

TITLE OF REPORT: Budget and Council Tax Level 2024/25

REPORT OF: **Sheena Ramsey – Chief Executive**
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Purpose of Report

1. To request Cabinet to recommend to Council on 22 February 2024 the Budget and Council Tax level for 2024/25. 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 new Corporate Plan alongside the 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 24 October 2023 Cabinet agreed the Budget Approach 2024/25.
3. On 21 November 2023 Cabinet agreed to commence consultation on the 2024/25 Revenue Budget Proposals.
4. On 22 November 2023 the Chancellor delivered the 2023 Autumn Statement.
5. On 23 November 2023 Council agreed the Corporate Plan 2023-2028 '*The strength of Gateshead is the people of Gateshead*'.
6. On 23 November 2023 Council agreed the Medium Term Financial Strategy 2024/25 to 2028/29.
7. On 23 November 2023 Council agreed the Local Council Tax Support Scheme for 2024/25. Adopting the scheme means that approximately 12,000 council tax payers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax. This is in addition to approximately 8,500 council tax payers of pension age that benefit from national arrangements.
8. On 05 December 2023 the Government published a policy statement on the local government finance settlement 2024/25.
9. On 18 December 2023 the Government announced the provisional local government finance settlement for 2024/25, including council tax referendum principles.
10. On 15 January 2024 the Council responded to the provisional local government finance settlement 2024/25 consultation.
11. On 23 January 2024 Cabinet agreed the council tax base and business rates base forecasts for 2024/25.
12. On 24 January 2024, the Government announced additional funding for social care to be confirmed as part of the final settlement.
13. On 5 February 2024 the final local government funding settlement figures were published. Overall funding was broadly in line with the provisional settlement and the

announcement on additional funding.

14. On 5 February 2024 the Government published the Public Health allocations for 2024/25.
15. This report represents the final stage of the budget setting process in determining the Budget and Council Tax level for 2024/25.

Proposal

A Budget to Deliver Council Priorities

16. 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; and
 - Work together and fight for a better future for Gateshead.
17. On 23 November 2023, Council agreed '*The strength of Gateshead is the people of Gateshead*' as its Corporate Plan 2023-2028. The plan builds upon the strategic approach and represents the overall strategic and policy direction for the Council. The plan sets out the steps the Council will take to deliver our agenda for the borough, respond to emerging challenges, and ensure the ongoing delivery of good quality public services.
18. In the context of the MTFs gap and continuing 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 continue to manage competing priorities and make best use of the resources that are available.
19. On 24 October 2023 Cabinet agreed a framework for the Council's Budget Approach 2024/25 to 2028/29 including a high-level timeline that will support the delivery of a balanced budget for 2024/25.
20. This report proposes a balanced budget in 2024/25 using reserves in a planned way to move forward a priority driven approach to revenue resource allocation.
21. Government assumed in their financial settlement announcements that Councils would increase council tax by the maximum allowable of 4.99%.
22. 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.
23. 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 £1.32 a week rise for the majority of council taxpayers in Gateshead living in the lowest value properties (Band A), or £1.99 a week for those in Band D. This report recommends a 4.99% council tax increase in the Council's council tax for 2024/25.
24. The proposed balanced base budget for 2024/25 is £306.277m including additional investment of £15.3m reflecting Social Care commitments from demand pressures and ring-fenced grant, £2m added to Contingency to maintain support to vulnerable residents in relation to the uncertainty of Household Support Funding (HSF) continuing beyond March 2024, and additional investment in the capacity fund.

25. The balanced budget includes £15.888m of proposed budget cuts and savings (note that some savings are included in financing). This includes £0.544m subject to formal consultation, £2.584m social care interventions, £7.137m options that did not require formal consultation, and £5.623m MTFS cuts which is a shortfall of £0.043m outlined in the MTFS proposals reflecting a lower level of fees and charges income.
26. Available funding for 2024/25 is £306.277m based on use of £1.834m earmarked reserves, £5m Budget Sustainability reserve, council tax increase of 4.99%, Government funding of £132.117m, Collection Fund surplus, and locally retained rates.
27. The budget will require the use of £5m from the Budget Sustainability reserve consistent with the purpose of the reserve. This represents a reduction of £6.175m in the planned use of this reserve in 2024/25.
28. This can be summarised as follows:

Proposed Net Budget 2024/25 (£m)	306.277
Funded by;	
Local Funding (Council Tax and Business Rates)	(167.326)
Government Funding	(132.117)
Strategic Earmarked Reserves	(1.834)
Budget Sustainability Reserve	(5.000)
Total Funding 2024/25	(306.277)

29. 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 demand and cost pressures and inequitable funding 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. The proposed increase is included in Government projections of local authority Core Spending Power funding. In November 2023, 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.

Recommendations

30. Cabinet is requested to make the following recommendations to Council:
- (1) That Gateshead's Band D council tax for 2024/25 is increased by 4.99% (including a 2% adult social care precept charge) to £2,173.77.
 - (2) The revenue estimates of £306,277,247 for 2024/25 are approved.
 - (3) The budgeted use of £6.834 million Earmarked Reserves in 2024/25 be approved (comprising of £0.299 million Financial Risk and Resilience, £1.535 million Thrive, and £5 million Budget Sustainability).
 - (4) That the proposed budgets and the indicative schools funding, including the summary of budget cuts 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 2024/25 as set out in Appendix 8 be approved.
 - (9) That it be noted that at its meeting on 23 January 2024, Cabinet agreed the following amounts for the year 2024/25 in accordance with regulations made under Section 31B (3) of the Local Government Finance Act 1992 as amended by the Localism Act 2011: -
 - (a) **54,041.1** 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) **1,227.7** 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 2024/25 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) **£600,799,616** 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) **(£483,314,228)** 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) **£117,485,388** 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) **£2,174.0007** 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) **£2,173.7700** 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
£2,183.9248 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	6.77	1,449.18
B	7.89	1,690.71
C	9.02	1,932.24
D	10.15	2,173.77
E	12.41	2,656.83
F	14.66	3,139.89
G	16.92	3,622.95
H	20.30	4,347.54

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 2024/25, 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	121.23	63.41
B	141.43	73.97
C	161.64	84.54
D	181.84	95.11
E	222.25	116.25
F	262.66	137.38
G	303.07	158.52
H	363.68	190.22

- (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 2024/25 for each of the categories of dwellings shown below: -

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,640.59	1,633.82
B	1,914.00	1,906.11
C	2,187.44	2,178.42
D	2,460.87	2,450.72
E	3,007.74	2,995.33
F	3,554.59	3,539.93
G	4,101.46	4,084.54
H	4,921.74	4,901.44

- (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 2024/25 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 2024/25.

