

TITLE OF REPORT: Budget and Council Tax Level 2023/24

REPORT OF: **Sheena Ramsey – Chief Executive**
 Darren Collins – Strategic Director, Resources and Digital
 Corporate Management Team

Purpose of Report

1. To request Cabinet to recommend to Council on 23 February 2023 the Budget and Council Tax level for 2023/24. As part of the council tax setting process, Cabinet is also asked to recommend to Council the prudential indicators and Minimum Revenue Provision (MRP) Statement set out in this report. The Budget forms a key element of the Council's strategic approach to Making Gateshead a Place Where Everyone Thrives, and agreeing a balanced budget is fundamental to the financial sustainability of the Council and is required by statute.

Background

2. On 14 December 2021 Cabinet agreed a framework for the approach to budget 2022/23 to 2024/25.
3. On 24 November 2022 Council agreed the Medium-Term Financial Strategy (MTFS) 2023/24 to 2027/28. The outcome of the review estimated that efficiencies and savings of £55m are required over the medium term. It is essential these are delivered to ensure the financial sustainability of the Council.
4. On 24 November 2022 Council agreed the local council tax support scheme for 2023/24. Adopting the scheme means that approximately 12,000 council taxpayers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax. This is in addition to approximately 8,400 council tax payers of pension age that benefit from national arrangements.
5. On 19 December 2022 the Government announced the provisional local government finance settlement for 2023/24, including council tax referendum principles.
6. On 20 December 2022 the Council commenced consultation on the budget proposals for 2023/24.
7. On 16 January 2023 the Council responded to the provisional local government finance settlement 2023/24 consultation.
8. On 24 January 2023 Cabinet agreed the council tax base and business rates base forecasts for 2023/24.
9. On 24 January 2023 Cabinet agreed to re-open the consultation on the leisure review for a period of at least three months.
10. On 8 February 2023 the final local government funding settlement figures were agreed. Overall funding was broadly in line with the provisional settlement.
11. This report represents the final stage of the budget setting process in determining the Budget and Council Tax level for 2023/24.

Proposal

A Budget to Deliver Council Priorities

12. The Council's strategic approach of ***Making Gateshead a Place Where Everyone Thrives*** provides a framework to demonstrate how the Council makes decisions that are policy and priority led. The approach is built upon the following pledges:
 - Put people and families at the heart of everything that we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation, and growth across the borough
 - Work together and fight for a better future for Gateshead
13. In the context of the MTFS gap and facing tough financial challenges ahead, it is vital that financial sustainability is at the core of the budget approach, and all resources are targeted to achieving priority outcomes. To ensure this the Council must manage competing priorities and make best use of the resources that are available.
14. On 14 December 2021 Cabinet agreed a framework for the approach to budget 2022/23 to 2024/25 including a timeline that will support the delivery of the Council's thrive priority objectives and meet the increasing financial challenges outlined in the Council's MTFS. This report proposes a balanced budget in 2023/24 using reserves in a planned way to move forward a priority driven approach to revenue resource allocation. The annual budget savings cycle will be a continuous approach with budget developments brought to Cabinet for consideration throughout the year to allocate resources to Services and consider consultation outcomes.
15. Government assumed in their financial settlement announcements that Councils would increase council tax by the maximum allowable of 4.99%.
16. The proposed budget will result in a council tax increase of 2.99% for residents of the Borough of Gateshead in respect of Gateshead Council expenditure plus an additional council tax increase of 2% for residents of the Borough of Gateshead in respect of the Government's charge for adult social care expenditure.
17. This will result in a combined council tax increase of 4.99% for residents of the Borough of Gateshead (excluding precepts from the Police and Crime Commissioner, Fire Authority and Lamesley Parish) resulting in £1.26 a week rise for the majority of council taxpayers in Gateshead living in the lowest value properties (Band A), or £1.89 a week for those in Band D. This report recommends a 4.99% council tax increase in the Council's council tax for 2023/24.

18. The proposed balanced base budget for 2023/24 is £289.903m including additional investment of £2m in Environmental Standards, £6.5m reflecting Social Care commitments from ring-fenced grant, additional investment in a capacity fund, support to the voluntary sector, a rebalancing of ring-fenced accounts, and £13.084m of proposed budget cuts.
19. Available funding for 2023/24 is £289.903m based on use of £2.362m earmarked reserves, £13.521m pandemic reserves, £10m Budget Sustainability reserve, council tax increase of 4.99%, Government funding of £119.451m, Collection Fund surplus, and locally retained rates.
20. This can be summarised as follows:

Proposed Net Budget 2023/24 (£m)	289.903
Funded by;	
Local Funding (Council Tax and Business Rates)	(144.569)
Government Funding	(119.451)
Strategic Earmarked Reserves	(2.362)
Pandemic Reserves	(13.521)
Budget Sustainability Reserve (Temporary Funding)	(10.000)
Total Funding 2023/24	(289.903)

21. The Council recognises the impact of Council Tax increase on some of the most vulnerable in society and particularly those on fixed incomes, especially during a cost-of-living crisis. However, a combination of continued cost pressures and significant funding reductions has left the Council with little choice but to consider an increase to Council Tax to protect the delivery of essential Council services to the residents of Gateshead. In November 2022, the Council agreed to continue to provide the current Local Council Tax Support Scheme that enables targeted support for those residents that are likely to be most affected by the increase.
22. In 2023/24 the Council have been awarded £500,000 funding to reduce the liability of Local Council Tax Support claimants (pensioners and working age claimants) by up to £25.00. The reduction will be allocated at annual billing and throughout the year for any change of circumstances. This will affect around 20,000 households.

Recommendations

23. Cabinet is requested to make the following recommendations to Council:

- (1) That Gateshead's Band D council tax for 2023/24 is increased by 4.99% (including a 2% adult social care Government charge) to £2,070.54.
- (2) The revenue estimates of £289,902,826 for 2023/24 are approved.
- (3) The budgeted use of £25.883 million Earmarked Reserves in 2023/24 be approved (comprising of £2.362 million budgeted use of strategic, £13.521 million budgeted use of pandemic, and £10 million budget sustainability).
- (4) That the proposed budgets including the indicative schools funding presented in Appendix 2 be agreed.
- (5) That the outcome of budget consultation outlined in Appendix 4 be noted.
- (6) To note the conclusions of the Strategic Director, Resources and Digital in respect of the robustness of budget estimates and adequacy of reserves outlined in Appendix 5.
- (7) That the prudential and treasury indicators set out in Appendix 7 to this report be agreed.
- (8) That the method of calculating the Minimum Revenue Provision (MRP) for 2023/24 as set out in Appendix 8 be approved.
- (9) That it be noted that at its meeting on 24 January 2023, Cabinet agreed the following amounts for the year 2023/24 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
 - (a) **53,354.9** being the amount calculated by the Council, in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as its Council Tax base for the year;
 - (b) **1,197.4** for Lamesley Parish being the amount calculated by the Council, in accordance with regulation 6 of the Regulations, as the amount of its Council Tax base for the year for dwellings in those parts of its area to which special items relate.
- (10) That the following amounts be now calculated by the Council for the year 2023/24 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011 ('the Act'):
 - (a) **£659,090,336** being the aggregate total of the expenditure amounts, which the Council estimates for the items, set out in Section 31A (2) of the Act taking into account the precept issued by Lamesley Parish Council
 - (b) **(£548,604,415)** being the aggregate total of the income amounts, which the Council estimate for the items, set out in Section 31A (3) of the Act
 - (c) **£110,485,921** being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year including Lamesley Parish Council

- (d) **£2,070.7736** being the amount at (c) above, all divided by the amount at (9)(a) above, calculated by the Council, in accordance with Section 31B (1) of the Act, as the basic amount of its Council Tax for the year including Lamesley Parish Council
- (e) **£12,467.00** being the aggregate amount of all special items (Lamesley Parish Council) referred to in Section 34(1) of the Act
- (f) **£2,070.5399** being the amount at (d) less the result given by dividing the amount at (e) above by the amount at (9)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item (Lamesley Parish Council) relates
- (g) Part of the Council's area: Lamesley Parish
£2,080.9516 being the amounts given by adding to the amount at (f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at (9)(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items (Lamesley Parish Council) relate
- h)

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	6.94	1,380.36
B	8.10	1,610.42
C	9.25	1,840.48
D	10.41	2,070.54
E	12.72	2,530.66
F	15.04	2,990.78
G	17.35	3,450.90
H	20.82	4,141.08

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

- (11) That it be noted that for the year 2023/24, the Police and Crime Commissioner for Northumbria, and Tyne and Wear Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below: -

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	112.56	61.57
B	131.32	71.83
C	150.08	82.09
D	168.84	92.35
E	206.36	112.87
F	243.88	133.39
G	281.40	153.92
H	337.68	184.70

- (12) That, having calculated the aggregate in each case of the amounts at (10) (h) and (11) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2023/24 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,561.43	1,554.49
B	1,821.67	1,813.57
C	2,081.90	2,072.65
D	2,342.14	2,331.73
E	2,862.61	2,849.89
F	3,383.09	3,368.05
G	3,903.57	3,886.22
H	4,684.28	4,663.46

- (13) That under section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), the Council's relevant basic amount of council tax for 2023/24 is not excessive in accordance with the principles determined under section 52ZC of the Act.

For the following reason:

- To fulfil the Council's statutory duty to set the Budget and Council Tax for 2023/24.

Policy Context

1. Making Gateshead a Place Where Everyone Thrives sets the policy direction for the Council, redressing the imbalance of inequality, championing fairness and social justice. This approach determines future budget proposals and the development of business planning for the delivery of services.
2. The Council recognises there are considerable financial pressures on not just Council resources, but on those of partners, local businesses, and residents. 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 based on robust data and intelligence.
3. Full Council is responsible for approving the Council's annual budget following recommendation from Cabinet, in line with the budget and policy framework outlined within Gateshead Council's constitution.

Background

4. 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 continuing uncertainty over sustainable funding. Notwithstanding this context, the Council must be proactive in its approach to planning services that support residents in the borough.
5. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives provides a framework to demonstrate how the Council will work and make decisions that are policy and priority led. The approach is aligned to the timeframe of the Council's MTFS and is built upon on the following pledges:
 - Put people and families at the heart of everything that we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation, and growth across the borough
 - Work together and fight for a better future for Gateshead
6. The strategic approach sets the major policy directions for the Council within the resources available and will seek new funding sources to redress the imbalance of inequality, champion fairness and social justice.
7. Difficult decisions need to be made about both the relative priority of different services and the balance between what we can afford to deliver against the income raised through local taxation. Investment in these priorities will need to be funded by redirecting resources currently elsewhere within the organisation. The Council needs to challenge not only how services are delivered but also what is being delivered. Critically, these decisions need to be taken in the context of ensuring that they meet our strategic approach, ***Making Gateshead a place where everyone thrives***, but also with a clear understanding of the statutory requirements of local government.
8. Areas of cross council efficiencies will be developed to ensure the Council is focused on delivering priorities and statutory functions in the most effective way and making the best possible use of resources. In line with the agreed budget

approach the Council will take a longer-term approach to the shift in resources to achieve priority outcomes.

9. The Council's budget estimates to achieve a balanced budget for 2023/24 are attached at Appendix 2 and have been prepared in accordance with the priority approach and after consideration of the outcome of the consultation on proposed savings and council tax which closed on 9 February 2023.

Considerations

10. In finalising the budget and council tax for 2023/24, the following issues require consideration and are set out in the body of this appendices: -
 - Medium Term Financial Strategy context;
 - Final Local Government Financial Settlement 2023/24;
 - Projected revenue outturn 2022/23;
 - Budget guidance and base budget requirements 2023/24;
 - Proposed service budgets 2023/24 (appendix 2);
 - Projected business rates 2023/24;
 - Proposed Council tax 2023/24;
 - Adequacy of reserves and robustness of budget estimates (appendix 5);
 - Proposed use of reserves 2023/24;
 - Approval of prudential indicators for 2023/24 (appendix 7);
 - Minimum Revenue Provision (MRP) (appendix 8).

Medium Term Financial Strategy

11. The Council has adopted a longer-term approach to its strategic and financial planning. The Medium-Term Financial Strategy (MTFS) was updated and agreed by Council on 24 November 2022 and is based on a financial forecast over a rolling five-year timeframe to 2027/28. The report outlined an estimated financial gap of £55m over the five-year period, with an estimated £10.6m in 2023/24. Crucially, this is after the agreed use of reserves in the three-year budget approach, and pandemic reserves. This sets the financial context for the Council's resource allocation process and budget setting.
12. Given the continuing uncertainty over funding reform and the heightened risk that public service funding will be restricted in real terms into the future, this may necessitate the Council to identify and deliver significant additional savings on top of the gap identified in the MTFS. As we move forward, we will need to consider how best the Council remains financially resilient.

Local Government Financial Settlement 2023/24

13. The Chancellor's Autumn Statement on 17 November 2022 outlined some additional government funding for councils in 2023/24, and indicative figures for 2024/25. Much of this was short term or to cover additional cost burdens and whilst badged by the Government as new funding, is repurposed funding from delays to social care reforms. While the additional funding for adult and children's social care is welcome, it is not enough to address the significant existing pressures and does not address the need for long-term and sustainable reforms for social care funding.
14. On 19 December 2022, the provisional local government finance settlement was announced. The Council responded to the consultation of the provisional settlement on 16 January 2023.
15. On 8 February 2023, the final local government funding settlement was agreed. Overall funding was in line with expectations from the provisional settlement,

with only an additional £93,501 relating to release of the contingency as part of the Services Grant. The settlement is for a single year only, and further details on the proposed review of relative needs and resources (fair funding) have been delayed for at least another two years.

16. The Government's assessment of increases in core spending power within the local government finance settlement are based on additional specific funding for social care, and assumed increases in council tax rather than overall funding from central government. Local sources of income, including council tax, business rates and sales, fees and charges have become increasingly important as a source of income to local government.
17. There remains an entrenched unfairness of local authority funding which the Government need to urgently address, alongside a longer-term solution to funding for social care. Importantly, the quantum of funding needs to be sufficient as allocating insufficient resources will not fix the problem. Only then can the regional differences in need and deprivation be addressed to enable the Council to deliver stability in its services to the residents of the borough.
18. It is vital that any future funding approach for local government is fair and provides recognition of the support required in those areas of greatest need.
19. The Council has been able to close the 2023/24 financial gap and set a balanced budget through £13.084m of budget cuts alongside the agreed approach to use the budget sustainability reserve and pandemic reserves to allow sufficient time to plan to maintain a sustainable financial position.

Projected Revenue Outturn 2022/23

20. The agreed net revenue budget for 2022/23 is £254.3m. This position includes £5.8m of Council funding from the Budget Sustainability Reserve to allow time for a planned schedule of budget cuts and efficiencies. On 24 January 2023, Cabinet received a report at the third quarter of 2022/23 that projected that the Council outturn for 2022/23 would be delivered within the original budget that was set. This is an improved position on quarter two which estimated a £5.4m overspend. The improved position at quarter three reflects the organisation wide drive to take action to manage the position back within budget. The final outturn position will be reported to Cabinet in June 2023.
21. This has been a challenging year due to the impacts arising on services and wider economy from the cost of living crisis and the continuing impacts of the pandemic.

Base Budget Requirement 2023/24

22. The base requirement has been kept to a minimum and pressures will be monitored. The following key assumptions have been made in development of the 2023/24 budget;
 - Budget uplifts for general inflation on areas such as utilities and contractual inflation.
 - Resources have been included in relation to pay pressures, including the additional costs associated with the 2022/23 pay award. The pay award for 2023/24 is yet to be agreed nationally.
 - Provision has been made within the budget for the North East Combined Authority Transport, Environment Agency and Port of Tyne Levies. Council Leaders therefore agreed for an increase to the Tyne and Wear Transport levy of 3.95% meaning an

additional cost of £0.326m for Gateshead once changes in population are taken into consideration in the allocations.

- Revenue support grant increase from £15.8m to £17.8m reflecting a September CPI increase of 10.1%. In addition, the increase includes some former specific grants which have been rolled into this funding stream.
 - An estimation of funding available to support the budget from retained business rates and Section 31 business rates grant based on the National Non-Domestic Rates Return (NNDR1) return to Government. This funding stream is particularly volatile due to the number of Government reliefs and accurate forecasting has been exacerbated by the revaluation of properties that becomes effective from 1 April 2023.
 - An increase to £110.473m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£1.369m) and agreement of the proposed council tax increase (£5.249m).
 - The amount of Improved Better Care Fund payable via the Integrated Care Board (ICB) is not yet confirmed but is expected to be as a minimum the 2022/23 funding levels.
 - The ringfenced Public Health allocations for 2023/24 is not yet confirmed so the budget reflects the 2022/23 total of £17.2m.
 - A budget for covid pressures of £9m is included to be financed from core covid pandemic reserves.
23. Growth in the Council budget has been kept to a minimum with provision being made in a general contingency of £16.5m (£10.6m 2022/23) to protect against one off in year unforeseen events, provide for budget allocations in relation to the pay award, workforce management, utilities, risk and demand pressures. This is consistent with MTFS principles and good financial management.
24. The base budget proposed figures are presented in Appendix 2.

