There are no Human Rights implications arising from this report.
13. **Ward Implications** – This scheme affects all current and future working age benefit recipients across Wards within the borough.

### **Background Information**

Welfare Reform Act 2012

Local Government Finance Bill

Communities and Local Government - Statement of intent

Communities and Local Government - Vulnerable people –key local authority duties

Welfare Reform and Work Bill 2015

Comprehensive Impact Assessment

## Appendix 2

Worked examples of current scheme and 2024/25 estimates and assumptions

### **Example 1 - Single person of working age over 25 = earnings of £129.60 per week.**

Based on current 8.5% minimum contribution.

Council Tax liability	£23.24 per week
Maximum CTS	£21.26
CTS Entitlement	£15.66 so pays £7.58 per week from an income of £129.60

Based on 30% minimum contribution.

Council Tax liability	£23.24 per week
Maximum CTS	£16.27
CTS Entitlement	£10.67 so pays £12.57 per week from an income of £129.60

### **Example 2 Single person working age over 25 on Universal Credit of £91.90 per week.<sup>1</sup>**

Based on current 8.5% minimum contribution.

Council Tax liability	£23.24 per week
Maximum CTS	£21.26
CTS Entitlement	£21.26 so pays £1.98 per week from an income of £91.90

Based on 30% minimum contribution.

Council Tax liability	£23.24 per week
Maximum CTS	£16.27
CTS Entitlement	£16.27 so pays £6.97 per week from an income of £91.90

In this example, the issue is further exacerbated by other essential expenditure –

If we take the example of this single person, living in a council tenancy, out of that £91.90 income per week

Council Tax contribution	£6.97
Rent	£18.00 (including under occupancy and water rates)
Utilities	£50.00 (including gas, electricity, insurance, broadband/phone)
Food/other	£16.93 (remainder of available income)

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<sup>1</sup> 4432 Single UC claimants

### **Example 3 - Lone parent with 3 children – earnings, tax credits and child benefit income totalling £352.09**

Based on current 8.5% minimum contribution.

Council Tax liability	£23.24 per week
Maximum CTS	£21.26
CTS Entitlement	£21.26 so pays £1.98 per week from an income of £352.09

Based on 30% minimum contribution.

Council Tax liability	£23.24 per week
Maximum CTS	£16.27
CTS Entitlement	£16.27 so pays £6.97 per week from an income of £352.09

### **Example 4 - Couple with 2 children – earnings, tax credits and child benefit income totalling £439.60.<sup>2</sup>**

Based on current 8.5% minimum contribution.

Council Tax liability	£30.99 per week
Maximum CTS	£28.36
CTS Entitlement	£21.77 so pays £9.22 per week from an income of £439.60

Based on 30% minimum contribution.

Council Tax liability	£30.99 per week
Maximum CTS	£21.69
CTS Entitlement	£15.10 so pays £15.89 per week from an income of £439.60

*Note the benefit rates are estimated to include an 8% increase which is not guaranteed and estimated other charges for next year.*

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<sup>2</sup> 576 claimants



## COUNCIL MEETING

23 November 2023

### GATESHEAD METROPOLITAN BOROUGH COUNCIL

#### NOTICE OF MOTION

Councillor R Beadle will move the following motion:

This Council notes the continuing damage being done to residents, businesses and those who travel to or through Gateshead for employment, study, or leisure by the Go North East Unite industrial dispute.

Council believes:

1 – That the role of political leadership is not to take sides in this dispute but to seek its resolution

2 – That the Council leadership should challenge both Go North East and Unite to agree to binding arbitration, including the option of pendulum arbitration.

Proposed by: Councillor R Beadle

Seconded by: Councillor I Patterson

Supported by: Councillor D Duggan  
Councillor D Welsh

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## COUNCIL MEETING

23 November 2023

### GATESHEAD METROPOLITAN BOROUGH COUNCIL

#### AMENDMENT TO NOTICE OF MOTION

##### ITEM 13A – Go North East / Unite Strike

Councillor Gannon will move the following amendment;

Para. 1. Delete GNE. Replace with Go North East.

Delete all after Paragraph 1

Replace with.....

Whilst recognising that the current dispute is between a private company, Go North East and its workforce, in which the council is not directly involved, we are concerned that the Gateshead Liberal Democrat group believes that the council leader should “not take sides”

This council supports that position taken by the leader of the council, which is firmly “on the side” of the residents of Gateshead and of the wider region.

In particular, we support the leader of the council’s repeated statements to both sides in the dispute to seek a negotiated resolution.

We further support the position taken by the leader of the council, in his role as chair of the North East Joint Transport Committee, to ensure that Go North East does not receive any further public funds for concessionary fares and secured services which are not delivered by the company during the current dispute.

We further support the representations made by the leader of the council, in his role as chair of the North East Joint Transport Committee, to the North East Traffic Commissioner, to use its regulatory powers to investigate Go North East’s failure to comply with its licence obligations and where appropriate issue sanctions.

We further support the representations made by the leader of the council, in his role as chair of the North East Joint Transport Committee, to the Rt Hon Mark Harper, Secretary of State for Transport, asking what action he intends to take to resolve the current dispute and deal with the failure of market to deliver bus services in the North East.

The current dispute clearly demonstrates that the current deregulated bus services, “free market”, model is broken and does not serve the public interest. Private operators serve the interests of their profits and shareholders, not the public interest.

This council calls on Go North East to put the interests of Gateshead residents and those of the wider region above those of the company and its shareholders and to resolve this dispute as soon as possible.

Whether through negotiation or arbitration, we call on the parties to resolve their dispute.

Proposed by: Councillor Martin Gannon

Supported by: Councillor Kevin Dodds