Policy Context

1. The strategic approach ***Making Gateshead a Place Where Everyone Thrives*** and the Corporate Plan; ***The strength of Gateshead is the people of Gateshead*** set 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, continuing uncertainty over sustainable funding, and more recently high inflation. 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 and Corporate Plan, '*The strength of Gateshead is the people of Gateshead*', provide 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; and
 - 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 but also with a clear understanding of the statutory requirements of local government.
8. Areas of corporate service reviews 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 2024/25 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 cuts and council tax which closed on 15 January 2024.

Considerations

10. In finalising the budget and council tax for 2024/25, 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 2024/25;
 - Projected revenue outturn 2023/24;
 - Budget guidance and base budget requirements 2024/25;
 - Proposed service budgets 2024/25 (appendix 2);
 - Projected business rates 2024/25;
 - Proposed Council tax 2024/25;
 - Adequacy of reserves and robustness of budget estimates (appendix 5);
 - Proposed use of reserves 2024/25;
 - Approval of prudential indicators for 2024/25 (appendix 7); and
 - 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 23 November 2023 and is based on a financial forecast over a rolling five-year timeframe to 2028/29. The report outlined an estimated financial gap of £49.5m over the five-year period, with an estimated £15.8m in 2024/25. Crucially, this is after the agreed use of 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 cuts 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 2024/25

13. The Chancellor's Autumn Statement on 22 November 2023 outlined an increase in the National Living Wage (NLW). While the Council is supportive of the NLW, the increase reflects additional costs over and above those estimated as part of the MTFS.
14. On 5 December 2023, the Government published a Policy Statement ahead of the provisional local government finance settlement 2024/25.
15. On 18 December 2023, the provisional local government finance settlement was announced. The provisional settlement was broadly in line with the grant assumptions in the MTFS. The Council responded to the consultation of the provisional settlement on 15 January 2024.
16. On 24 January 2024, the Government announced additional funding totalling

£600m, which included £500m to be allocated in the Social Care Grant as part of the final settlement. 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.

17. On 5 February 2024, the final local government funding settlement was published. Overall funding was in line with expectations from the provisional settlement and the announcement on additional social care funding, confirmed as £2.361m, with only an additional £36,130 relating to release of the contingency as part of the Services Grant.
18. 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.
19. 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.
20. It is vital that any future funding approach for local government is fair and provides recognition of the support required in those areas of greatest need.
21. The Council has been able to close the 2024/25 financial gap and set a balanced budget through £15.888m of budget cuts and savings (some of which are in financing – see Appendix 2) alongside the agreed approach to use the Budget Sustainability reserve to allow sufficient time to plan to maintain a sustainable financial position.

Projected Revenue Outturn 2023/24

22. The agreed net revenue budget for 2023/24 is £281.885m. This position includes £14.5m of Council funding from the Budget Sustainability Reserve to allow time for a planned schedule of budget cuts and efficiencies. On 23 January 2024, Cabinet received a report at the third quarter of 2023/24 that projected that the Council outturn for 2023/24 would be delivered within the original budget that was set. This is an improved position on quarter two which estimated a £2.8m overspend. The improved position at quarter three reflects the organisation wide drive to take action to manage the position back within budget. The projected outturn masks a number of significant financial challenges within certain areas as group portfolio budgets are projected to overspend by £3.9m. The final outturn position will be reported to Cabinet in June 2024.

Base Budget Requirement 2024/25

23. 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 2024/25 budget;
 - Budget uplifts for general and contractual inflation.

- Resources have been included in relation to MTFs demand and cost pressures particularly social care, pay pressures, including the additional costs associated with the increase in the National Living Wage which will impact on external fees for provider services in social care. The pay award for 2024/25 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 agreed for an increase to the Tyne and Wear Transport levy of 3.7% meaning an additional cost of £0.359m for Gateshead once changes in population are taken into consideration in the allocations.
 - Revenue support grant increase from £17.8m to £18.9m reflecting a September CPI increase.
 - 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 (NDR1) return to Government. This funding stream is particularly volatile due to the number of Government reliefs and accurate forecasting has been exacerbated by the technical changes to the standard, and small business rate multipliers, as well as the revaluation of properties that became effective from 1 April 2023.
 - A budget of £4.312m has been included in Other Services relating to the Business Rates Growth Income (BRGI) Pooling Agreement with the North East Combined Authority in its current role as accountable body for the North East Local Enterprise Partnership. This is a technical accounting adjustment and there is no impact on the Council's base budget as the funding for this is included within retained business rates financing.
 - An increase to £117.473m in the amount of council tax income receivable (excluding Lamesley) arising from growth in the tax base (£1.421m) and agreement of the proposed council tax increase (£5.579m).
 - The ringfenced Public Health allocations for 2024/25 totalling £18.146m.
24. The base budget includes contingency funding which is consistent with MTFs principles and good financial management. Growth in the Council budget has been kept to a minimum with provision being made in a general contingency of £13.8m (£16.5m 2023/24) 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. In addition, contingency includes £2m to support the most vulnerable residents regarding uncertainty over the Household Support Funding continuing beyond March 2024.
25. The base budget proposed figures are presented in Appendix 2.