Budget Growth and Savings Proposals 2023/24 Onward

25. Work continues to identify the shift in resources needed to achieve priority outcomes through three-year planning. This is the second year of the agreed three-year approach. In line with the agreed budget approach planned use of reserves will allow time to identify cuts and efficiencies required over three-year planning. A balanced budget will be agreed by Cabinet and Council and any savings identified in the approach throughout the year will be subject to further formal consultation.
26. Additional budget growth in social care is proposed which is consistent with the MTFS agreed by Cabinet in October 2022. This includes:
- £5.7m in Children's services to meet additional demand and increases in fees.
 - £7.4m in Adults' social care to meet additional demand and increases in fees.
27. In addition, an amount of £6.5m has been included in Adults' social care to cover the potential costs associated with new social care ring-fenced grant funding.

28. Priority investment is proposed in 2023/24 in the following areas:

- Growth of £2m to achieve and maintain good environmental standards in the borough;
- Growth of £0.7m to provide a voluntary sector development fund;
- £1.2m to review and rebalance HRA and Public Health funding; and
- £2m Capacity Fund to drive organisational capacity to deliver social care improvements, council plan priorities, zero based budget activity, and devolution.

29. The Council consulted on £14.5m of budget proposals between 20 December 2022 and 9 February 2023. The outcome of the consultation results in a proposal to remove £1.416m of budget cuts leaving a total of £13.084m to contribute to closing the funding gap. Further detail is outlined in Appendix 4.

Leisure Review

30. On 24 January 2023 Cabinet received a report on an update of the work carried out to review Leisure Services and to an overview of the outcomes of the comprehensive consultation process that was conducted between 2 November 2022 and 20 December 2022.

31. Representations were heard and questions responded to from members of the public on the review proposals. Members agreed that:

- i. The public consultation to inform the review be re-opened for a period of at least three months, during which any new representations will be invited, particularly from the Birtley and Lamesley community and users of Birtley Swimming Centre.
- ii. Over this period the viability of the potential to transfer the management of any of Dunston Leisure Centre, Gateshead Leisure Centre, Birtley Sports Hall and Birtley Swimming Centre on a Community Asset Transfer basis will be explored.
- iii. A further report be submitted to Cabinet following this further period of consultation with the final outcome of the Review, including any proposals for Community Asset Transfer of one or more of the facilities referred to at (ii) above.

32. The base budget for 2023/24 includes a temporary additional budget of £0.7m, funded from the Financial Risk and Resilience reserve to cover the financial impact of the revised timescale.

Projected Business Rates 2023/24

33. As part of the 2023/24 settlement, the Government provided a baseline figure for retained business rates of £38.651m. The National Non-Domestic Rates Return 1 (NNDR1) 2023/24 submitted to the Department for Levelling Up, Housing & Communities on 31 January 2023 estimated that the Council's retained element will be £33.010m (adjusted for cost of collection). An additional estimate of £17.455m is included in the base budget funding in relation to rate reliefs which are reimbursed through a Section 31 grant.

Support to Businesses 2022/23

34. Businesses in Gateshead have been awarded the following grants and rates relief in 2022/23:

COVID- 19 Additional Relief Fund

35. Over £4.1m has been awarded to businesses through the COVID-19 Additional Relief Fund to support more than 200 businesses affected by the pandemic but that were ineligible for existing support linked to business rates.

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

36. As a result of the Government decision to extend the date of the next business rates revaluation until 2023/24, Government also extended the Transitional Relief (TR) and Supporting Small Business Relief for Small and Medium properties (SSB) rate relief schemes for a further 12 months.
37. These extensions are a temporary measure to provide support for the 2022/23 financial year until April 2023 when the next revaluation of the business rates rating list will take place.
38. The Transitional Relief (TR) and Supporting Small Business Relief for Small and Medium properties (SSB) schemes provide extra support for qualifying businesses and is automatically calculated without the need for an application form.
39. These are statutory schemes, and the Council is unable to vary the scheme, eligibility criteria or awards in any way. The Government is not changing business rates legislation relating to these schemes and billing authorities are required to make these awards using our discretionary powers under section 47 of the Local Government Finance Act 1988.
40. The total award across both reliefs is around £66,000 and affects 85 businesses.

Retail, Hospitality and Leisure Relief Scheme

41. The Government also introduced a new temporary business rates relief scheme for 2022/23 for eligible retail, hospitality, and leisure properties. The 2022/23 Retail, Hospitality and Leisure Business Relief Scheme (RHL) provided eligible, occupied, retail, hospitality, and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
42. The new Retail, Hospitality and Leisure Relief Scheme was also a temporary measure and Government is not changing business rates legislation in respect of this and has instructed billing authorities to introduce this scheme using discretionary powers under section 47 of the Local Government Finance Act 1988.
43. The Council will be fully reimbursed by Government for any relief awarded under the above schemes.
44. To date in the current 2022/23 financial year the Council have awarded more than £4.8m to 744 businesses.

Council Tax 2023/24

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

Council Tax Referendums

46. A council tax bill is made up of several different charges. Alongside the charge to fund council services which includes the costs Councils must pay in levies or special levies to any number of bodies, there can be precepts which consist of council tax that will be redistributed to bodies to provide specific services to the area. For Gateshead these are for the Police and Crime Commissioner for Northumbria, the Tyne and Wear Fire and Rescue Authority, and Lamesley Parish.
47. Each year ministers set out in advance what they deem to be an excessive tax rise. The following council tax referendum principles were announced for 2023/24:
- The relevant basic amount of council tax of a local authority is excessive if the amount of council tax for 2023/24 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount for 2022/23. Councils can set higher increases if they wish, subject to a local referendum. In essence, the relevant basic amount of council tax for an authority is that authority's Band D council tax, excluding precepts.
 - A £5 referendum principle on Band D bills for all fire and rescue authorities.
 - A £15 referendum principle on Band D bills for police and crime commissioners (PCCs).
 - Setting no council tax referendum principles for town and parish councils. This is consistent with previous years and is contingent on town and parish councils taking all available steps to mitigate the need for council tax increases and the Government seeing clear evidence of restraint.
48. The consequences of setting an increase in the relevant basic amount of council tax which is excessive would mean that the Council would have to make arrangements to hold a referendum and make "substitute calculations" of a relevant basic amount of council tax which does not exceed the excessiveness principles. The substitute calculations would automatically take effect if voters reject the Council's increase.
49. Against the backdrop of continued Government funding reductions, new burdens and spending pressures which cumulatively are having a significant impact on the Council's ability to deliver its priorities during 2023/24, this report recommends that Gateshead Council agrees a council tax increase of 4.99% (including a 2% adult social care charge). This will mean the Council will be exempt from the Government's excessiveness principles.
50. The proposed council relevant basic amount of council tax for 2023/24 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2023/24

51. In calculating the council tax requirement as required by the legislation, the local Parish precept and use of reserves must be considered.
52. The Parish of Lamesley agreed at the parish meeting of 13 February 2023 to issue a budget precept for 2023/24 of £12,467 which is the same as the 2022/23 precept. However, due to a reduction in the council tax base level this means a band D precept increase of 1.36% is required to result in a £12,467 precept value.

53. In arriving at the Council's council tax requirement, general grants such as Settlement Funding Assessment (revenue support grant, retained business rates and top up grant), other grants in revenue spending power and public health must be deducted.
54. Any amount transferred to or from the collection fund and the general fund in relation to council tax must also be deducted or added. For 2023/24 this figure has been estimated to be a £1.085m surplus (2022/23 £0.2m deficit) transfer from the general fund.
55. The 2023/24 Council Tax Requirement (including Lamesley), based on an increase of 4.99% is £110,485,921, summarised as follows: -

	£
Net Budget 2023/24 Gateshead Council	289,902,826
Less - Use of Earmarked Reserves	(25,883,000)
Add - Lamesley Parish Precept	12,467
Budget Requirement 2023/24 (including Lamesley Parish Precept)	264,032,293
Less - Settlement Funding Assessment (SFA)*	(72,787,417)
Public Health	(17,225,309)
Other Grants	(62,448,760)
Balance to be raised locally	111,570,807
Transfer from Collection Fund (Council Tax)	(1,084,886)
Council Tax Requirement (including Lamesley Parish Precept)	110,485,921

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

Council Tax Resolution

56. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 53,354.9 This calculation gives a basic amount of council tax of £2,070.77. However, from this figure, the legislation requires the Parish element to be deducted (£0.23). This gives a Band D Council Tax for Gateshead of £2,070.54. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D.
57. The amount payable for dwellings in different valuation bands is calculated using the following proportions for each valuation banding: -

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

Thus, giving the following council tax amounts for the Gateshead area, (including a 2% precept to fund adult social care but excluding other precepts)

Valuation Band	Gateshead Council £
A	1,380.36
B	1,610.42
C	1,840.48
D	2,070.54
E	2,530.66
F	2,990.78
G	3,450.90
H	4,141.08

58. The council tax for the Parish area is calculated by dividing the Parish precept by the council tax base for the Parish area. This calculation gives a Band D precept of £10.41 for Lamesley Parish area in 2023/24
59. These result in the following additional council tax amounts for the Lamesley Parish area (excluding Police and Crime Commissioner and Fire precepts):

Valuation Band	Lamesley Parish £
A	6.94
B	8.10
C	9.25
D	10.41
E	12.72
F	15.04
G	17.35
H	20.82

60. To these must be added the precepts of the Police and Crime Commissioner (PCC) for Northumbria and the Tyne and Wear Fire and Rescue Authority. On 7 February 2023 the Police and Crime Panel agreed to increase the Band D charge by £15 which is permitted under the current referendum principles. On 13 February 2023, the Tyne and Wear Fire and Rescue Authority agreed a precept increase of £5 Band D which is permitted under the current referendum principles. These are as follows;

Valuation Band	Police and Crime Commissioner for Northumbria £	Tyne and Wear Fire and Rescue Authority £
A	112.56	61.57
B	131.32	71.83
C	150.08	82.09
D	168.84	92.35
E	206.36	112.87
F	243.88	133.39
G	281.40	153.92
H	337.68	184.70

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,561.43	1,554.49
B	1,821.67	1,813.57
C	2,081.90	2,072.65
D	2,342.14	2,331.73
E	2,862.61	2,849.89
F	3,383.09	3,368.05
G	3,903.57	3,886.22
H	4,684.28	4,663.46

Local Council Tax Support Scheme

62. Council agreed the 2023/24 scheme in November 2022 which retains the minimum contribution of all working age claimants at 8.5% of their Council Tax liability.
63. The removal of the ring-fence within the Government funding calculation means that Government funding for this area has been significantly reduced. The best estimate of the overall cost of the scheme to the Council is approximately £24.25 million.
64. Adopting the scheme means that approximately 12,000 council taxpayers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax (around £130 per year / £2.50 per week). This is based on current numbers of claims. There are also 8,348 pension age Local Council Tax Support (LCTS) claimants, of which approximately 5,216 receive 100% reduction to their council tax liability.
65. The number of claims may change throughout the year due to benefit changes announced by Government. Any impacts of Government changes will be closely monitored. Any economic impacts in the region such as business closures and redundancies can also impact the number of claimants, as will changes to an individual's earning capacity.
66. The total number so far who have received Council Tax support at any time during the year is 22,653 out of 94,558 council tax accounts, 23.96% of council taxpayers. Note there are changes of circumstances which change the number of recipients supported during the year.
67. A discretionary fund of £130,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.

Council Tax Rebate

68. In 2023/24 the Council have been awarded £525,224 funding to reduce the liability of Local Council Tax Support claimants (pensioners and working age claimants) by up to £25.00. The reduction will be allocated at annual billing and throughout the year for any change of circumstances. This will affect around 20,000 households.

Household Support Fund (HSF)

69. The Household Support Fund was extended until March 2023, providing a total of £3.672m of funding for 2022/23. The expectation was that the HSF should be used to support households in the most need – particularly those who may not be eligible for the other support government had made available.

70. Based on the DWP guidance the Council supported:
- Over 7,500 children through free school meals during the holiday periods
 - Thousands of households at risk of going cold or hungry through food and energy vouchers
 - Over 100 Warm Spaces across the borough
 - Support through the Voluntary and Community Sector
71. The government have announced a further round of Household Support Funding for 2023/24 and the Council are awaiting further guidance and funding allocations.

Schools Budget

72. The Council will receive an indicative £185.98m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £74.76m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2-year old's is estimated at £2m, funding for 3- & 4-year old's is estimated at £11.9m in 2023/24 and will be confirmed in June 2023 based on actual take up.
73. The Pupil Premium for 2023/24 will be £1,455 for primary school children and £1,035 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,530 per eligible child. Service Children Pupil Premium is £335 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.5m, of which an estimated £3.8m will be recouped for academies.
74. Early Years Pupil Premium for eligible 3- & 4-year old's have been confirmed at £353 per pupil for a full financial year. This will be paid on a participation basis of £0.62 per hour and the DfE have provided an estimated allocation within the DSG of £0.2m.
75. The number of schools with projected deficits is increasing. There has been some increased funding to mainstream schools however this funding will not cover the full cost of the 2022/23 and 2023/24 pay rises and the increased cost of utilities and services. Every mainstream school will receive at least 0.5% increase in per pupil funding. The increase in funding is expected to continue for 2024/25 at a similar level, but no detailed announcements have been made.

Adequacy of Reserves and Robustness of Budget Estimates

76. The Council keeps a level of reserves to strengthen its financial position so that it has enough reserves and balances to protect against the risk of any uncertainties or unforeseen events without impacting key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the Medium Term Financial Strategy (MTFS).
77. The Local Government Act 2003 requires the Strategic Director, Resources and Digital to undertake an assessment of the robustness of budget estimates and the adequacy of reserves. In assessing the robustness of the budget, the Strategic Director, Resources and Digital has considered the following issues:
- The general financial standing of the Council;
 - The adequacy of the budget monitoring and financial reporting

- arrangements;
 - The adequacy of the Council's internal control system;
 - The future budget pressures faced by the Council, as identified in the Council's MTFS;
 - The impact of reduced income and funding;
 - The proposed Capital Programme;
 - The delivery of agreed budget cuts/income targets;
 - The agreed three year approach to budget.
78. In addition to the above, the Strategic Director, Resources and Digital has undertaken a risk assessment of the underlying budget assumptions applied to income and expenditure estimates. This includes an assessment of the estimates for inflationary increases. Further details are shown at Appendix 4.
79. The Strategic Director, Resources and Digital has also considered the adequacy of reserves to cover any potential financial risks faced by the Council. The Council's general and earmarked reserves are maintained at a prudent level and are subject to continuous review. Appendix 5 to this report shows the opening balances as at 1 April 2022 and an estimate of reserves through to 31 March 2025 subject to the proposals in this report. The position on reserves will be further reviewed following the revenue outturn in June 2023 and as part of the review of the MTFS. It is likely that reserves will need to be replenished over the MTFS period.
80. The Council maintains a general fund reserve which acts as a contingency and allows the Council to meet any unforeseen expenditure. This currently stands at £17.4m. This figure includes £8.9m LMS Schools reserves which are ring-fenced and £8.5m General Reserve which is at the minimum level of 3% of the net revenue budget in line with MTFS principles.
81. The proposed 2023/24 base budget includes £2.362m budgeted use of strategic earmarked reserves (Financial Risk and Resilience £0.7m and Thrive £1.662m) in support of council priorities.
82. Some reserves are agreed by Council to be earmarked and held for specific strategic purposes. This may be to help achieve key priorities or held for specific purposes primarily to mitigate unforeseen events, risks or provide insurance. Other reserves are ring fenced and committed to be used for specific projects or activities, usually prescribed by Government, and cannot support the general Council budget such as school's reserves, developer contributions and the Public Health reserve.
83. Reserves can only be used once and are therefore not a sustainable source of financing without placing the Council's financial position at risk. This is an area of interest to external audit who will look at both how the Council has planned to use and actually uses its reserves. Due to insufficient funding from Government coupled with increasing demand, the Council will be required and is intending to, find a permanent solution to the funding gap, rather than a short- term solution by using reserves, a fundamental principle of the MTFS.
84. The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced a financial resilience index in an attempt to objectively compare reserve levels with Local Authorities and measure financial risk. Comparisons available of Gateshead's reserves to nearest neighbours show a relatively low level of available reserves but a stable level. Reserve sustainability shows a medium to high risk.
85. The Strategic Director, Resources and Digital confirms that, after taking account of these issues, the revenue estimates are considered robust and that the level

of reserves is considered adequate to cover the financial risks faced by the Council in the medium term. This assessment is based on the requirement that spending will be reduced to meet the funding gap in the MTFS as any shortfall will put the Council's sustainable financial position at risk.