Budget Growth and Savings Proposals 2024/25 Onward

26. Work continues to identify the shift in resources needed to achieve priority outcomes through five-year planning. In line with the agreed budget approach planned use of reserves will allow time to identify cuts and efficiencies required over the MTFs period. 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.
27. Additional budget growth in social care is proposed which is consistent with the

MTFS agreed by Council in November 2023, and additional pressures as a result of announcements in the Autumn Statement in relation to increases in the NLW. This includes:

- £3.9m in Children's services to meet additional demand and increases in fees, including £1.9m for the increased cost of home to school transport.
 - £11.4m in Adults' social care to meet additional demand and increases in fees, including the increase in the NLW, and costs associated with ring-fenced funding.
28. Priority investment of £2m Capacity Fund to support the organisation in the delivery of Council Plan priorities and the changes required in the organisation to achieve a sustainable financial position.
29. Budget cuts totalling £15.931m were included in the Cabinet report in November 2023. The Council consulted on £0.544m of budget proposals between 21 November 2023 and 15 January 2024. In addition, £15.387m of savings and cuts were presented that did not require public consultation. Following the outcome of consultation, and a review of Fees and Charges reported elsewhere on this agenda, the final budget cuts figure included in the base budget is £15.888m, the difference being a shortfall of £0.043m in fees and charges estimated in the MTFS. The budget cuts totalling £15.888m include three areas that form part of the financing of the base budget, in particular the Council Tax long-term empty premium which was subject to consultation. Further detail is outlined in Appendix 2 and 4.

Projected Business Rates 2024/25

30. As part of the 2024/25 settlement, the Government provided a baseline figure for retained business rates of £41.283m. The National Non-Domestic Rates Return 1 (NNDR1) 2024/25 submitted to the Department for Levelling Up, Housing & Communities on 31 January 2024 estimated that the Council's retained element will be £49.531m (adjusted for cost of collection). An additional estimate of £19.520m is included in the base budget funding in relation to rate reliefs and compensation for under-indexation of the multipliers which are reimbursed through a Section 31 grant.

Council Tax 2024/25

31. 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

32. 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.
33. 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 2024/25:

- The relevant basic amount of council tax of a local authority is excessive if the amount of council tax for 2024/25 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 2023/24. 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.
 - The relevant basic amount of council tax for fire and rescue authorities is excessive if the authority's relevant basic amount of council tax for 2024/25 is 3%, or more than 3%, greater than its relevant basic amount of council tax for 2023/24.
 - The relevant basic amount of council tax for police and crime commissioners (PCCs) is excessive if the authority's relevant basic amount of council tax for 2024/25 is more than £13 greater than its relevant basic amount of council tax for 2023/24.
 - 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.
34. 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.
35. Against the backdrop of continued unfair Government funding, and spending pressures which cumulatively are having a significant impact on the Council's ability to deliver its priorities during 2024/25, 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.
36. The proposed council relevant basic amount of council tax for 2024/25 is not excessive in accordance with the principles determined under section 52ZC of the Act.

Council Tax Requirement 2024/25

37. In calculating the council tax requirement as required by the legislation, the local Parish precept and use of reserves must be considered.
38. The Parish of Lamesley agreed at the parish meeting of 12 February 2024 to issue a budget precept for 2024/25 of £12,467 which is the same as the 2023/24 precept. However, due to an increase in the council tax base level this means a band D precept decrease of 2.5% is required to result in a £12,467 precept value.
39. 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.
40. 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 2024/25 this figure

has been estimated to be a £0.322m surplus (2023/24 £1.085m surplus) transfer from the general fund.

41. The 2024/25 Council Tax Requirement (including Lamesley), based on an increase of 4.99% is £117,485,388, summarised as follows: -

	£
Net Budget 2024/25 Gateshead Council	306,277,247
<i>Less - Use of Earmarked Reserves</i>	(6,834,000)
<i>Add - Lamesley Parish Precept</i>	12,467
Budget Requirement 2024/25 (including Lamesley Parish Precept)	299,455,714
<i>Less - Settlement Funding Assessment (SFA)*</i>	(90,683,633)
<i>Public Health</i>	(18,145,705)
<i>Other Grants</i>	(72,819,356)
<i>Balance to be raised locally</i>	117,807,020
<i>Transfer from Collection Fund (Council Tax)</i>	(321,632)
Council Tax Requirement (including Lamesley Parish Precept)	117,485,388

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

Council Tax Resolution

42. The council tax for Gateshead is calculated by dividing the council tax requirement by the council tax base of 54,041.1 This calculation gives a basic amount of council tax of £2,174.00. 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 £2,173.77. Section 36 of the 1992 Act requires the council tax to be calculated by reference to Band D.
43. 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	1,449.18
B	1,690.71
C	1,932.24
D	2,173.77
E	2,656.83
F	3,139.89
G	3,622.95
H	4,347.54

44. 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 £10.15 for Lamesley Parish area in 2024/25
45. 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	6.77
B	7.89
C	9.02
D	10.15
E	12.41
F	14.66
G	16.92
H	20.30

46. 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 06 February 2024 the Police and Crime Panel agreed to increase the Band D charge by £13 which is permitted under the current referendum principles. On 19 February 2024, the Tyne and Wear Fire and Rescue Authority agreed a precept increase of 2.99% 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	121.23	63.41
B	141.43	73.97
C	161.64	84.54
D	181.84	95.11
E	222.25	116.25
F	262.66	137.38
G	303.07	158.52
H	363.68	190.22

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

Valuation Band	Lamesley Parish £	All other parts of the Council's area £
A	1,640.59	1,633.82
B	1,914.00	1,906.11
C	2,187.44	2,178.42
D	2,460.87	2,450.72
E	3,007.74	2,995.33
F	3,554.59	3,539.93
G	4,101.46	4,084.54
H	4,921.74	4,901.44

Local Council Tax Support Scheme

48. Council agreed the 2024/25 scheme in November 2023 which retains the minimum contribution of all working age claimants at 8.5% of their Council Tax liability.
49. 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 £25.28 million.
50. 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 £137 per year / £2.60 per week). This is based on current numbers of claims. There are also approximately 8,500 pension age Local Council Tax Support (LCTS) claimants, of which approximately 5,000 receive 100% reduction to their council tax liability.
51. 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.
52. A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.

Household Support Fund (HSF)

53. Despite widespread lobbying of the Government, they have yet to confirm whether the Household Support Fund will continue beyond March 2024. This funding totalling £3.672m has been used to support some of the most vulnerable residents in the borough during the cost-of-living crisis, including free school meals during school holidays, food and energy vouchers, and warm spaces. To maintain support to those most in need, the proposed budget includes £2m in contingency which will need to be prioritised to ensure continued support should the Government decide not to continue this funding stream.