Workforce Management

86. Proposals for budget savings in relation to the Public Health and Wellbeing Offer are already the subject of separate reports to Cabinet and Council.
87. Where proposals contained in this report include potential redundancies, in accordance with the statutory redundancy process as set out under section 188, Trade Union and Labour Relations (Consolidation) Act 1992, consultation must be undertaken with the appropriate trade union representatives of employees who may be affected by any of the proposals. The statutory redundancy consultation period is either 30 days where 20 to 99 redundancies are proposed, or 45 days if more than 100 redundancies are proposed. Although the Council's Redundancy Policy states that *where there is the potential for large-scale redundancies, the Council will endeavour to apply a 90-day consultation period*, on this occasion a 45-day consultation has been applied to allow for full and meaningful consultation to be undertaken and constructive consideration to be given to how redundancies might be avoided; how the number of redundancies might be reduced; and mitigating the consequences of any redundancies.
88. Where, following consultation, it is determined that redundancies are necessary, in order to minimise the number of compulsory redundancies, applications for voluntary redundancy may be considered. The Council has a modestly enhanced redundancy payment scheme which is applicable to both voluntary and compulsory redundancies.
89. Employees have also been encouraged to consider all and any alternatives, including, but not limited to, for example, considering a reduction in hours which might be appropriate for them, thereby enabling the reduced hours to be utilised by another employee and thus avoiding a redundancy situation.
90. Where compulsory redundancies are implemented, all reasonable efforts will be made to secure alternative employment in accordance with the Council's Redeployment Policy.
91. A range of support measures are also in place to offer employees at risk, or on notice of redundancy, which are detailed in the Council's Redundancy Policy.

Prudential and Treasury Indicators

92. CIPFA's Prudential Code is a professional code of practice to support local authorities in taking decisions about capital investment. All local authorities are required to have regard to the Prudential Code under part 1 of the Local Government Act 2003 and the Code of Practice for Treasury Management in the Public Services. The Prudential Framework for Local Authority Capital Investment was refreshed in 2021 and includes further guidance on the rules regarding non-treasury investments and commercial activities the Council may undertake.
93. The key objectives of the Codes are to ensure:
 - Capital investment and investment plans are affordable and proportionate;
 - All borrowing/other long-term liabilities are within prudent and sustainable levels;

- Risks associated with investment are proportionate to financial capacity;
 - And treasury management decisions are in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council;
 - Consistency with the organisational strategy and resources and ensure that decisions are being made with enough regard to the long-term financial implications and potential risks to the Council. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.
94. The Prudential Code and the Code of Practice for Treasury Management in the Public Services sets out a range of prudential and treasury indicators that need to be agreed by the Council. In setting and revising prudential and treasury indicators, the Council is required to take account of the following issues:
- affordability, including the impact on council tax;
 - prudence and sustainability;
 - value for money;
 - stewardship of assets and asset management planning;
 - service objectives;
 - practicality.
95. Appendix 7 to this report details the prudential indicators required under the Prudential Code and the Code of Practice for Treasury Management in the Public Services recommended for approval.

Minimum Revenue Provision (MRP)

96. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. It is proposed that the Council continues to use the annuity method for charging MRP in respect of PFI contracts and the asset life method on self-financed expenditure. The Council's annual MRP statement for 2023/24 is attached at Appendix 8.

Consultation

97. Section 65 of the 1992 Act requires the Council to consult with persons or bodies subject to non-domestic business rates in Gateshead about spending proposals.
98. The Council recognises consultation as a key part of policy formulation and makes considerable effort to ensure that the views of residents, businesses and other key stakeholders are considered.
99. On 20 December 2022, Cabinet agreed to a consultation on the proposed revenue savings and Council Tax and Adult Social Care precept increases for 2023/24. Responses are included at Appendix 4 of this report.
100. A meeting was held with the North-East Chamber of Commerce on 31 January 2023, and the Council have engaged both formally and informally with other stakeholders on the Council's budget approach.
101. A meeting was facilitated by Connected Voice on 31 January 2023, which was attended by representatives from the Voluntary, Community and Social Enterprise sector across the Gateshead and wider region.

102. Cabinet retain discretion over the detail of how such savings are made. Further consultation will be held where this is considered necessary.
103. Cabinet is asked to note that in respect of statutory or common law duties to consult arising from a change in service delivery, including under the Public Sector Equality Duty and other service specific consultation obligations, that the duty to consult will arise when identifiable changes to services and spending on them are proposed.
104. The Council will ensure that there is appropriate engagement throughout the year, at the right time and in the right way, where proposals may have an impact on employees, residents, businesses, the voluntary and community sector, or other stakeholders. Engagement activities will vary and may be broad in their focus or primarily targeted at a specific group of service users.
105. The Council has undertaken different approaches to engagement on the budget in recent years. However, the most consistent approach taken combines:
 - Population survey on budget themes and issues, including those signed up for consultation email alerts, together with online surveys to enable residents to give their views on key issues. These surveys are widely promoted across our key channels (website, social media, newsletter, partner networks).
 - Complementary to this the Council have also engaged and consulted with service users on specific proposals.
 - The Council also undertake wider engagement, including with voluntary and community sector organisations, businesses, and key strategic partners in the borough.
106. As part of our commitment to increase involvement and engagement in decision making, we will continue to look at alternative approaches to increase engagement in our budget setting. This year we have:
 - Developed an increasingly open and transparent communication of Gateshead Council's budget and challenges - using the Medium Term Financial Strategy (MTFS) to frame a conversation about the borough's finances over the coming years and our budget strategy
 - Built greater public awareness of the financial challenges and decisions faced by Gateshead Council
 - Demonstrated our coherent approach to delivering solutions (e.g. 'Gateshead offer' across all public sector bodies; supporting fairer economic growth; and climate change response)
 - All activity being supported by the Council's Communications and Engagement team.
107. The Council remains committed to continual constructive engagement with its recognised trade unions, whose contributions are welcomed and valued. Trade unions have been engaged in our approach to the budget and have been thanked for their engagement to date and the representation they have made.
108. Councillors have been consulted on the budget approach at Corporate Advisory Groups, portfolio meetings and briefing sessions.

Alternative Options

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

Implications of Recommended Option

1. Resources

- a. **Financial Implications** – The Strategic Director, Resources and Digital confirms that these are set out in the report and appendices to reflect the position to achieve a legally balanced budget for the start of 2023/24.
- b. **Human Resource Implications** – The Strategic Director, Corporate Services and Governance confirms that implications for the Council's workforce are considered within the report. Further reports will be brought forward for consideration on an ongoing basis throughout the financial year as proposals are finalised and human resource implications confirmed.
- c. **Property Implications** – The Strategic Director, Economy, Innovation and Growth confirms the implications for the Council's asset portfolio will be set out in detail in future separate reports. The Council will continue to implement its Asset Management Strategy and seek to reduce the costs associated with buildings and property through a corporate landlord model and seek to use the Council's assets to deliver the Thrive agenda and to help deliver the corporate priorities.

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

7. **Human Rights Implications** – The implications of the Human Rights Act must be considered in any decision that involves a change of policy or function, or a Service change that arises from the choices. These will be identified, where necessary, in the IIA's which are available from the Council.
8. **Area and Ward Implications** – The proposals in this report cover the whole of Gateshead.

Background Information:

- Budget Approach 2022/23 to 2024/25 – 14 December 2021
- Local Council Tax Support Scheme 2023/24 – 25 October 2022
- Medium Term Financial Strategy 2023/24 to 2027/28 – 25 October 2022
- Revenue Budget Third Quarter review 2022/23 – 24 January 2023

Group and Service (Net Budgets)	Base Budget and Contingency 2023/24 £000	Priority Growth 2023/24 £000	Proposed Savings 2023/24 £000	Budgeted Reserves Use 2023/24 £000	Proposed Budget 2023/24 £000
<u>Integrated Adults' and Social Care Services</u>					
Adult Social Care	83,034	6,530	(3,736)	0	85,828
Quality Assurance and Commissioning	5,909	0	(75)	0	5,834
<u>Children's Social Care and Lifelong Learning</u>					
Children's Social Care	47,760	0	(950)	0	46,810
Education, Schools and Inclusion	6,755	0	(161)	0	6,594
<u>Health and Wellbeing (including Public Health)</u>					
Health and Wellbeing (including Public Health)	21,197	0	0	700	21,897
<u>Office of the Chief Executive</u>					
Office of the Chief Executive	948	0	(42)	0	906
<u>Housing, Environment and Healthy Communities</u>					
Construction - Building Maintenance, Technical & Cyclical	414	0	0	0	414
Property & Assets	3,651	0	(564)	0	3,087
Strategic Services & Residential Growth	1,129	0	0	0	1,129
Locality Services & Housing	949	0	(123)	462	1,288
Highways and Waste	18,567	0	(280)	0	18,287
Environment and Fleet Management	3,352	0	(156)	0	3,196
<u>Economy, Innovation and Growth</u>					
Business, Employment and Skills	1,578	0	(540)	0	1,038
Planning, Policy, Climate Change and Strategic Transport	2,737	0	(160)	950	3,527
Major Projects	(511)	0	(1,010)	0	(1,521)
<u>Corporate Services and Governance</u>					
Legal and Democratic Services	4,315	0	0	0	4,315
Human Resources and Workforce Development	1,847	0	0	0	1,847
Corporate Commissioning and Procurement	617	0	0	0	617
Public Service Reform	409	0	(73)	0	336
<u>Resources and Digital</u>					
Financial Management	2,572	0	(31)	0	2,541
Customer Experience and Digital	4,542	0	(198)	250	4,594
Housing Benefits	200	0	0	0	200
IT	4,418	0	(215)	0	4,203
Commercialisation and Improvement	3,288	0	(150)	0	3,138
Other Services	1,759	0	(320)	0	1,439
General Contingency	16,344	0	0	0	16,344
Environment Standard	0	2,000	0	0	2,000
Voluntary Sector Development Fund	0	700	0	0	700
Capacity Fund	0	2,000	0	0	2,000
Rebalancing Fund	0	1,200	0	0	1,200
COVID Funding	8,996	0	0	0	8,996
Capital Financing Costs	32,818	0	0	0	32,818
Investment & Trading Income	(2,865)	0	(3,000)	0	(5,865)
Expenditure Passed Outside General Fund	(1,855)	0	0	0	(1,855)
<u>Levies</u>					
Environment Agency Levy	184	0	0	0	184
North East Combined Authority	11,814	0	0	0	11,814
Port of Tyne Levy	23	0	0	0	23
Total Net Budget	286,895	12,430	(11,784)	2,362	289,903
<u>Financed By</u>					
Settlement Funding Assessment (SFA)					(72,787)
Other Grants					(62,450)
Public Health					(17,225)
Council Tax (Excluding Parish Precept)					(110,473)
Collection Fund					(1,085)
Earmarked Reserves					(25,883)
Total Funding	0	0	0	0	(289,903)

*£1.3m pension saving is already included in the base budget figures taking total savings to £13.084m

SCHOOLS - ESTIMATES 2023/24

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	174,479	(174,479)	0	185,980	(185,980)	0
Use of Schools Reserves	0	0	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(64,318)	64,318	0	(74,755)	74,755	0
Total Retained in Council	110,161	(110,161)	0	111,225	(111,225)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(35,454)	35,454	0	(37,977)	37,977	0
Schools Budget (Maintained)	74,707	(74,707)	0	73,248	(73,248)	0
Estimated Pupil Premium	8,900	(8,900)	0	9,476	(9,476)	0
Less: Academies Recoupment	(3,200)	3,200	0	(3,765)	3,765	0
Pupil Premium (Maintained)	5,700	(5,700)	0	5,711	(5,711)	0
TOTAL SCHOOLS BUDGET 2023/24						0

The Council will receive an indicative £185.980m Dedicated Schools Grant (DSG), ring-fenced for the education of children. From this amount the Department for Education (DfE) will recoup the funding for academies in Gateshead and externally commissioned High Needs places, which is estimated to be £74.755m. Funding for schools and the providers of early years education is distributed on a formulaic basis in accordance with the Schools and Early Years Finance (England) Regulations. Funding for 2-year olds is estimated at £2.014m, funding for 3 & 4 year old's is estimated at £11.932m in 2023/24 and will be confirmed in June 2023 based on actual take up.

For 2023/24, High Needs Block funding increased by £2.878m. The Pupil Premium for 2023/24 will be £1,455 for primary school children and £1,035 for secondary school children. This amount is paid per pupil entitled to a free school meal at any time in the last six years. Looked After Children receive Pupil Premium Plus at £2,530 per eligible child. Service Children Pupil Premium is £335 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.476m, of which an estimated £3.765m will be recouped for academies.

Early Years Pupil Premium for eligible 3 & 4 year olds has been confirmed at £353 per pupil for a full financial year. This will be paid on a participation basis of £0.62 per hour and the DfE have provided an estimated allocation within the DSG of £0.183m.

INTEGRATED ADULTS' AND SOCIAL CARE SERVICE - ESTIMATES 2023/24

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	114,185	(40,617)	73,567	123,762	(40,729)	83,034
Priority Growth						
Social Care Grant				2,280	0	2,280
Discharge and Market Sustainability Funds				4,250	0	4,250
Budget Proposals						
Increase use of Technology, Extra Care Housing & Reablement to reduce package costs				(674)	0	(674)
Review of Service Delivery				(353)	0	(353)
Deletion of Vacant Posts				(229)	0	(229)
Promoting Independence centres and ASSET team, deploy grant funding to replace base budget				(2,280)	0	(2,280)
Income Generation					(200)	(200)
				2,994	(200)	2,794
Total Adult Social Care 2023/24				126,756	(40,929)	85,828

INTEGRATED ADULTS' AND SOCIAL CARE SERVICE - ESTIMATES 2023/24

QUALITY ASSURANCE AND COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Quality Assurance and Commissioning	6,216	(342)	5,874	6,146	(236)	5,909
Budget Proposals						
Recommissioning of Supported Accommodation				(50)	0	(50)
Deletion of Vacant Posts				(25)	0	(25)
				(75)	0	(75)
Total Quality Assurance and Commissioning 2023/24				6,071	(236)	5,834

CHILDREN'S SOCIAL CARE LIFELONG LEARNING - ESTIMATES 2023/24

CHILDREN'S SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Social Care	43,024	(1,841)	41,182	49,567	(1,807)	47,760
Budget Proposals						
Reduce Spot Purchases				(27)	0	(27)
Review Children's Home Sufficiency Strategy				(125)	0	(125)
Regional Adoption Agency				(125)	0	(125)
Review of Health Services Recharge Process				0	(500)	(500)
Review of Grant Funding across Children's Social Care Service				0	(173)	(173)
				(277)	(673)	(950)
Total Children's Social Care 2023/24				49,290	(2,480)	46,810

CHILDREN'S SOCIAL CARE LIFELONG LEARNING - ESTIMATES 2023/24

EDUCATION, SCHOOLS AND INCLUSION

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Education, Schools and Inclusion	55,374	(50,660)	4,715	57,728	(50,973)	6,755
Budget Proposals						
Reduction in Premature Retirement Costs				(137)	0	(137)
Review of expenditure budgets across Education, Schools and Inclusion				(24)	0	(24)
				(161)	0	(161)
Total Education, Schools and Inclusion 2023/24				57,567	(50,973)	6,594

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2023/24

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	17,225	0	17,225	17,225	0	17,225
				17,225	0	17,225
Total Public Health 2023/24						

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2023/24

HEALTH & WELLBEING

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
HEALTH & WELLBEING	9,040	(6,180)	2,860	10,151	(6,180)	3,971
Reserve Funded Budgets						
Reserve Mitigation for Leisure Services				700	0	700
				700	0	700
Total HEALTH & WELLBEING 2023/24				10,851	(6,180)	4,671

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2023/24

OFFICE OF THE CHIEF EXECUTIVE

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Office of the Chief Executive	1,085	(213)	872	1,161	(213)	948
Budget Proposals						
Reduce Corporate Budgets				(20)	0	(20)
Reduced Production of Council News				(16)	0	(16)
Increased Traded Income				0	(6)	(6)
				(36)	(6)	(42)
Total Office of the Chief Executive 2023/24				1,125	(219)	906

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2023/24

CONSTRUCTION - BUILDING MAINTENANCE, TECHNICAL & CYCLICAL

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Construction - Building Maintenance, Technical & Cyclical	344	0	344	414	0	414
Total Construction - Building Maintenance, Technical & Cyclical 2023/24				414	0	414

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2023/24

PROPERTY & ASSETS

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Property & Assets	11,672	(9,163)	2,509	13,003	(9,352)	3,651
Budget Proposals						
Review Options for Prince Consort Road Building				(79)	0	(79)
Council Property Portfolio Cost Reduction				(410)	0	(410)
Supporting Independence Service - Increased Income				0	(75)	(75)
				(489)	(75)	(564)
Total Property & Assets 2023/24				12,514	(9,427)	3,087