Schools Budget

54. The Council will receive an indicative £203.84m 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 £79.33m. 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 under 2-year-olds is estimated at £2.45m (extended allocation starting from September 2024). 2-year old's is estimated at £5.94m and has been extended to include 2-year-olds or working parents as well as disadvantaged 2-year-olds. Funding for 3- & 4-year old's is estimated at £12.74m in 2024/25 and will be confirmed in June 2024 based on actual take up.
55. The Pupil Premium for 2024/25 will be £1,480 for primary school children and £1,050 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 £2,750 per eligible child. Service Children Pupil Premium is £340 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.9m, of which an estimated £4.1m will be recouped for academies.
56. Early Years Pupil Premium has been extended from just eligible 3- & 4-year olds, to include eligible 2-year-olds and under 2-year-olds. The funding is confirmed at £388 per pupil for a full financial year. This will be paid on a participation basis of £0.68 per hour and the DfE have provided an estimated allocation within the DSG of £0.3m.
57. The number of schools with projected deficits is increasing. There has been a minimal increased funding to mainstream schools however this funding will not cover the full cost of the 2023/24 and 2024/25 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 2025/26 at a similar level, but no detailed announcements have been made.

Adequacy of Reserves and Robustness of Budget Estimates

58. The Council keeps a level of reserves to strengthen its financial position so that it has enough reserves and balances to protect against the risk of any uncertainties or unforeseen events without impacting key services and delivery outcomes. This is considered best practice and demonstrates sound financial planning. The Council's policy on reserves is outlined in the MTFS.
59. 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 settlement income and other funding;
 - The proposed Capital Programme;

- The delivery of agreed budget cuts / income targets; and
 - The agreed five-year approach to budget.
60. 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 6.
 61. 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 2023 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 2024 and as part of the review of the MTFS. The MTFS assumes that reserves will be replenished over the MTFS period.
 62. 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 £20.2m. This figure includes £8.3m LMS Schools reserves which are ring-fenced and £11.9m General Reserve which is consistent with a minimum level of 3% of the net revenue budget in line with MTFS principles.
 63. The proposed 2024/25 base budget includes £5m use of the Budget Sustainability reserve, and £1.834m budgeted use of strategic earmarked reserves (Financial Risk and Resilience £0.299m and Thrive £1.535m) in support of council priorities.
 64. 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.
 65. 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 unfair and 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. The MTFS includes replenishment of reserves from 2026/27.
 66. 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.
 67. 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

68. There is one proposal put forward, subject to consultation, that will, if agreed, have a potential impact on the Council's workforce. The proposal affects one role and therefore a single postholder. Should the consultation process conclude that there are no alternative proposals which could mitigate the potential redundancy, then subject to consultation, the role confirmed as redundant would be removed from the establishment.
69. In accordance with the statutory redundancy process as set out under section 188, Trade Union and Labour Relations (Consolidation) Act 1992, redundancy consultation must be undertaken. The Council approaches any proposed redundancy as a collective consultation with the Council's recognised trade unions.
70. The Council collectively consults for a period of no less than 45 days where there is a proposal, subject to consultation, to place 99 or more roles at risk of redundancy. Where there are between 20 and 99 roles proposed to be made redundant then the Council complies with the statutory collective consultation period which is no less than 30 days. The Council go above and beyond the statutory requirements, applying a 30 day collective consultation process even when there are less than 20 roles proposed to be at risk of redundancy. Both (30 and 45 day consultation periods) are inclusive of weekend days. 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. In this instance, the budget proposals would result in one role being placed at risk of redundancy. Consultation commenced on 21 November 2023, therefore a period of no less than 30 days, unless otherwise agreed by the employee and their Trade Union. This can be extended should it be necessary, in order to ensure meaningful consultation has taken place. As this budget proposal was also subject to public consultation, which ended on 15 January 2024, the final outcome cannot be determined until the public consultation has been concluded. Therefore, the role will remain at risk until the public consultation closes and the employee will be afforded the opportunity to engage and consult throughout.
71. During the consultation period, the employee and their Trade Union have been consulted and, subject to agreement of the proposals in this report, the post holder will be made redundant.

Prudential and Treasury Indicators

72. 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.
73. 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;
 - 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; and
 - 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.
74. 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; and
 - practicality.
75. 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)

76. MRP is the amount that needs to be charged to revenue to reflect the repayment of debt. The Council's annual MRP statement for 2024/25 is attached at Appendix 8.

Consultation

77. 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.
78. 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.
79. On 21 November 2023, Cabinet agreed to a consultation on the proposed revenue cuts and savings and Council Tax and Adult Social Care precept increases for 2024/25. Further information and responses are included at Appendix 4 of this report.
80. Cabinet retain discretion over the detail of how such cuts and savings are made. Further consultation will be held where this is considered necessary.
81. 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.
82. 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.

83. Councillors have been consulted on the budget approach at Corporate Advisory Groups, portfolio meetings and briefing sessions.

Alternative Options

84. 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

85. 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 2024/25.
- b. **Human Resource Implications** – The Strategic Director, Corporate Services and Governance confirms that implications for the Council's workforce are considered within the report.
- c. **Property Implications** – The Strategic Director, Housing, Environment and Healthy Communities 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.

86. **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 strategic approach.

87. **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.

88. **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.

89. **Health Implications** – Appendix 4 highlights health and wellbeing impact.

90. **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.

91. **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.
92. **Ward Implications** – The proposals in this report cover the whole of Gateshead.

Background Information:

- Budget Approach 2024/25 to 2028/29 – 24 October 2023
- Medium term Financial Strategy 2024/25 to 2028/29 – 24 October 2023
- Local Council Tax Support Scheme 2024/25 – 21 November 2023
- Revenue Budget Third Quarter review 2023/24 – 23 January 2024
- Council Tax Base and Business Rates Forecast 2024/25 – 23 January 2024

Group and Service (Net Budgets)	Base Budget, Growth and Contingency	Proposed Budget Cuts	Budgeted Reserves Use	Proposed Budget
	2024/25 £000	2024/25 £000	2024/25 £000	2024/25 £000
<u>Integrated Adults' and Social Care Services</u>				
Adult Social Care	99,170	(4,971)	0	94,199
Quality Assurance and Commissioning	6,488	(100)	0	6,388
<u>Children's Social Care and Lifelong Learning</u>				
Children's Social Care	49,788	(624)	0	49,164
Education, Schools and Inclusion	8,888	(19)	0	8,869
<u>Health and Wellbeing (including Public Health)</u>				
Public Health	18,146	0	0	18,146
Leisure & Libraries	4,731	(200)	0	4,531
<u>Office of the Chief Executive</u>				
Office of the Chief Executive	1,604	(123)	0	1,481
<u>Housing, Environment and Healthy Communities</u>				
Construction - Building Maintenance, Technical & Cyclical	368	0	0	368
Property & Assets	5,087	(100)	0	4,987
Strategic Services & Residential Growth	3,161	(196)	200	3,165
Locality Services & Housing	1,106	(218)	466	1,354
Highways and Waste	19,158	(536)	0	18,622
Environment and Fleet Management	4,842	0	0	4,842
<u>Economy, Innovation and Growth</u>				
Business, Employment and Skills	1,253	(53)	0	1,200
Planning, Policy, Climate Change and Strategic Transport	3,230	0	835	4,065
Major Projects and Corporate Property	(576)	0	0	(576)
Economic Development & Regeneration	1,826	0	0	1,826
<u>Corporate Services and Governance</u>				
Legal and Democratic Services	4,650	(4)	0	4,646
Human Resources and Workforce Development	2,456	(23)	199	2,632
Corporate Commissioning and Procurement	636	0	0	636
Public Service Reform	363	(113)	50	300
<u>Resources and Digital</u>				
Financial Management (incl school meals and catering)	5,089	(493)	0	4,596
Customer Experience and Digital	4,732	(105)	84	4,711
Housing Benefits	200	0	0	200
IT	4,480	(53)	0	4,427
Other Services	6,094	(400)	0	5,694
General Contingency	16,786	(3,000)	0	13,786
Corporate Growth - Vol Sector Dev Fund	700	0	0	700
Corporate Growth - Capacity Fund	2,000	0	0	2,000
Capital Financing Costs	37,189	(1,800)	0	35,389
Expenditure passed outside General Fund	(1,855)	0	0	(1,855)
<u>Traded and Investment Income</u>				
Investment Income	(5,080)	(900)	0	(5,980)
Trinity Square	(375)	0	0	(375)
SCAPE	(250)	0	0	(250)
<u>Levies</u>				
Environment Agency Levy	193	0	0	193
North East Combined Authority	12,174	0	0	12,174
Port of Tyne Levy	22	0	0	22
Total Net Budget	318,474	(14,031)	1,834	306,277
<u>Financed By</u>				
Settlement Funding Assessment (SFA)				(90,683)
Other Grants				(72,819)
Public Health				(18,146)
Council Tax (Excluding Parish Precept)				(117,473)
Collection Fund				(322)
Earmarked Reserves				(6,834)
Total Funding	0	0	0	(306,277)

(1) Total savings £15.888m:

(2) Fees and Charges saving is already included in the base budget figures £0.257m

(3) Savings totalling £1.6m included in financing

SCHOOLS - ESTIMATES 2024/25

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Dedicated Schools Grant (Indicative)	185,980	(185,980)	0	203,841	(203,841)	0
Use of Schools Reserves	0	0	0	0	0	0
Less: Recoupment for Academies and commissioned Non-Maintained Special Schools	(74,755)	74,755	0	(79,327)	79,327	0
Total Retained in Council	111,225	(111,225)	0	124,514	(124,514)	0
Less: DSG funding allocated to High Needs, Early Years and other service areas	(37,977)	37,977	0	(45,789)	45,789	0
Schools Budget (Maintained)	73,248	(73,248)	0	78,725	(78,725)	0
Estimated Pupil Premium	9,476	(9,476)	0	9,915	(9,915)	0
Less: Academies Recoupment	(3,765)	3,765	0	(4,096)	4,096	0
Pupil Premium (Maintained)	5,711	(5,711)	0	5,819	(5,819)	0

The Council will receive an indicative £203.841m 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 £79.327m. 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 under 2 year olds (new from September 2024) is estimated at £2.449m, the extended offer to 2-year olds (to include children of working parents) is estimated at £5.938m, funding for 3 & 4 year olds is estimated at £12.738m in 2024/25 and will be confirmed in June 2024 based on actual take up.

For 2024/25, High Needs Block funding increased by £1.462m. The Pupil Premium for 2024/25 will be £1,480 for primary school children and £1,050 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 £2,750 per eligible child. Service Children Pupil Premium is £340 per eligible pupil. The estimated entitlement for schools in Gateshead is £9.915m, of which an estimated £4.096m will be recouped for academies.

Early Years Pupil Premium has been confirmed at £388 per pupil for a full financial year. The entitlement has been extended from just eligible 3 & 4 year olds to include, eligible 2 year olds and under 2 year olds. This will be paid on a participation basis of £0.68 per hour and the DfE have provided an estimated allocation within the DSG of £0.292m.

INTEGRATED ADULTS' AND SOCIAL CARE SERVICE - ESTIMATES 2024/25

ADULT SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Adult Social Care	126,654	(41,209)	85,445	140,388	(41,218)	99,170
Budget Proposals						
Review of provider services contracts and maximisation of grant funding				(1,262)	(1,519)	(2,781)
Service provider reviews and maximisation of grant funding				(1,123)	(1,067)	(2,190)
				(2,385)	(2,586)	(4,971)
Total Adult Social Care 2024/25				138,003	(43,804)	94,199

INTEGRATED ADULTS' AND SOCIAL CARE SERVICE - ESTIMATES 2024/25

QUALITY ASSURANCE AND COMMISSIONING

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Quality Assurance and Commissioning	6,459	(126)	6,333	6,614	(126)	6,488
Budget Proposals Review and renegotiate a reduction in an existing block contract.				(100)	0	(100)
				(100)	0	(100)
Total Quality Assurance and Commissioning 2024/25				6,514	(126)	6,388