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2023/24

STRATEGIC SERVICES & RESIDENTIAL GROWTH

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Strategic Services & Residential Growth	1,872	(802)	1,070	2,039	(910)	1,129
Total Strategic Services & Residential Growth 2023/24				2,039	(910)	1,129

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2023/24

LOCALITY SERVICES & HOUSING

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Locality Services & Housing	3,102	(2,050)	1,052	3,116	(2,166)	949
Budget Proposals						
Additional use of Grant Funding for Bed & Breakfast Accommodation					(16)	(16)
Additional use of Grant Funding for Homeless Prevention, Refugees, Domestic Abuse					(107)	(107)
Reserve Funded Budgets						
Fuel Poverty Action Plan				200	0	200
Locality Working in Gateshead				135	0	135
Community Advice and Crisis Help				127	0	127
				462	(123)	339
Total Locality Services & Housing 2023/24				3,578	(2,289)	1,288

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2023/24

HIGHWAYS AND WASTE

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Highways and Waste	27,764	(10,708)	17,056	29,557	(10,990)	18,567
Budget Proposals						
Transport Strategy Post - Funding swap				(50)	0	(50)
Car Parks - Removal Security Guard / Full Cost Recovery to Third Parties				(70)	0	(70)
Cease Voids Service				(292)	132	(160)
				(412)	132	(280)
Total Highways and Waste 2023/24				29,145	(10,858)	18,287

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2023/24

ENVIRONMENT AND FLEET MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment and Fleet Management	5,573	(2,664)	2,909	6,092	(2,740)	3,352
Budget Proposal						
Cease Maintenance to Pitches/Bowling Greens as Previously Agreed				(266)	110	(156)
				(266)	110	(156)
Total Environment and Fleet Management 2023/24				5,826	(2,630)	3,196

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2023/24

BUSINESS, EMPLOYMENT AND SKILLS

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business, Employment and Skills	4,046	(2,806)	1,240	4,509	(2,931)	1,578
Budget Proposals						
Additional Rental Income (RIGA) (2023/24 only)				0	(480)	(480)
Gateshead Works Model				0	(60)	(60)
				0	(540)	(540)
Total Business, Employment and Skills 2023/24				4,509	(3,471)	1,038

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2023/24

PLANNING, POLICY, CLIMATE CHANGE AND STRATEGIC TRANSPORT

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Planning, Policy, Climate Change and Strategic Transport	5,922	(2,649)	3,274	5,446	(2,709)	2,737
Budget Proposal						
Group Review for Economy, Innovation & Growth				(160)	0	(160)
Reserve Funded Budgets						
Climate Change Strategy Delivery				517	0	517
Local Plan				433	0	433
				790	0	790
Total Planning, Policy, Climate Change and Strategic Transport 2023/24	6,236	(2,709)	3,527			

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2023/24

MAJOR PROJECTS

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Major Projects	1,314	(1,907)	(593)	1,456	(1,967)	(511)
Budget Proposals						
Energy - Council Buildings Efficiencies (Power checks & Heating Times)				(219)	0	(219)
Gateshead Energy Company Concession Charges				0	(198)	(198)
Energy - Solar PV Park Increased Income				0	(593)	(593)
				(219)	(791)	(1,010)
Total Major Projects 2023/24	1,237	(2,758)	(1,521)			

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2023/24

LEGAL AND DEMOCRATIC SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal and Democratic Services	4,969	(967)	4,002	5,281	(967)	4,315
				0	0	0
Total Legal and Democratic Services 2023/24				5,281	(967)	4,315

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2023/24

HUMAN RESOURCES AND WORKFORCE DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources and Workforce Development	2,232	(546)	1,686	2,393	(546)	1,847
Total Human Resources and Workforce Development 2023/24				2,393	(546)	1,847

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2023/24

CORPORATE COMMISSIONING AND PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning and Procurement	1,091	(500)	591	1,117	(500)	617
Total Corporate Commissioning and Procurement 2023/24				1,117	(500)	617

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2023/24

PUBLIC SERVICE REFORM

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Service Reform	396	0	396	409	0	409
Budget Proposal						
Deletion of Vacant Post/Cost Reduction				(73)	0	(73)
				(73)	0	(73)
Total Public Service Reform 2023/24				336	0	336

RESOURCES AND DIGITAL - ESTIMATES 2023/24

FINANCIAL MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Financial Management	4,078	(1,935)	2,143	4,501	(1,930)	2,572
Budget Proposal						
Deletion of Vacant Posts				(31)	0	(31)
				(31)	0	(31)
Total Financial Management 2023/24				4,470	(1,930)	2,541

RESOURCES AND DIGITAL - ESTIMATES 2023/24

CUSTOMER EXPERIENCE AND DIGITAL

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer Experience and Digital	5,689	(2,230)	3,459	5,758	(1,216)	4,542
Budget Proposals						
E-Billing - Further Implementation				(10)	0	(10)
Customer Experience & Digital - Contributions from Grant Funding				0	(188)	(188)
Reserve Funded Budgets						
Discretionary Payments				50	0	50
Community Advice and Crisis Help				200	0	200
				240	(188)	52
Total Customer Experience and Digital 2023/24				5,998	(1,404)	4,594

RESOURCES AND DIGITAL - ESTIMATES 2023/24

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Housing Benefits	49,085	(48,885)	200	49,085	(48,885)	200
Total Housing Benefits 2023/24				49,085	(48,885)	200

RESOURCES AND DIGITAL - ESTIMATES 2023/24

IT

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT	6,392	(2,245)	4,147	6,659	(2,241)	4,418
Budget Proposals						
Telephony Services Contract Saving				(140)	0	(140)
IT Software Consolidation				(75)	0	(75)
				(215)	0	(215)
Total IT 2023/24				6,444	(2,241)	4,203

RESOURCES AND DIGITAL - ESTIMATES 2023/24

COMMERCIALISATION AND IMPROVEMENT
(Includes School Meals and Catering Service)

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Commercialisation and Improvement	9,379	(6,711)	2,668	10,647	(7,359)	3,288
Budget Proposal						
Removal of Contribution to Major Events				(150)		(150)
				(150)	0	(150)
Total Commercialisation and Improvement 2023/24				10,497	(7,359)	3,138

RESOURCES AND DIGITAL - ESTIMATES 2023/24

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2022/23			2023/24		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Other Services	1,855	(48)	1,807	2,081	(322)	1,759
Contingencies	11,961	0	11,961	16,344	0	16,344
Priority Growth - Environmental Standard	0	0	0	2,000	0	2,000
Priority Growth - Voluntary Sector Development Fund	0	0	0	700	0	700
Priority Growth - Capacity Fund	0	0	0	2,000	0	2,000
Priority Growth - Rebalancing Fund	0	0	0	1,200	0	1,200
COVID Funding	8,996	0	8,996	8,996	0	8,996
Capital Financing	33,866	0	33,866	32,818	0	32,818
Investment & Trading Income	0	(3,710)	(3,710)	0	(2,865)	(2,865)
Expenditure passed outside general fund	0	(1,855)	(1,855)	0	(1,855)	(1,855)
Levies	11,686	0	11,686	12,021	0	12,021
Total	68,365	(5,613)	62,752	78,160	(5,042)	73,118
Budget Proposal						
Additional Investment Interest Income					(3,000)	(3,000)
Other Services - Reduction in Subscription Costs				(70)		(70)
Other Services - Reduction in Insurance Costs				(250)		(250)
				(320)	(3,000)	(3,320)
Total Other Services 2023/24				77,840	(8,042)	69,798

SUMMARY OF BUDGET GROWTH		AMOUNT £000S
Adult Social Care (Additional Grants)		6,530
Environment Standard		2,000
Voluntary Sector Development Fund		700
Capacity Fund		2,000
Rebalancing Fund		1,200
BUDGET GROWTH Total		12,430

SUMMARY OF BUDGETED USE OF RESERVES		AMOUNT £000S
Financial Risk and Resilience Reserve		
Leisure Mitigation		700
Total		700
Thrive Reserve		
Discretionary payments		50
Locality Working in Gateshead		135
Fuel Poverty Action Plan		200
Local Plan		433
Climate Change Strategy Delivery		517
Community Advice and Crisis Help		327
Total		1,662

SUMMARY OF SAVINGS	AMOUNT £000S
BUSINESS & RESOURCES (Finance, Economy and Culture)	
Reduction in Premature Retirement Costs	137
Graphic Design - Increase Traded Income	6
Reduce the corporate affairs budget	20
Reduce the production of Council News from four to two editions each year	16
Reduction in insurance service charges and budgets	250
Ebiling - further implementation	10
Telephony Services	140
IT Software Consolidation	75
Budget savings arising from reduction of Corporate Subscriptions	70
Investment Interest	3000
Resources and Digital - Deletion of Vacant posts	31
Corporate Services and Governance - Deletion Vacant posts	73
Business Centres - Increased Income	480
Solar PV Park - Increase Income	593
Group Review for Economy, Innovation & Growth	160
Phased reduction of Grant contribution to Major Events	50
Removal Full Grant contribution to Major Events	100
Customer Experience & Digital - contributions from Grant Funding	188
Gateshead Energy Company Concession Charges	198
Energy - Council Buildings efficiencies	219
PEOPLE (Adults Social Care, Children's Services and Poverty)	
Review Health Services recharge processes	500
Reduce spot purchases	27
Review Children's home sufficiency strategy	125
Regional Adoption Agency	125
Review of grant funding across Children's Social Care Service	173
Review of expenditure budgets across Education, Schools and Inclusion	24
Recommissioning of Supported Accommodation	50
Increase use of Technology, Extra Care Housing and reablement	674
Review of Service Delivery	353
Income Generation	200
Deletion of Vacant Posts	254
Deploy Grant Funding to replace base budget	2,280
Alternative use of grant funding for Bed & Breakfast Accommodation	16
Alternative use of grant funding for Homeless Prevention, Refugees, Domestic Abuse, Afghan, Hong Kong and Ukraine	107
Gateshead Works model	60
PLACE (Includes Place, Environment, Assets, Communities & Housing)	
Council Property Portfolio - cost reduction	410
Review Long Term options for Prince Consort Road building	79
Building Cleaning - Increased Income	75
Transport Strategy Post - Funding swap	50
Car Parks - Removal Security Guard / Full cost recovery to third parties	70
Cease Voids service	160
Cease Maintenance to Pitches/Bowling Greens as agreed	156
Total	11,784

*£1.3m pension saving is already included in the base budget figures taking total savings to £13.084m

Statutory Requirements: Calculation of Council Tax Requirement

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

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

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

Calculation of Basic Amount of Tax

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

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

where:

- R is the amount calculated (or last calculated) by the authority under section 31A (4) of the 1992 Act as its council tax requirement for the year;

T is the amount which is calculated by the authority as its council tax base for the year and, where one or more major precepting authorities have power to issue precepts to it, is notified by it to those authorities ("the major precepting authorities concerned") within the prescribed period.

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

Introduction

1. Following a report to Cabinet on 20 December 2022, the Council commenced consultation on a number of savings proposals for 2023/24.
2. The Council has consulted and sought views on a proposed Council Tax increase (2.99%) and Adult Social Care precept increase (2%) as part of its budget setting process for 2023/24.
3. There is an estimated funding gap of £55m anticipated over the next five years. If the proposed uplifts were not taken, the impact would be £15m over the period. This approach is consistent and supports the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium-Term Financial Strategy.
4. The Budget Consultation focused on 12 savings proposals totalling £2.1m which could have an impact on residents and the wider community. Further savings totalling £12.4m were not included in the public consultation they included use of grant funding to replace core budget, deletion of vacant council posts and income generation.

Method

5. The Budget consultation 2023/24 ran from 20 December 2022 to 9 February 2023. The public consultation survey was made available on the Council's consultation portal. Comments on the proposals were also received by email through a Budget Consultation inbox.
6. Promotion of the consultation was carried out using Council News, social media, Gateshead Now and was also publicised on the Council's website and through internal communications channels. The Council's online consultation portal also automatically emails around 1,800 people who have registered to be notified when new consultations are posted.
7. A series of briefings have been held for councillors to consider and comment on the context and budget approach.
8. A news article, explaining the Council's budget in greater detail and providing more information on Council Tax was featured within the Winter edition of Council News, which can be found here: - www.gateshead.gov.uk/councilnews
9. Discussions have been held with key stakeholders including trade unions, as well as the Voluntary and Community Sector organised by Connected Voice, and with the North-East England Chamber of Commerce.
10. Key stakeholders and community groups were emailed with the budget consultation details and offered the opportunity to receive a briefing on the budget.

Public Consultation

11. Overall, there has been a good response in the number of people who have engaged with the Council on its budget consultation. There are 1,275 responses to the survey via the consultation portal.

12. The following data has been gathered from the council website, social media, and emails:

- The budget page on the website was viewed 1,489 times
- The budget news story was viewed 120 times
- NB: website stats are likely underreported due to cookie controls restricting data
- Gateshead Now email featured the budget consultation on two occasions, with a total of 1,811 clicks
- Three Twitter posts received 5,962 impressions and 195 engagements
- Five Facebook posts achieved a reach of 28,015 people, with 5,442 engagements and 669 comments
- Two LinkedIn posts achieved a reach of 1,549
- 22 emails received into budgetconsultation@gateshead.gov.uk
- Consultation featured in the weekly employee bulletin
- Full page article in Council News (December 2022)
- 1 petition submitted for budget proposal ref. 56 – Cease Countryside Warden service

13. Below is a summary of feedback received showing the largest proportion (either combined strongly agree and tend to agree or combined strongly disagree and tend to disagree) for each proposal:

BUSINESS & RESOURCES:		
£16,000	Reduce production of Council News magazine	93% AGREE
£150,000	Removal of grant contribution to major events	73% AGREE
PEOPLE:		
£27,000	Reduce spot purchases	69% AGREE
£125,000	Review children's home sufficiency strategy	80% AGREE
£50,000	Recommissioning of Supported Accommodation	74% AGREE
£674,000	Increase use of technology, extra care housing and reablement approaches to promote the use of less restrictive models of care and improve people's independence	74% AGREE
PLACE:		
£10,000	Cease Millennium Bridge tilts	59% AGREE
£40,000	Removal of car park security guard	61% AGREE
£835,000	Reduction in some environmental services	87% DISAGREE
£130,000	Cessation of some environmental services	81% DISAGREE
£30,000	Removal of Events Officer post for highways	58% AGREE
£29,000	Consider alternative management arrangements for St. Mary's Heritage Centre	45% AGREE
COUNCIL TAX:		
2%	Increase to Council Tax for the adult social care precept	59% DISAGREE
2.99%	Increase to general Council Tax	63% DISAGREE

14. Further detailed breakdown of responses for each proposal and the themes of comments made along with demographics from the consultation results can be found at the end of this appendix.
15. In addition, there were a significant number of general comments made by respondents to the budget consultation. Initial analysis of these shows the greatest numbers of comments were made in relation to (listed in priority order);
- A negative comment relating to Gateshead Council and perceived lack of management of services, funding or quality of provision.
 - Expressing the need to protect remaining services relating to the environment and visible deterioration of place across Gateshead in recent years, reducing its attractiveness for residents to live and businesses to locate.
 - Comments relating to governance and suggestions made to improve efficiency and effectiveness of the council by reducing the number of councillors, reducing councillor expenses or reducing senior management numbers and costs.
 - Council tax levels in Gateshead including current high levels of council tax charged in comparison to other local authorities and concerns about paying any further increase.
16. A number of emails were received into the budget consultation mailbox. The majority of these were from individual residents who were expressing concerns about specific budget proposals. In particular the impact of a number of environment proposals especially the removal of the countryside warden service and support for the volunteer service. A smaller number of emails made suggestions for budget savings or requested further information about a proposal.
17. A petition has been submitted for the Place budget proposal – Cease provision of the Countryside Warden service (Reference 56). This received over 1400 signatures against the proposal to remove a countryside warden service in Gateshead's countryside parks.

Trade Unions

18. The Council remains committed to continual constructive engagement with its recognised trade unions, whose contributions are welcomed and valued. Collective consultation has been undertaken with recognised trade unions to allow for meaningful and constructive consideration to be given as to how redundancies might be avoided; how the number of redundancies might be reduced; and mitigating the consequences of any redundancies
19. Should the budget be influenced as an output of the public and/or employee consultation this could result in roles currently at risk no longer being at risk and roles not currently at risk being placed at risk, if reductions are suggested and agreed to elsewhere in the budget, which may impact on employees. This would involve a further redundancy consultation process and therefore savings would not be delivered by the start of the next financial year.
20. Trade unions have been thanked for their engagement to date and the representation they have made.