CHILDREN'S SOCIAL CARE & LIFELONG LEARNING - ESTIMATES 2024/25

CHILDREN'S SOCIAL CARE

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Children's Social Care	49,304	(2,806)	46,498	52,595	(2,807)	49,788
Budget Proposals						
Removal of the Pause programme budget				(100)	0	(100)
Reduce Staying Put budget				(100)	0	(100)
Regional Adoption Agency				(30)	0	(30)
On-going service reviews linked to reducing entries into care				(394)	0	(394)
				(624)	0	(624)
Total Children's Social Care 2024/25				51,971	(2,807)	49,164

CHILDREN'S SOCIAL CARE & LIFELONG LEARNING - ESTIMATES 2024/25

EDUCATION, SCHOOLS AND INCLUSION

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Education, Schools and Inclusion	57,808	(51,216)	6,592	60,428	(51,540)	8,888
Budget Proposals						
Schools Sports Partnership reduction in budget				(19)	0	(19)
				(19)	0	(19)
Total Education, Schools and Inclusion 2024/25				60,409	(51,540)	8,869

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2024/25

PUBLIC HEALTH

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Health	17,787	0	17,787	18,146	0	18,146
Total Public Health 2024/25				18,146	0	18,146

PUBLIC HEALTH AND WELLBEING - ESTIMATES 2024/25

LEISURE AND LIBRARIES

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Leisure and Libraries	10,722	(6,093)	4,629	10,753	(6,022)	4,731
Budget Proposals						
Release of vacant posts in libraries.				(50)	0	(50)
Fees and charges increased income for Gateshead Stadium				0	(150)	(150)
				(50)	(150)	(200)
Total Leisure and Libraries 2024/25				10,703	(6,172)	4,531

OFFICE OF THE CHIEF EXECUTIVE - ESTIMATES 2024/25

OFFICE OF THE CHIEF EXECUTIVE

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Office of the Chief Executive	1,698	(219)	1,479	1,828	(224)	1,604
Budget Proposals						
Vacant post and voluntary redundancy				(88)	0	(88)
Reduce Council News				(18)	0	(18)
Childrens Services marketing				(9)	0	(9)
Corporate hospitality				(8)	0	(8)
				(123)	0	(123)
Total Office of the Chief Executive 2024/25				1,705	(224)	1,481

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2024/25

CONSTRUCTION - BUILDING MAINTENANCE, TECHNICAL & CYCLICAL

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Construction - Building Maintenance, Technical & Cyclical	414	0	414	368	0	368
Total Construction - Building Maintenance, Technical & Cyclical 2024/25				368	0	368

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2024/25

PROPERTY & ASSETS

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Property & Assets	12,528	(8,203)	4,325	12,804	(7,717)	5,087
Budget Proposals						
Embedded review of assets				(100)	0	(100)
				(100)	0	(100)
Total Property & Assets 2024/25				12,704	(7,717)	4,987

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2024/25

STRATEGIC SERVICES & RESIDENTIAL GROWTH

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Strategic Services & Residential Growth	3,896	(820)	3,076	4,606	(1,445)	3,161
Budget Proposals						
Private Sector Housing - additional grant funding and fine income.				0	(170)	(170)
Review of travellers site budget				(26)	0	(26)
Reserve Funded Budgets						
Selected Landlord Licensing				200	0	200
				174	(170)	4
Total Strategic Services & Residential Growth 2024/25				4,780	(1,615)	3,165

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2024/25

LOCALITY SERVICES & HOUSING

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Locality Services & Housing	4,593	(2,934)	1,659	4,842	(3,736)	1,106
Budget Proposals						
Maximisation of grant funding and internal restructure				(50)	(168)	(218)
Reserve Funded Budgets						
Community Advice & Crisis help				296	0	296
Volunteering & Communities				100	0	100
Fuel Poverty Action Plan				70	0	70
				416	(168)	248
Total Locality Services & Housing 2024/25				5,258	(3,904)	1,354

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2024/25

HIGHWAYS AND WASTE

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Highways and Waste	29,389	(10,990)	18,399	30,507	(11,349)	19,158
Budget Proposals						
Budget reduction to reflect current recycling levels				(200)	0	(200)
Trade Waste - increase income target				0	(50)	(50)
Waste Contract Inflation absorption				(286)	0	(286)
				(486)	(50)	(536)
Total Highways and Waste 2024/25				30,021	(11,399)	18,622

HOUSING, ENVIRONMENT AND HEALTHY COMMUNITIES - ESTIMATES 2024/25

ENVIRONMENT AND FLEET MANAGEMENT

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Environment and Fleet Management	6,940	(2,630)	4,310	7,544	(2,702)	4,842
Total Environment and Fleet Management 2024/25				7,544	(2,702)	4,842

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2024/25

BUSINESS, EMPLOYMENT AND SKILLS

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Business, Employment and Skills	4,157	(3,111)	1,046	4,189	(2,936)	1,253
Budget Proposals						
Merging of two specialist areas (start-up and small business support)				(53)	0	(53)
				(53)	0	(53)
Total Business, Employment and Skills 2024/25				4,136	(2,936)	1,200

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2024/25

PLANNING, POLICY, CLIMATE CHANGE AND STRATEGIC TRANSPORT

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	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	6,828	(2,752)	4,076	5,968	(2,738)	3,230
Reserve Funded Budgets						
Climate Change Strategy Delivery				490	0	490
Local Plan				345	0	345
				835	0	835
Total Planning, Policy, Climate Change and Strategic Transport 2024/25				6,803	(2,738)	4,065

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2024/25

MAJOR PROJECTS

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Major Projects	1,568	(2,283)	(715)	1,458	(2,034)	(576)
Total Major Projects 2024/25				1,458	(2,034)	(576)

ECONOMY, INNOVATION AND GROWTH - ESTIMATES 2024/25

ECONOMIC DEVELOPMENT & REGENERATION

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Economic Development & Regeneration	1,296	(93)	1,203	1,919	(93)	1,826
Total Economic Development & Regeneration 2024/25				1,919	(93)	1,826

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2024/25

LEGAL AND DEMOCRATIC SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Legal and Democratic Services	5,477	(1,040)	4,437	5,531	(881)	4,650
Budget Proposals						
Town Twinning				(4)	0	(4)
				(4)	0	(4)
Total Legal and Democratic Services 2024/25				5,527	(881)	4,646

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2024/25

HUMAN RESOURCES AND WORKFORCE DEVELOPMENT

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Human Resources and Workforce Development	2,764	(545)	2,219	2,796	(340)	2,456
Budget Proposals						
Vacant post				(23)	0	(23)
Reserve Funded Budgets						
Workforce Development Capacity				199	0	199
				176	0	176
Total Human Resources and Workforce Development 2024/25				2,972	(340)	2,632

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2024/25

CORPORATE COMMISSIONING AND PROCUREMENT

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Corporate Commissioning and Procurement	1,107	(498)	609	1,134	(498)	636
Total Corporate Commissioning and Procurement 2024/25				1,134	(498)	636

CORPORATE SERVICES AND GOVERNANCE - ESTIMATES 2024/25

PUBLIC SERVICE REFORM

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Public Service Reform	339	0	339	363	0	363
Budget Proposals						
Reduce PSR non staffing budget and ending of funding arrangements				(113)	0	(113)
Reserve Funded Budgets						
Public Service Reform funding				50	0	50
				(63)	0	(63)
Total Public Service Reform 2024/25				300	0	300

RESOURCES AND DIGITAL - ESTIMATES 2024/25

FINANCIAL MANAGEMENT
(Includes School Meals and Catering Service)

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Financial Management	13,319	(9,188)	4,131	12,912	(7,823)	5,089
Budget Proposals						
Reduction in school meals budget with no impact on charges to schools				(400)	0	(400)
Alternative funding and increased income from partner SLA's				0	(50)	(50)
Alternative funding capital contribution for posts				(43)	0	(43)
				(443)	(50)	(493)
Total Financial Management 2024/25				12,469	(7,873)	4,596

RESOURCES AND DIGITAL - ESTIMATES 2024/25

CUSTOMER EXPERIENCE AND DIGITAL

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Customer Experience and Digital	5,823	(1,404)	4,419	6,136	(1,404)	4,732
Budget Proposals						
Increase in charges for work related to appointee and deputyship cases				0	(25)	(25)
Maximisation of grant funding and Service Level Agreement (SLA) income to the Housing Revenue Account (HRA)				0	(30)	(30)
Costs for appropriate recovery and enforcement action				0	(50)	(50)
Reserve Funded Budgets						
Discretionary Payments				50	0	50
Community Advice and Crisis Help				34	0	34
				84	(105)	(21)
Total Customer Experience and Digital 2024/25				6,220	(1,509)	4,711

RESOURCES AND DIGITAL - ESTIMATES 2024/25

HOUSING BENEFITS

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	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 2024/25				49,085	(48,885)	200

RESOURCES AND DIGITAL - ESTIMATES 2024/25

IT

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
IT	6,519	(2,241)	4,278	5,860	(1,380)	4,480
Budget Proposals Cost and contract savings relating to IT licences, software and supplies & services				(53)	0	(53)
				(53)	0	(53)
Total IT 2024/25				5,807	(1,380)	4,427

RESOURCES AND DIGITAL - ESTIMATES 2024/25

OTHER SERVICES

Section 1 - Net Cost of Current Levels of Service						
	2023/24			2024/25		
	Gross Exp £000s	Gross Income £000s	Net Budget £000s	Gross Exp £000s	Gross Income £000s	Net Budget £000s
Other Services	2,059	(330)	1,729	6,424	(330)	6,094
Contingencies	15,149	0	15,149	16,786	0	16,786
Priority Growth - Voluntary Sector Development Fund	700	0	700	700	0	700
Priority Growth - Capacity Fund	0	0	0	2,000	0	2,000
Capital Financing	32,818	0	32,818	37,189	0	37,189
Expenditure passed outside General Fund	0	(1,855)	(1,855)	0	(1,855)	(1,855)
Investment & Trading Income	0	(5,865)	(5,865)	0	(5,705)	(5,705)
Levies	12,022	0	12,022	12,389	0	12,389
Total	62,749	(8,050)	54,698	75,488	(7,890)	67,598
Budget Proposals						
Other Services - Supplier Incentives				(70)	0	(70)
Other Services - Pension Control Account				(330)	0	(330)
Contingencies - volatility of energy inflation/ costs				(3,000)	0	(3,000)
Capital Financing - Slippage & MRP (Minimum Revenue Provision) review				(1,800)	0	(1,800)
Investment & Trading Income - Airport Interest				0	(900)	(900)
				(5,200)	(900)	(6,100)
Total Other Services, Capital Financing, and Contingencies 2024/25				70,288	(8,790)	61,498

SUMMARY OF BUDGETED USE OF RESERVES		AMOUNT £000S
Financial Risk and Resilience Reserve		
Volunteering and Communities		100
Workforce Development Capacity		199
Total		299
Thrive Reserve		
Selected Landlord Licensing		200
Community Advice & Crisis help		296
Fuel Poverty Action Plan		70
Climate Change Strategy Delivery		490
Local Plan		345
Public Service Reform funding		50
Discretionary Payments		50
Community Advice and Crisis Help		34
Total		1,535