Voluntary and Community Sector

21. The Council continues to value the contribution of the community and voluntary sector in Gateshead and the significant impact that is made in supporting residents across the

borough. The Council will continue to engage, support, and collaborate with the voluntary sector leaders' groups on the development of in-year budget proposals.

22. The Service Director – Voluntary and Community Sector Development has and will also continue to forge relationships to ensure ongoing support to residents who are vulnerable and continue to require help and support with the assistance.
23. The Council's relationship with Connected Voice remains strong and the collective capacity building that results from this will ensure the VCSE continues to receive help and support from the Council and this key partner. A submission from Connected Voice and one from NE Youth was received on the budget consultation highlighting the concerns of the sector of both cumulative reduction in council budgets and specific budget proposals likely to have a negative impact on residents and young people in Gateshead.

Other public consultation

24. Over the past twelve months the Council has undertaken 45 consultations using its online consultation portal. Many of these help to inform Council policy, including:

- Warm Spaces
- Former and Current UK Armed Forces and UK Armed Forces Reserves Survey
- School Admission Arrangements for September 2024
- Leisure Services Consultation
- Tenant Satisfaction Survey 2022
- Draft Gateshead Physical Activity Strategy 2022/32
- Revised Exemplar Neighbourhood Masterplan and Supplementary Planning Document
- Revised Housing Allocations Policy and New Tenancy Strategy and Management Policy
- Gateshead Housing Allocations Policy for Housing Applicants
- Pharmaceutical Needs Assessment 2022
- Biodiversity SPD Scoping Report
- The Sage Arena, Exhibition and Conference Centre
- Gateshead Riverside Park
- School Catering Pupil and Parent Survey

Integrated Impact Assessment

25. The Council's strategic approach of Making Gateshead a Place Where Everyone Thrives identifies a commitment to reduce the levels of inequality that are apparent within the borough.
26. Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Nearly 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 62,555 (31%) live in the 20% most deprived areas.
27. The population of Gateshead is ageing it is projected that by 2041 there will be an additional 7,545 people aged 65 or older, an increase of 18%. There will also be a slight decrease in the number of children and young people aged 0-15 of around 2,793 or 8%.

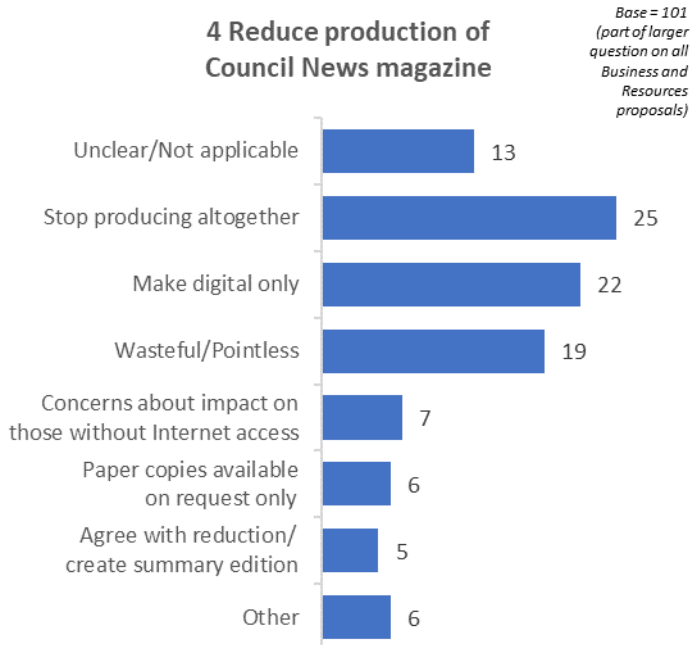
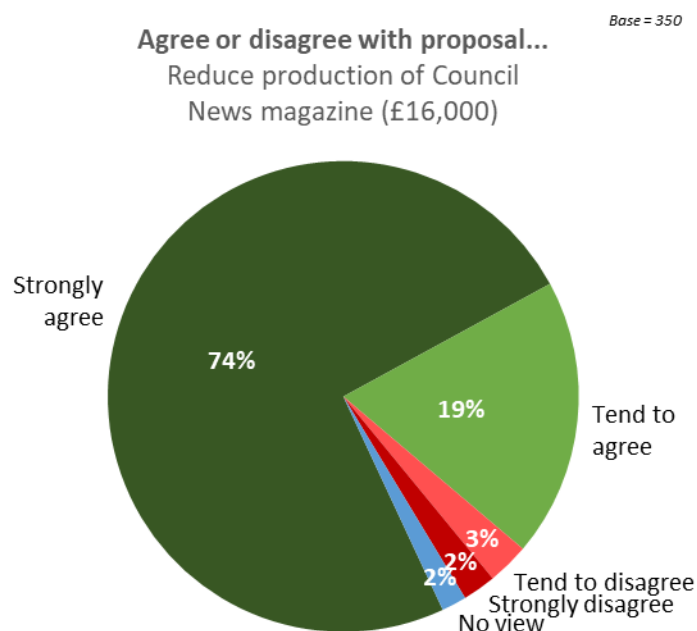
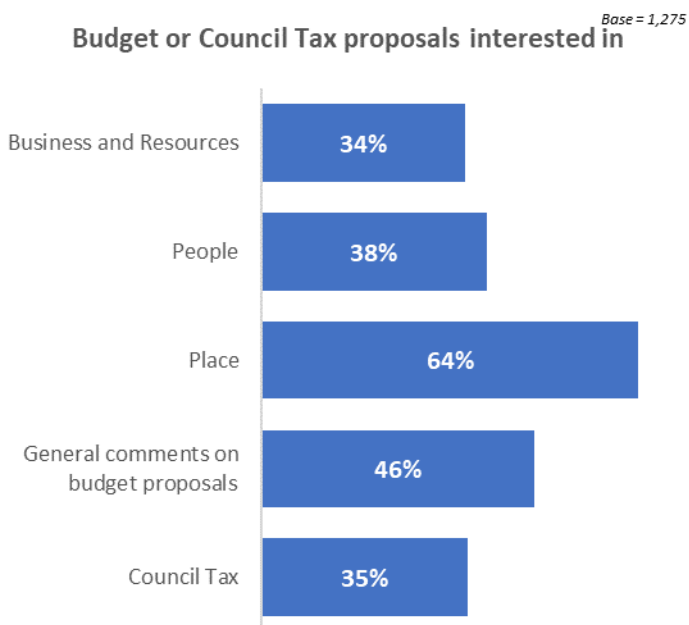
28. To achieve a balanced budget in 2023/24, the Council has reviewed its base budget. This is year 2 of the agreed 3-year budget approach to help deliver against Council priorities.
29. Integrated impact assessments (IIA) were published for those 12 budget savings proposals likely to have an impact on residents or the wider community, and were made available on the budget consultation webpage. This IIA approach considers any impact, whether negative or positive, on people with protected characteristics alongside health, environment, socio-economic disadvantage and considers cumulative impact. The Council's role will be to consider any disproportionate impact identified in the integrated impact assessments as part of the decision-making process and wherever possible, mitigate this impact, following implementation of proposals.
30. Impact assessments are reviewed following the feedback from the public consultation process and updated as knowledge of any likely impact on employees or service users is understood following consultation and engagement activity.
31. Analysis of the general comments made as part of the budget consultation shows there is likely to be a negative impact on services users and residents in general if the budget proposals are agreed. Where respondents gave specific feedback on individual budget proposals this has been coded into themes and considered by Service Directors responsible for that service area. Full feedback charts are presented at the end of this appendix.

Mitigation of Impact of Budget Proposals

32. The Council has considered the consultation feedback and acknowledged the potential for negative impact on residents and service users and is proposing to not recommend some of the 2023-24 budget proposals put forward for public consultation. The following Place proposals will be removed ([Appendix 3 Budget 2023-24](#) p.7 & 8 references 40, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 56, 57, 58 and 60).
33. In addition the Council is also recommending to withdraw the following budget proposals which were not part of the public consultation. These are Place proposals 55 and 59 and Business and Resources proposals 12 (partially removed) and 13 (partially removed).
34. In total, proposals worth £1.416m have been removed following the budget consultation. In addition, growth of £2m is recommended to achieve and maintain good environmental standards in the borough.

Budget Consultation 2023-24

The Budget 2023-24 consultation ran from 20 December 2022 to 9 February 2023. The consultation was made available on the Council's consultation portal. Comments on the proposals were also received by email through a Budget Consultation inbox. The consultation was advertised via social media. In total there were 1,275 respondents to the survey.



Additional free text comments shown in chart on left.

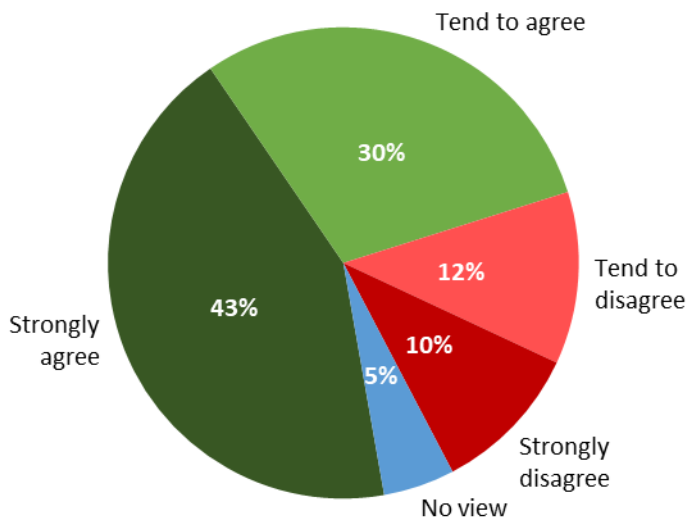
'Other' includes:

- Use cheaper materials e.g. monochrome printing
- Not a big saving
- Check it is actually being delivered

Agree or disagree with proposal...

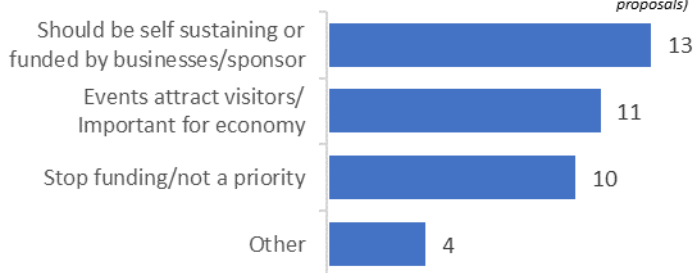
Base = 347

Removal of grant contribution
to major events (£150,000)



17, 18 Removal of grant contribution to major events

Base = 101
(part of larger question on all Business and Resources proposals)



Additional free text comments shown in chart left.

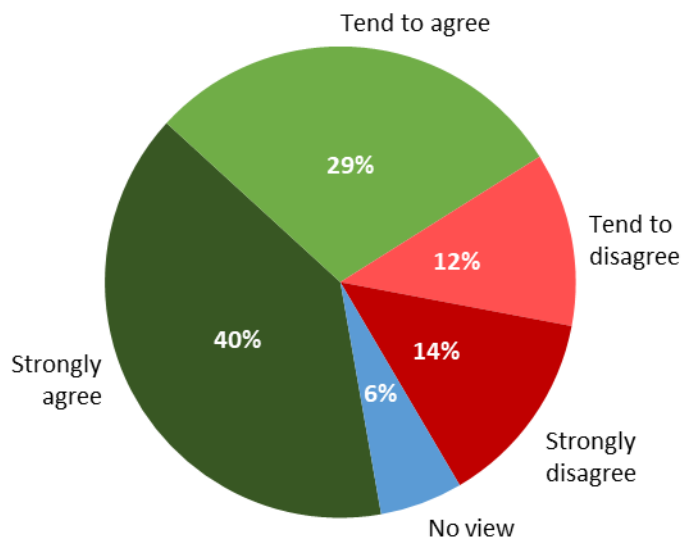
'Other' includes:

- Be more selective in which events are supported
- Not a big saving
- Concerns about impact on safety

Agree or disagree with proposal...

Base = 369

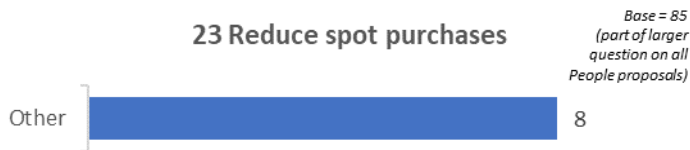
Reduce spot purchases (£27,000)



Additional free text comments shown in chart left.

'Other' includes:

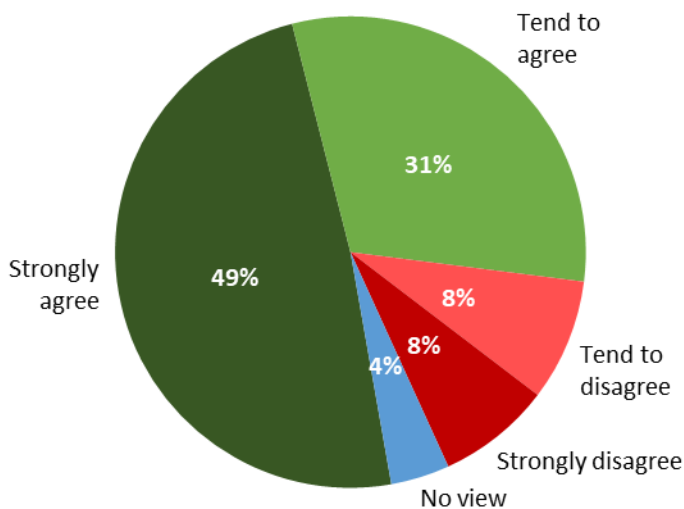
- Urgent spot purchases should remain in place
- Undertake a review of all purchasing
- Agree reduce spot purchases
- Spot purchases are often more cost effective



Agree or disagree with proposal...

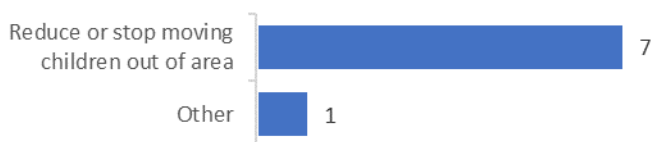
Review children's home sufficiency strategy (£125,000)

Base = 371



24 Review children's home sufficiency strategy

Base = 85
(part of larger question on all People proposals)



Additional free text comments shown in chart left.

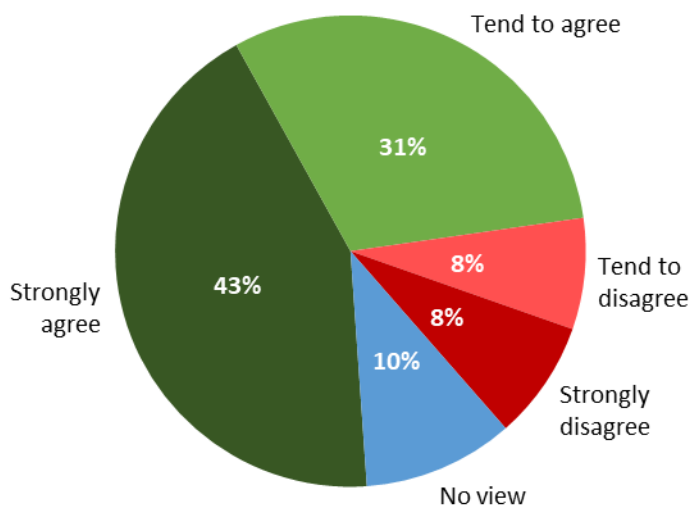
'Other' includes:

- Collaborate with north east authorities to provide local placements

Agree or disagree with proposal...

Recommissioning of Supported Accommodation (£50,000)

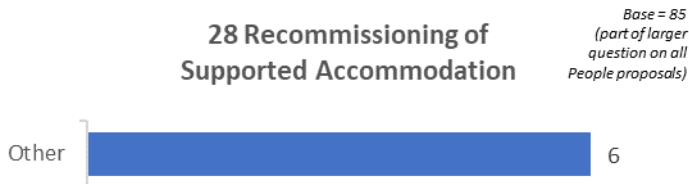
Base = 367



Additional free text comments shown in chart left.

'Other' includes:

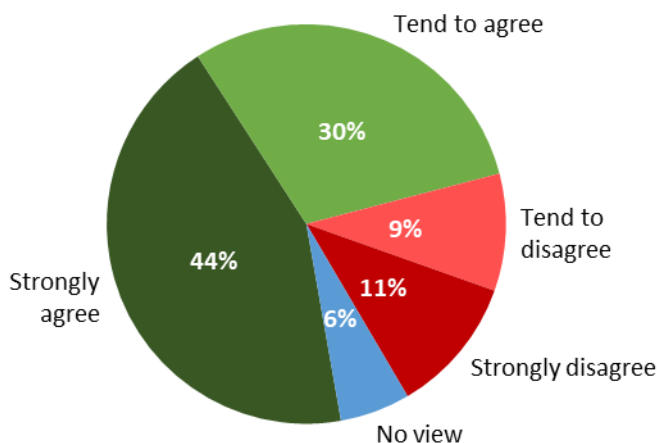
- Achieve 10% saving for supported accommodation
- Continue providing supported accommodation
- Do not provide accommodation for anti-social tenants
- Extra care accommodation costs to tenants is unfair
- Increase saving target to 15%
- Invest in in-house supported accommodation provision



Agree or disagree with proposal...

Increase use of technology, extra care housing and reablement approaches to promote the use of less restrictive models of care and improve people's independence (£674,000)

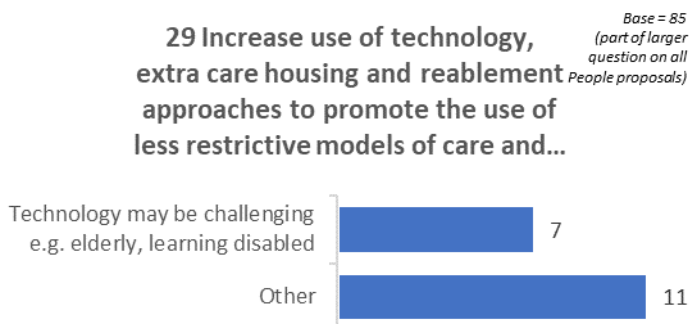
Base = 369



Additional free text comments shown in chart left.

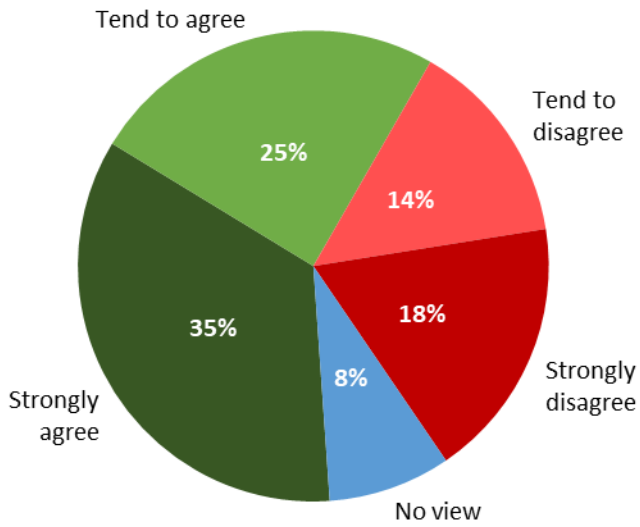
'Other' includes:

- Technology lacks human interaction, may lead to isolation
- Support use of technology, extra care housing or reablement
- Concerns about reliability of technology
- Extensive assessments avoid unnecessary short-term packages
- Increase use of live-in wardens



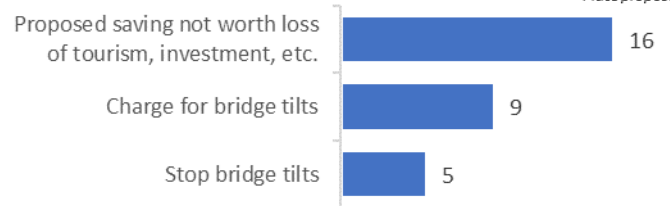
Agree or disagree with proposal...
Cease Millennium Bridge tilts (£10,000)

Base = 606



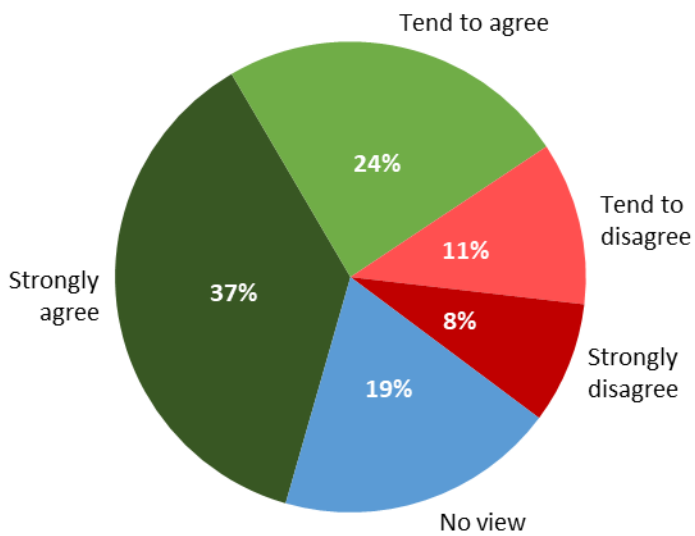
40 Cease millennium bridge tilts

Base = 331
(part of larger question on all Place proposals)



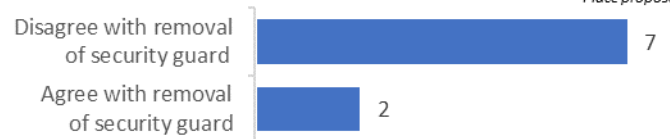
Agree or disagree with proposal...
Removal of car park security guard (£40,000)

Base = 598



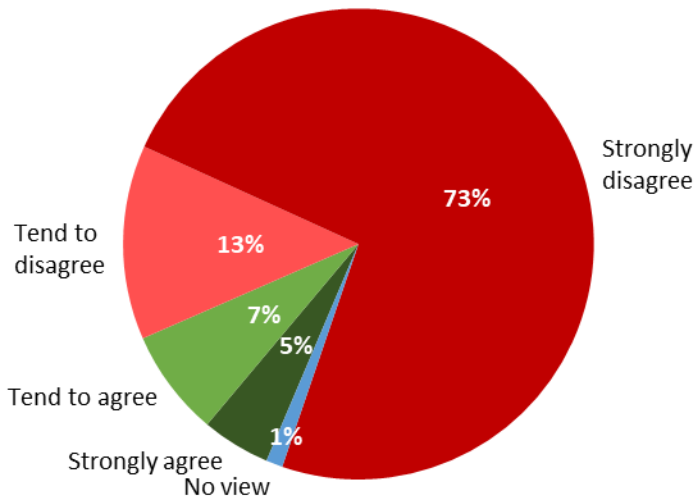
42 Removal of car park security guard

Base = 331
(part of larger question on all Place proposals)



Agree or disagree with proposal...
Reduction in some environmental
services (£835,000)

Base = 614



**45, 46, 47, 48, 49, 51, 52, 53 Reduction
in some environmental services**

Base = 331
(part of larger
question on all
Place proposals)



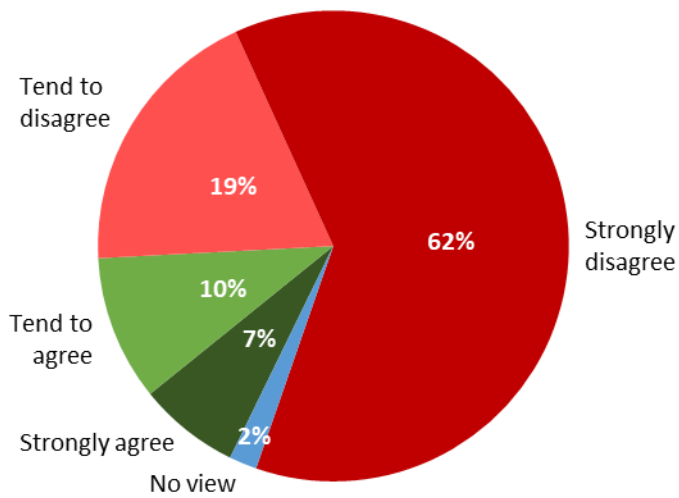
Additional free text comments shown in chart left.

'Other' includes:

- Agree with reductions proposed to environmental services
- Invest in more staff, do not cut staff
- Retain grounds maintenance
- Weed control/cutting grass too regularly is bad for biodiversity
- Work with offenders to improve environment
- Improve CCTV in parks to mitigate staff reductions
- Invest in technology to make savings
- Make posts part time to retain staff

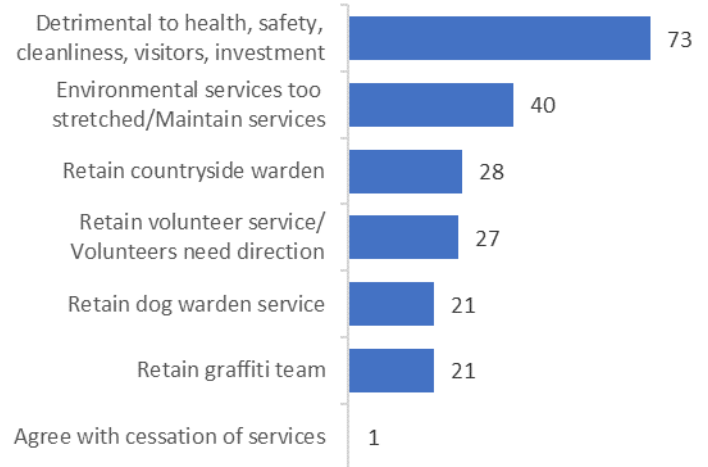
Agree or disagree with proposal...
Cessation of some environmental services (£130,000)

Base = 631



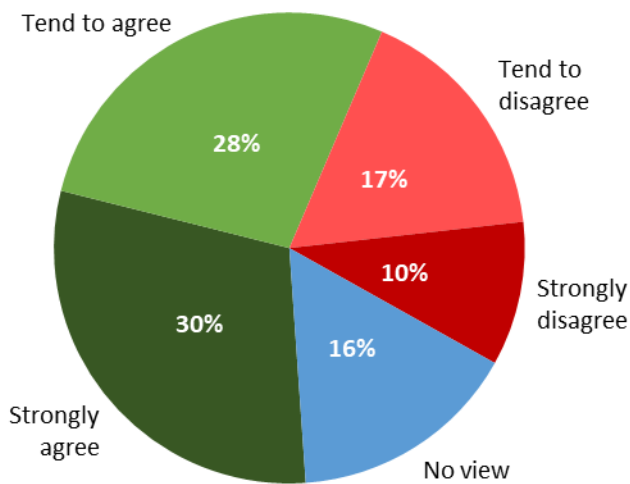
50, 56, 57, 58 Cessation of some environmental services

Base = 331
(part of larger question on all Place proposals)



Agree or disagree with proposal...
Removal of Events Officer post for highways (£30,000)

Base = 596



54 Removal of Events Officer post for highways

Base = 331
(part of larger question on all Place proposals)



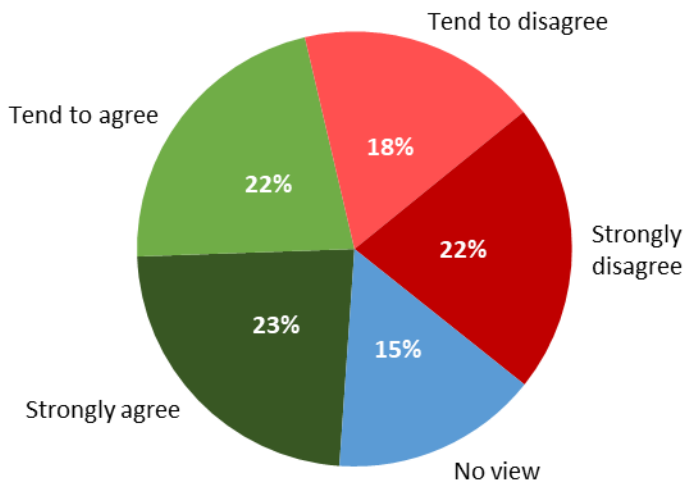
Additional free text comments shown in chart left.

'Other' includes:

- Agree with removal of events officer
- Potential safety issue
- Reduce to part time post or merge with another post

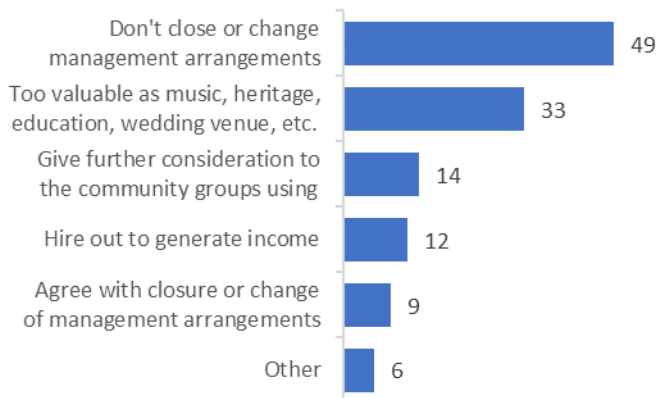
Agree or disagree with proposal...
 Consider alternative management
 arrangements for St. Mary's Heritage Centre
 (£29,000)

Base = 617



**60 Consider alternative
 management arrangements for
 St. Mary's Heritage Centre**

Base = 331
 (part of larger
 question on all
 Place proposals)



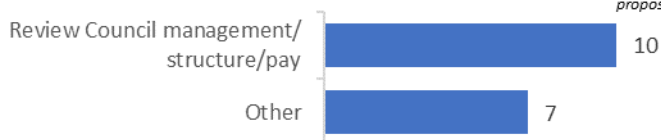
Additional free text comments shown in chart left.

'Other' includes:

- St Mary's difficult to access/Use other venues for heritage/events
- Sell the building
- Use for national athletics archive/health and wellbeing centre

**Business and Resources -
 General Comments**

Base = 101
 (part of larger
 question on all
 Business and
 Resources
 proposals)



General free text comments on Business and Resources proposals shown in chart left.

'Other' includes:

- Stop spending on road works, cycle lanes etc.
- Stop spending on office refurbishments
- Support small businesses
- Unhappy with Council Tax increases
- Use reserves to invest in infrastructure

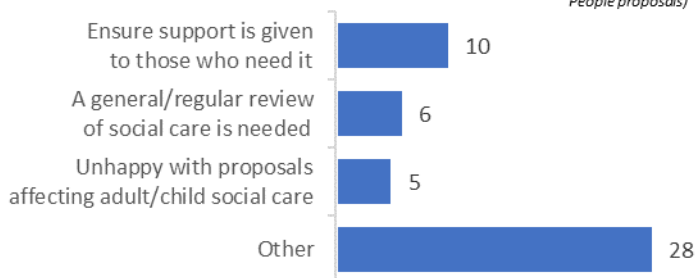
General free text comments on People proposals shown in chart left.

'Other' includes:

- Spend more not less on adult social care
- Review Council management/structure/pay
- Ensure accountability for service failures
- Consider savings around provision of transport e.g. taxis
- Focus more on adult/elderly care rather than just children
- Improve awarding/monitoring of contracts, spot purchases, etc.
- Questioning use of finances
- Consider savings around events provided for children
- Explore financial incentive/training for caring for relatives
- Reduce spending on adult social care
- Provide services in-house rather than paying external contractors
- Make savings through better procurement
- Emphasis on preventative community services
- Use of volunteers
- Physical or mental health impact
- Had problems with care assessment previously

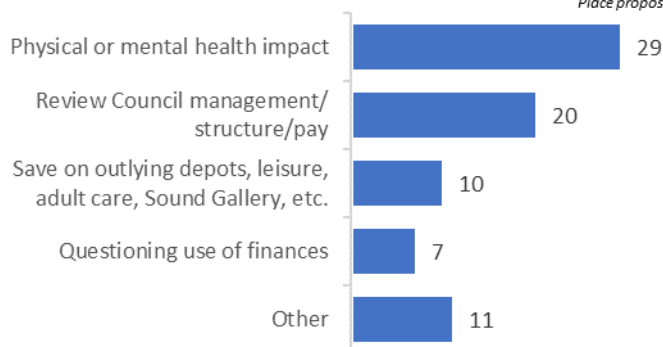
People - General Comments

Base = 85
(part of larger
question on all
People proposals)



Place - General Comments

Base = 331
(part of larger
question on all
Place proposals)



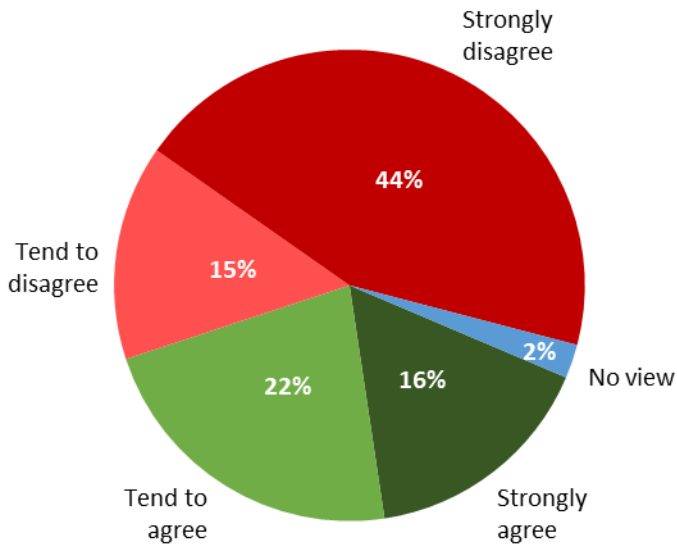
General free text comments on Place proposals shown in chart left.

'Other' includes:

- Concerns around loss of staff
- Stop spending on road works, bus, cycle lanes, etc.
- Greater use of volunteers
- Charge residents on sliding scale based on proximity to amenities
- Don't pressure remaining staff to provide same level of service

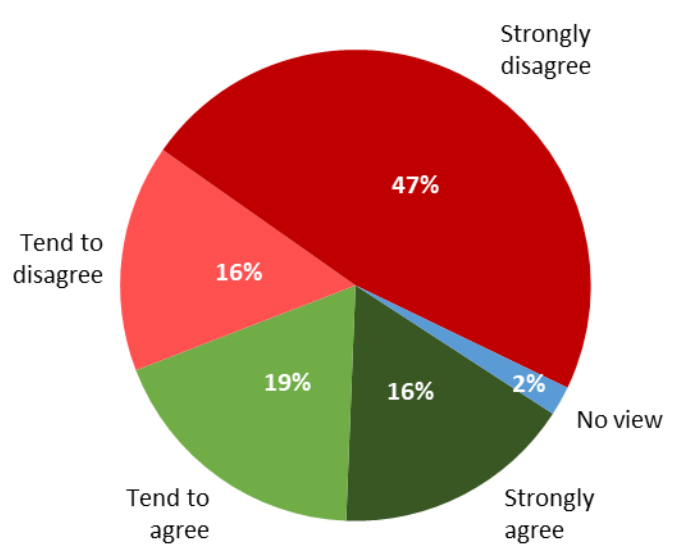
Agree or disagree with 2% increase to Council Tax for the adult social care precept

Base = 345



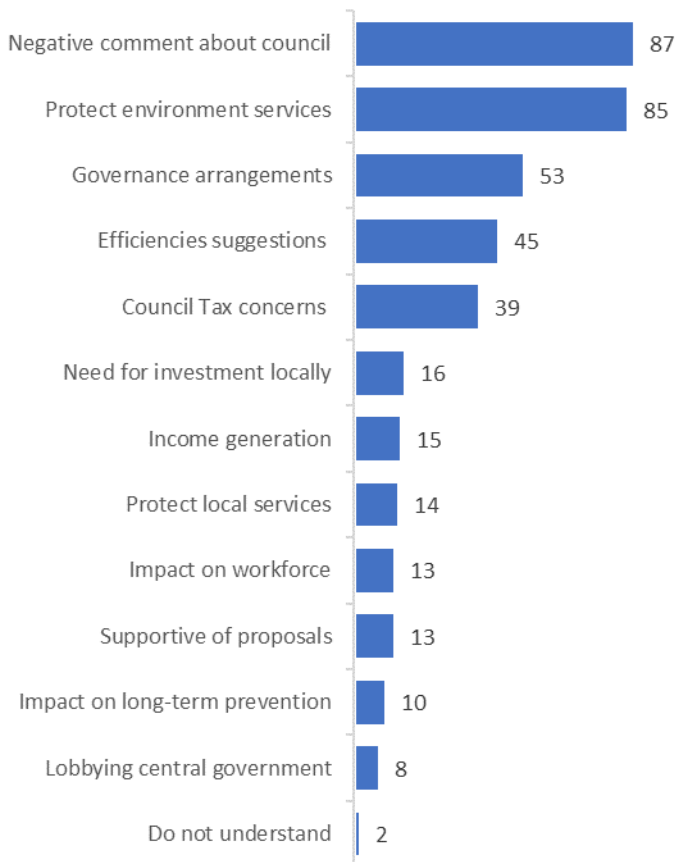
Agree or disagree with 2.99% increase to general Council Tax?

Base = 346



Overall General Comments

Base = 279



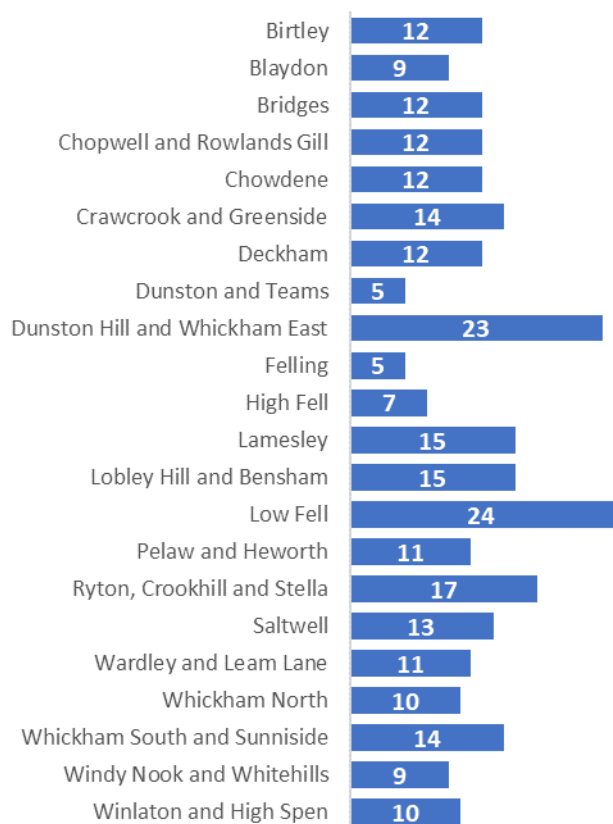
Coding framework for overall general comments shown in same order as chart left:

- Negative comment about the management of the council, its services and operations
- Need to improve the local environment
- Relating to governance of the council for example elected members, councillor expenses, management structures
- Relating to suggestions on efficiencies that could be made internally to save money
- Comments about council tax increases and costs to Gateshead residents
- Comments about the need to invest in Gateshead, its facilities and services to improve the place
- Suggestions on ways to generate income
- Concern over the negative impact on residents or local communities if council services are reduced or withdrawn
- Impact on workforce comments about redundancies and front line service delivery
- Supportive of some proposals
- Comments about the longer term negative impact of budget cuts and the need to focus on prevention
- Need to lobby government about impact of cuts on local government
- Do not understand the budget proposals

Demographics of respondents (optional questions)

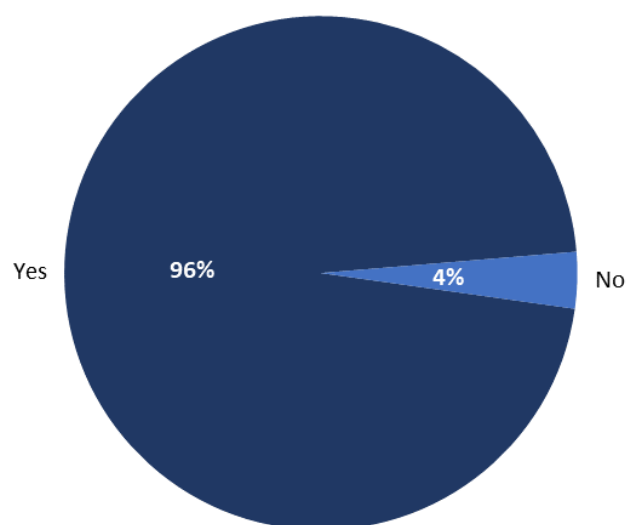
Number of responses by ward
(of those providing their full postcode)

Base = 272



Are you a Gateshead resident?

Base = 338



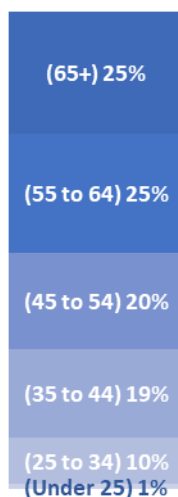
Respondents limited because of a physical or mental health condition

Base = 890



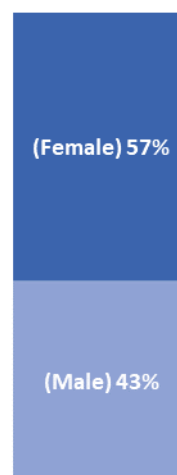
Age of respondents

Base = 895



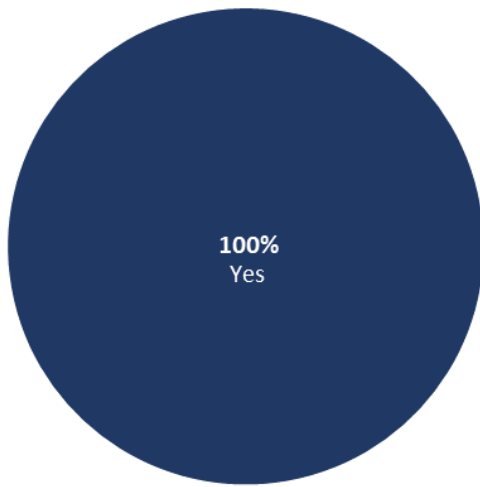
Sex of respondents

Base = 882



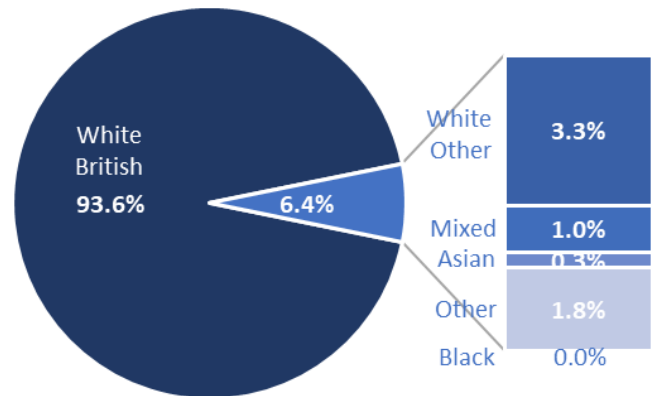
Gender identity is the same as sex

Base = 861



Ethnic group of respondents

Base = 892



Appendix 4 (continued)

Alice Wiseman, Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Consultation (2023/24)

Purpose of the Health Impact Statement

This statement:

- provides a brief overview of current health and wellbeing challenges in Gateshead in the context of ongoing recovery from the COVID-19 pandemic, and the cost-of-living crisis.
- highlights the potential health impact of the Council's budget proposals on the delivery of the Thrive agenda and sets out key areas relevant for mitigation.

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

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

1. Understand which proposals will result in the least negative impact at a population level.
2. Understand any negative consequences, which, if possible, may require mitigation.

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

Principles of a health impact assessment

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

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

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

Budget Approach

Since 2010, national funding for Councils has reduced meaning that Gateshead Council now has £179m less to spend each year on public services than it did in 2010. This is a reduction of 56% and in practical terms means there is £900 less funding per person in Gateshead. The Council also faced increasing costs during the pandemic, while inflation, energy costs and increasing need and demand for services such as social care continue to increase. To deliver a balanced budget, estimates suggest the Council needs to close a funding gap of £55 million over the next 5 years which is the equivalent to £1150 less funding being spent per person in Gateshead.

Consultation this year has focused on a Council Tax increase of 2.99%, and Adult Social Care precept increase of 2%, which would raise £5.2m in support of the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the Medium-Term Financial Strategy (MTFS). It has also included proposals for savings made across Council services including communications, major events, social care, environmental services, and culture.

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

Overview of current health and wellbeing challenges in Gateshead

Three years on from the start of the COVID-19 pandemic, life continues to be complex and challenging for many in our Borough. The pandemic exposed, exacerbated and created new challenges for many across our community. Inequalities in the social determinants of health have seen people from our most deprived communities become even more vulnerable as inflation and economic instability result in a cost-of-living crisis which continues to worsen.

In addition to this we are seeing more individuals and families fall into financial hardship for the first time as costs of energy, housing, transport, and food increase, and wages fail to keep pace with inflation. Financial struggles make it harder to buy healthier food, to pay for good quality accommodation, and to take part in activities that help us to stay happy and healthy. Worrying about making ends meet, increases stress and anxiety.. This can negatively impact both physical and mental health.

Furthermore, rising utility and running costs make it financially difficult for services, including the Council, to continue to provide the same level of support to communities. Therefore, the need to ensure services are provided to where they are needed most, remains all the more important.

Moving through this winter, there are several factors that may present a risk to people across our communities:

Government funding

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

Economy

In previous statements, the uneven effects of the pandemic on employment, labour market outcomes and household incomes were highlighted. The duration and severity of impact depended on the industry people worked in, their occupation, the kind of business they ran or type of employment available. The North was disproportionately affected by these trends because a higher proportion of the labour force are employed in sectors that were acutely disrupted by pandemic restrictions in the workplace. In the earliest stages of the pandemic, manufacturing, and construction, as well as non-essential retail, travel, hospitality, and personal services were hardest hit. Some sectors, such as manufacturing and construction bounced back as they adapted to Covid-safe working practices whilst for others this was unfeasible. Meanwhile, key workers in frontline public services, food retail, transport, and distribution continued to provide essential services, but remained at greater risk of exposure to the virus. However, sectors of the economy reliant on personal interaction with customers and social mixing have been slower to recover; footfall still lags pre-pandemic levels. There are several explanations to account for these developments. Furlough, the self-employed income support scheme, and temporary forms of business support played a significant role in mitigating the worst economic harm caused by the pandemic. However, an element of hardship has proven inescapable. Although government support protected a lot of jobs and livelihoods, redundancies and business closures have occurred, particularly once these schemes ended. Some companies in retail, hospitality and creative industries struggled to survive in the face of increased costs and falling trade. Several households are still recouping lost earnings from time spent away from paid work or on unemployment-related benefits. All are facing the rising cost of living, which is eroding disposable income, resulting in lower discretionary spending outside the home and reduced trade for local business. Those already on low incomes are disproportionately affected by changes in economic conditions and circumstances.

Since the pandemic, in Gateshead the gap in employment for people with a long-term physical or mental health condition has risen and just over half of people with long-term conditions are in employment ([OHID, 2023](#)). Overall levels of employment have fallen slightly to below national levels and fallen significantly below national levels for those aged 50-64

years ([OHID, 2023](#)). This is because a considerable proportion of older workers have left the labour market altogether, becoming economically inactive rather than unemployed. They are no longer seeking or doing paid work due to ill health or early retirement. Increasing prevalence of ill health, particularly among those over 50, may be leading to increased numbers of people not working ([Health Foundation, 2022](#)). Good health is as important for work and the economy, as good work and income is to health. In Gateshead, the median weekly earnings by place of residence are £75 less a week than the median level in England ([ONS, 2023](#)).

Since 2010, 899,000 fewer people are working in Local Government in the UK ([ONS, 2023](#)). Public sector jobs are particularly important in the Northeast, where 21% of people in employment work in the public sector, compared to 15% of employed people in the Southeast and London ([ONS, 2023](#)). Since 2010, there are 15,000 fewer people employed in the in the Public Sector in the Northeast ([ONS, 2023](#)). Reductions in public sector funding reduce both employment opportunities in our area, as well as our ability to provide services which are protective and positive for health and wellbeing.

Cost-of-living Crisis

Inflation is rising for all households, but not all households are experiencing the increase in the same way or at the same rate. The cost-of-living crisis has worsened the situation for many who were already vulnerable due to the pandemic. The Consumer Prices Index rose by 10.5% in the 12 months to December 2022 ([ONS, 2023](#)), largely driven by the increasing costs for utilities, food, and non-alcoholic drinks. However, the rate was 11.9% for low-income households and 10.5% for those in top 20% compared to an average of 11.1% for all households.

Those on the lowest incomes spend the greatest proportion of their money on these things; they are less likely to benefit from cheaper deals or be able to cut back to reduce spending, meaning the poorest in our communities are disproportionately hit. The Energy Price Guarantee to minimise the impact of price rises on domestic energy customers is forecast to end in April. Energy costs are projected to increase another 40% thereafter.

Housing costs have increased rapidly in recent months for renters and mortgagors, compounding financial stress experienced at the height of the pandemic. Renters (38%) were more likely to report an increase than households with a mortgage (25%). Private renters are disproportionately affected by housing cost increases more than other types of tenure because the amount charged reflects local market rates whereas government controls annual price rises for social housing tenants. Although social housing tenants are more likely to be on lower incomes, therefore are most exposed to other drivers of inflation (food, fuel, and energy). However, people with mortgages may see monthly repayments increase up to £300-400 a month if their fixed rate deal ended last autumn or is due to expire in 2023 due to a jump in interest rates. This will put pressure on even middle-income earners.

The cost of living has now increased for three out of four adults in the UK ([ONS, 2022](#)). Financial hardship can have a long-term impact on health through chronic stress, reduced

opportunities and resources, access to healthy food and secure, stable, and good quality homes.

National research has found that a greater proportion of adults are experiencing food insecurity than before the pandemic. With 28% reporting they cannot afford to eat balanced meals and 11% reporting being hungry in the last month due to lack of money to buy food ([Resolution Foundation, 2023](#)). Those most vulnerable include families with three or more children, single parent households and some non-white ethnic groups.

The proportion of children living in absolute and relative poverty has been increasing with 28.9% of children under 16 years, estimated to be living in relative poverty in Gateshead in 2020/21. This is significantly higher than the proportion of children in England in relative poverty (18.5%) and equates to 10,116 children. This also masks differences between different parts of Gateshead, with some of our most deprived areas experiencing much higher levels of child poverty. Child poverty is a significant predictor of adverse childhood experiences (Lacey et. al, 2022), and is causal factor for poorer developmental, educational and health outcomes ([LSE, 2017](#)).

In 2020, 13,455 (14.2%) households in Gateshead were estimated to be in fuel poverty. However, in some parts of Gateshead it is estimated that more than one in three households are in fuel poverty. By January 2023, national forecasts estimated that 55% of households would fall in to fuel poverty without significant intervention ([IHE, 2022](#)). Living in a cold home is associated with numerous health impacts including direct effects on respiratory conditions, cardiovascular disease, mental health, dementia, hypothermia, falls and increased risk of death. It can also affect health indirectly through increased stress, loneliness, impaired child development, familial conflict, increased risk of fire, and reduced money for other essentials.

Domestic Abuse

Domestic abuse has increased in Gateshead since pre-pandemic levels, at 36.5 incidents per 1000 people in 2020/21. There are concerns that the cost-of living crisis will have a significant impact, as lack of money makes it harder for victims to leave a perpetrator, and already stretch services struggle to meet demands alongside increased costs ([Domestic Abuse Commissioner, 2022](#)). Domestic abuse impacts emotional and mental health, can cause physical harm as a result of violence, stress, and increased risk in behaviours related to diet, tobacco and substance misuse. Abuse also impacts children and increases the risks of a range of health conditions.

Winter illnesses

Winter illnesses including COVID-19, influenza, and scarlet fever, have been circulating at high levels this year. Uptake of vaccines for COVID-19 and Influenza remain crucial in minimising illness severity and spread. We learned through the pandemic how inequalities in social, economic, and living conditions made our most disadvantaged communities more vulnerable to the virus. Households at risk of fuel poverty and overcrowding are increased risk of viral respiratory illnesses. Addressing inequalities remains crucial in supporting our resilience to winter illness.

COVID-19 demonstrated the impact of inequalities on illness and mortality, but inequalities in mortality have long been evident. Indeed, deaths from suicide, conditions such as liver disease and cancer as well as overall mortality rates, all show that death rates for people living in the most deprived areas of the country are higher than those in the least deprived.

Excess deaths

Since March 2020, Gateshead, like many areas in the Northeast and England, has experienced a higher-than-expected rate of deaths among our communities ([OHID, 2023](#)). Whilst many of these were a result of COVID-19, excess deaths remain high due to a range of causes including cardiovascular disease, urinary disease, cirrhosis and liver disease, and diabetes. Excess deaths are highest in the most deprived areas.

Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Around 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 62,555 (31%) live in the 20% most deprived areas.

Children and Young People

Whilst the COVID-19 virus was lowest risk for our children and young people. They suffered significant disruption through the most significant points in life for development. The babies born during covid will have had less opportunity for normal social development, children of school age experienced reduction of time in school and some children will have been exposed to stressful and damaging situations at home as families struggled with wider pressures. Inequalities widened as children and young people who were vulnerable or disadvantaged before the pandemic may have been more affected by disruption to education, loss of family income, their living conditions, and exposure to domestic abuse. In Gateshead, the number of children in care increased through the pandemic, with 440 children in care in 2021, a rate of 112 per 10,000 population.

Research has shown that the pandemic, and subsequent measures, have had significant impacts on the mental health of some children and young people. During the pandemic, hospital admissions because of self-harm increased significantly among young people in Gateshead.

Children and young people from certain groups (such as those from poorer households, young carers and those with disabilities) are disproportionately affected by higher levels of mental health issues. For example, one study found that children from the poorest 20% of UK households are four times as likely to have serious mental health difficulties by the age of 11 as those from the wealthiest 20%.

As DPH I am concerned about the impact of living through multiple crises may have on this generation of children and young people. Since the 1990s, we have seen the impact of inequality on generation X; those born in the 70s. As this group reached their 20s, and now in their 40s and 50s, they have remained the age group with the highest rates of deaths by suicide and substance misuse ([ONS, 2019](#)). Children and young people born in the mid-2000s have now lived through the global financial crisis, reductions in public sector services and youth provision, the pandemic, the cost-of-living crisis, and widening inequalities.

Significant action is needed for this generation to mitigate the potential harms this may have in the long-term.

Sex

This year my annual report has looked at inequalities faced by women and girls. Both men and women experience multiple and complex issues throughout their lives and boys and men also have gender-specific barriers to good health. However, the burden of the cost-of-living crisis has been borne by women, who despite on average achieving better attainment at school, are more likely to be in lower paid jobs, experiencing poverty, in debt, and have pension pots about half the size of men's. They are more likely to have caring responsibilities, impacting their earning potential, and as a result are more impacted by childcare costs that have risen higher than inflation. This impacts on women's mental well-being and inequalities, particularly amongst women who are single mothers. Single mothers are less likely to own houses, cars, are more likely to be in poverty, and the most at risk for depression. The complexity of these many stresses on family life and the impact of these inequalities, will become apparent in the future.

A perfect storm

In combination, the impact of the pandemic, economic instability, inflation, and the cost-of-living crisis create a perfect storm, where outcomes for those most disadvantaged in Gateshead are set to get progressively worse.

Potential Impact of proposals

This statement has identified current health risks to people living in Gateshead, particularly those living in poverty and areas of deprivation, women, children, and young people. Therefore, impact on health inequalities should be considered throughout decision making.

Increases in Council tax will add to pressures experienced through the cost-of-living crisis for people living in Gateshead. However, increases in funding achieved through this, will mitigate greater savings needed from within public services. It is noted that any savings, and reduction to public services, have the potential to be detrimental to health and wellbeing. Therefore, our decisions on how and where to implement savings should be consistent with the five Council Pledges as part of the Thrive agenda to:

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

It should also be noted that the Council has a positive Local Council Tax support scheme in place for the most vulnerable in our community (currently supporting 12,000 claimants, alongside 8,500 of pension age) which means some residents receive support bringing their Council Tax payment down which in some cases sees them pay no tax.

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

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

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

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

Mitigation

Six strategic mitigations are recommended and I believe there is an opportunity to refresh our approach in light of these as we finalise the implementation plan for the Health and Wellbeing Strategy. The five mitigations are:

1. **Embed Health in all policies** – I consider that the Thrive pledges provide a strategic framework for the Council, and its partners, to prioritise the health and wellbeing of our community in all our decision-making processes. Implementation of a health in all policies approach will ensure that negative impacts are understood so mitigation can be implemented where possible. As we develop tools to assist this process, it is important they are adopted to enable thorough consideration of health inequalities in planning and decision making.
2. **Proportionate resourcing based on need** – The pledge to put people and families at the heart of everything we do and tackle inequality, so people have a fair chance underpins everything we do and should remain central to the budget decisions. In this context it is vital that the Council considers those proposals, however unpalatable, that will have the 'least worst' impact on the communities, families, and individuals most in need. This means that difficult decisions will have to be made so that resources are proportionately used based on need (e.g., those who are most in need will receive the greatest level of support). This does not mean that those who are already thriving get none but instead suggests a gradient of resource which is based on need.
3. **The Health and Wellbeing Strategy** is based on a place-based approach to help improve health and reduce inequalities. When different proposals are considered, it is important the cumulative impact that decisions across differing service areas may have

on place and communities is considered, to prevent widening inequalities. It is important that programmes and plans consider how they support the actions and principles set out in the strategy to help mitigate the impact of reduced resources across the Council.

4. **Working with and for communities** – With regard to mitigating the potential negative impact, I consider that our partners and our communities will be able to design and/or offer some solutions to the challenges faced by our communities. We have observed some amazing community action during the pandemic and there are also examples where the community and VCS organisations have been able to effectively take on some of the work that was previously done by the council (e.g., asset transfers for Community Centres and responsibility for maintenance of parks and leisure spaces). A focus should be on enabling those communities that are able to do more for themselves to have greater freedom to lead work in their local community. At the same time, we must ensure support is proportionately targeted to communities which require more assistance in gaining the confidence to lead work in their community.
5. **Strengthen our partnerships** – It is vital that our focus remains on nurturing and strengthening the partnerships and relationships that we have. In view of the pledge to work together and to fight for a better future for Gateshead, we need to work together as a whole system including with local partners and communities. This will go some way to minimise the impacts of the proposed budget reductions and help to protect the people of Gateshead.
6. **Focus on the whole budget** - There is an increasing need for the Council budget to be viewed as whole. Decisions which need to be taken will need to be considered in the round so priorities can be addressed. To do this it's important that the work on the zero-based budget approach continues in earnest and with an emphasis on the highest spending areas of the council.

ESTIMATED COMMITMENT OF RESERVES

	Balance 31/03/22	Budgeted Use 2022	Proposed Use 2023	MTFS Asssumed Use 2024	Balance	Available to Support Council Budget?
Usable Reserves	£m	£m	£m	£m	£m	
<u>General Fund balance:</u>						
General Reserve	8.50				8.50	Y
*LMS Budget Share Reserve	8.95				8.95	N
General Fund	17.45				17.45	
<u>Earmarked General Fund reserves:</u>						
Financial Risk and Resilience	9.39	(0.26)	(0.70)		8.44	Y
Thrive	8.44	(1.49)	(1.66)		5.29	Y
Budget Sustainability	20.02	(5.82)	(10.00)	(4.00)	0.20	Y
Pandemic Services Impact	25.58	(8.99)	(13.52)	(3.07)	0.00	Y
Pandemic Impact Collection Fund	12.87	(12.68)			0.19	Y
*Developers' contributions	2.02				2.02	N
*Unapplied revenue grants	1.39				1.39	N
*Public Health	2.61				2.61	N
*Dedicated Schools Grant (DSG)	2.26				2.26	N
Total Earmarked General Fund Reserves:	84.57	(29.23)	(25.88)	(7.07)	22.39	

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

Review of Reserves

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

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

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

Reserve	Why Needed	Available to support Council budget	Balance as at 31 March 2022
Council General Reserve	This is a statutory fund that acts as a contingency and allows the Council to meet any unforeseen costs. If the Council overspends in a year this fund will meet that liability. The minimum balance on the reserve is 3% of the net revenue budget	Yes (subject to minimum levels being maintained)	£8.5m
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 for to schools	£8.9m

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 2022
Financial Risk and Resilience	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 (£2m), grant clawback (£3m), workforce development costs (£2.6m), commercial risk (£1.5m) and budget flexibility (£0.3m)	Yes	£9.4m
Thrive	This reserve is held support to Council thrive priorities of Economic, Housing and Environmental Investment (£3.9m) and Poverty, Health and Equality Investment (£4.5m)	Yes	£8.4m
Budget Sustainability	This reserve was created in 2021 to help support the timings of achieving significant budget savings and Thrive outcomes whilst still dealing with pandemic impacts. £5.8m of this is committed within the 2022 budget.	Yes	£20.0m
COVID			
Pandemic Services Impact	This reserve is held to mitigate the budget impacts of the pandemic across all council services for the next several years	Yes	£25.6m
Pandemic Collection Fund Impact	Specific grants provided by government to replace lost funding to council tax and business rates	Specific support only	£12.9m

It is important to note that the position above includes significant temporary funding held to mitigate pandemic impacts on services and funding to support loss of income to the collection fund (business rates lost income).

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 2022
Developer Contributions	This reserve consists of developer contributions in respect of agreed regeneration schemes following Section 38 and 106 agreements. The movement on the reserve will fluctuate depending on the use of the contributions to support regeneration schemes such as play areas in new housing developments.	No	£2.0m
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	£2.6m
Dedicated Schools Grant Reserve	This is for schools use and cannot be used for other priorities within the Council. Use of this reserve will be agreed by Schools Forum.	No	£2.2m

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.

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.

Financial Risk Assessment

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

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

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

Conclusion;

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

PRUDENTIAL AND TREASURY INDICATORS

1. The actual capital expenditure that was incurred in 2021/22 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2021/22 £000 Actual	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate	2026/27 £000 Estimate	2027/28 £000 Estimate
Non-HRA	67,462	60,434	89,526	105,858	75,430	26,770	29,909
HRA	25,183	19,998	22,550	41,505	33,034	36,580	34,331
Total	92,645	80,432	112,076	147,363	108,464	63,350	64,240

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2021/22 are: -

	2021/22 £000 Actual	2022/23 £000 Estimate	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate	2026/27 £000 Estimate	2027/28 £000 Estimate
Non-HRA	15.53%	17.98%	13.63%	15.99%	18.00%	20.44%	20.84%
HRA	40.90%	34.22%	32.39%	43.38%	39.60%	43.11%	42.47%

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

3. The actual Capital Financing Requirement at 31 March 2022 and estimates of the end of year Capital Financing Requirement (excluding PFI and finance leases) for the Council for the current and future years are: -

	31/03/22 £000 Actual	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate	31/03/26 £000 Estimate	31/03/27 £000 Estimate	31/03/28 £000 Estimate
Non-HRA	386,191	423,998	465,359	522,547	570,349	578,349	586,207
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
Total	731,696	769,503	810,864	868,052	915,854	923,854	931,712

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

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

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

The Strategic Director, Corporate Resources reports that the Council had no difficulty meeting this requirement in 2021/22, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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

	31/03/22 £000 Actual	31/03/23 £000 Estimate	31/03/24 £000 Estimate	31/03/25 £000 Estimate	31/03/26 £000 Estimate	31/03/27 £000 Estimate	31/03/28 £000 Estimate
Actual gross debt at 31 March	666,072	703,879	752,240	809,428	862,090	870,090	877,948
Capital Financing Requirement	731,696	769,503	810,864	868,052	915,854	923,854	931,712
Under / (over) borrowing	65,624	65,624	58,624	58,624	53,764	53,764	53,764

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

<i>Authorised Limit for External Debt</i>					
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Borrowing	865,000	920,000	970,000	975,000	980,000

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

<i>Operational Boundary for External Debt</i>					
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Borrowing	850,000	905,000	955,000	960,000	965,000

9. The Council's actual external debt at 31 March 2022 was £666.072m comprising £666.072m borrowing and no other long-term liabilities. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.
10. In taking its decisions on this budget report, the Council is asked to note that the Authorised Limit determined for 2023/24 (see paragraph 6 above) will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.
11. The Council shall ensure that the revenue implications of capital finance, including financing costs, are properly taken into account within option appraisal processes, the capital programme and the medium-term forecast. In assessing affordability the Council will consider the council tax implications of its capital programme, borrowing and investment decisions.
12. The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services (2017), which requires key Treasury Management indicators.

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

Upper and Lower Limits for the Maturity Structure of Fixed Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	15%	0%
12 months and within 24 months	19%	0%
24 months and within 5 years	22%	0%
5 years and within 10 years	22%	0%
10 years and within 20 years	17%	0%
20 years and within 30 years	41%	0%
30 years and within 40 years	42%	0%
40 years and within 50 years	41%	0%
50 years and above	11%	0%

Upper and Lower Limits for the Maturity Structure of Variable Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	16%	0%
12 months and within 24 months	11%	0%
24 months and within 5 years	11%	0%
5 years and within 10 years	11%	0%
10 years and within 20 years	11%	0%
20 years and within 30 years	11%	0%
30 years and within 40 years	11%	0%
40 years and within 50 years	11%	0%
50 years and above	11%	0%

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

<i>Upper Limit on amounts invested beyond 365 days</i>					
	2024/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Investments	15,000	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2023/24

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

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

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

Supported Borrowing MRP

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

Unsupported or Prudential Borrowing MRP

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

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

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

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

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

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

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

Housing Revenue Account MRP

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

PFI Assets and Right of use Assets

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

Long-Term Capital Loans

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

Voluntary Provision

In accordance with the guidance, the Strategic Director, Resources and Digital has the discretion to make additional voluntary provision, subject to affordability considerations, which can result in reductions to the MRP charge for future years. This discretion was taken during 2021/22 and a voluntary contribution of £3m was made. This contribution has resulted in a reduction of the 2023/24 charge by £1.031m.

Projected MRP Charge

An analysis of the projected MRP Charge for 2023/24 over the different calculation methodologies and components is set out in the table below:

Projected MRP Charge 2023/24		£m
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.547
	Asset Life Method – Equal Instalment	10.152
	Asset Life Method – Annuity Method	2.243
PFI	Annuity Method	2.993
Leases	Annuity Method	0
Voluntary Provision	General Fund	(1.031)
	Housing Revenue Account	0
Total Projected MRP Charge		16.904