SUMMARY OF BUDGET CUTS	AMOUNT £000s
PROPOSALS FOR PUBLIC CONSULTATION	544
Review the purchase of respite provision	100
Review of travellers site	26
Reduce Council News	18
Council Tax - long term empty property premiums	400
PROPOSALS IDENTIFIED IN THE MEDIUM TERM FINANCIAL STRATEGY (MTFS)	5,623
Reduction in Contingencies - volatility of energy inflation/ costs	3,000
Capital slippage	1,000
Pension Control Account additional savings	280
Absorb Waste contractual inflation	286
Additional investment interest	800
Fees and charges	257
SOCIAL CARE INTERVENTIONS IDENTIFIED WITHIN THE MTFS	2,584
Service provider reviews and maximisation of grant funding	2,190
Reduce entries into care	394
BUDGET OPTIONS	7,137
Review of provider services contracts and maximisation of grant funding	2,781
Includes the maximisation of grant funding and cost / contract savings from service reviews and revised funding methods	249
Release of vacant posts in libraries	50
Fees and charges increased income for Gateshead Stadium	150
Embedded review of assets	100
Budget reduction to reflect current recycling levels	200
Trade Waste - increase income target	50
Private Sector Housing - additional grant funding and fine income	170
Maximisation of grant funding and Service Level Agreement (SLA) income	218
Merging of two specialist areas (start-up and small business support)	53
Restructure of budgets and release of vacant posts	105
Reduce Town Twinning budget	4
Reduce Public Service Reform non staffing budget and ending of funding arrangements	113
Remove vacant post	23
Reduction in school meals budget with no impact on charges to schools	400
Alternative funding and increased income from partner SLA's	50
Supplier incentives creation of income budget	70
Alternative funding and increased income	43
Increase in charges for work related to appointee and deputyship cases	25
Maximisation of grant funding and Service Level Agreement (SLA) income to the Housing Revenue Account (HRA)	30
Costs for appropriate recovery and enforcement action	50
Cost and contract savings relating to IT licences, software and supplies and services	53
Pension Control Account	50
Capital Financing saving - slippage and MRP (Minimum Revenue Provision) review	800
Additional investment interest	100
Collection Fund - single person discount review	100
Business Rates	1,100
Total Budget Cuts	15,888
BUDGET CUTS ABOVE INCLUDED IN FINANCING	
Council Tax - long term empty property premiums	(400)
Collection Fund - single person discount review	(100)
Business Rates	(1,100)
BUDGET CUTS INCLUDED IN BASE ESTIMATES	
Fees and Charges	(257)
Total Budget Cuts	14,031
Savings per consultation	15,931
Fees and Charges Shortfall	(43)
Actual Budget Cuts in Base	15,888

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 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 21 November 2023, the Council commenced consultation on a number of savings proposals for 2024/25.
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.
3. There is an estimated funding gap of £49.5m anticipated over the next five years. If the proposed uplifts did not go ahead the impacts would be £17m additional loss over the period. This approach is consistent and supports the Council's Corporate Plan, 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 4 savings proposals totalling £544,000 which could have an impact on residents and the wider community. In addition, £15.387m of savings and cuts were presented that did not require public consultation.

Method

5. The Budget consultation 2024/25 ran from 21 November 2023 to 15 January 2024. 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 social media, our e-bulletin Gateshead Now, publicised on the Council's website, showcased at our in person and online engagement events, and through internal communications channels. The Council's online consultation portal also automatically emails 2000 people who have registered to be notified when new consultations are posted.
7. A news article, explaining the Council's budget in greater detail and providing more information on Council Tax was featured within the Winter edition of Council News, which can be found here: - www.gateshead.gov.uk/councilnews
8. Discussions have been held with key stakeholders including trade unions, Voluntary and Community Sector and North-East England Chamber of Commerce.

Public Consultation

9. Overall, there has been a good response in the number of people who have engaged with the Council on its budget consultation. There are 516 responses to the survey via the consultation portal.
10. The following data has been gathered from the council website, social media, and emails:
 - Budget consultation webpage views totalled 748.
 - Gateshead Now email featured the budget consultation on two occasions, with a total of 1872 clicks.

- Six Facebook posts achieved a reach of 19,254 people, with 1,200 engagements and 54 comments.
- Eight engagement sessions have taken place both in person and virtually during the consultation period, with 322 people in attendance.
- The Budget consultation has also been promoted internally and featured in the weekly employee bulletin.

11. 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:

PROPOSALS:		
£100,000	Review the purchase of respite provision	53% AGREE
£26,000	Review of travellers site	72% AGREE
£18,000	Council News reduction	89% AGREE
£400,000	Review of Council Tax long term empty property premiums	86% AGREE
COUNCIL TAX:		
2%	Increase to Council Tax for the adult social care precept	54% DISAGREE
2.99%	Increase to general Council Tax	54% DISAGREE

12. 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.

13. In addition, there were a significant number of general comments made by respondents to the budget consultation. Initial analysis of these shows the greatest numbers of comments were made in relation to;

- A negative comment relating to Gateshead Council and perceived lack of management of services, funding or quality of provision
- Expressing 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.

Trade Unions

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

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

Other public consultation

16. Over the past twelve months the Council has undertaken 37 targeted or publicly accessible consultations using its online consultation portal. Many of these help to inform Council policy, including:

- Special Educational Needs and Disabilities (SEND) Strategy 2023-26
- Local Cycling and Walking Infrastructure Plan
- Gateshead Libraries Annual Customer Survey
- Leisure Service Consultation
- Gateshead International Stadium Stakeholder Engagement
- Sexual Health Service User Survey
- Warm Welcome Spaces
- School Catering Pupil and Parent Survey
- Gateshead Housing Standard for Ageing Well
- Home Repairs Waiting Time Survey

Integrated Impact Assessment

17. The Council's strategic approach *Making Gateshead a Place Where Everyone Thrives* identifies a commitment to reduce the levels of inequality that are apparent within the borough.
18. Gateshead is the 47th most deprived local authority in England, out of 317 local authorities. Nearly 32,700 (16%) people in Gateshead live in one of the 10% most deprived areas of England. Nearly 62,555 (31%) live in the 20% most deprived areas.
19. The population of Gateshead is ageing, it is projected that by 2041 there will be an additional 7,545 people aged 65 or older, an increase of 18%. There will also be a slight decrease in the number of children and young people aged 0-15 of around 2,793 or 8%.
20. To achieve a balanced budget in 2024/25, the Council has reviewed its base budget in line with its Medium Term Financial Strategy.
21. Integrated impact assessments (IIA) were published for those four budget savings proposals likely to have an impact on residents or the wider community, and were made available on the budget consultation webpage. However, it should be noted that publication of the IIA for the 'Review of travellers site' proposal was delayed until 29 November 2024. This IIA approach considers any impact, whether negative or positive, on people with protected characteristics alongside health, environment, socio-economic disadvantage and considers cumulative impact. The Council's role will be to consider any disproportionate impact identified in the integrated impact assessments as part of the decision-making process and wherever possible, mitigate this impact, following implementation of proposals.
22. 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.
23. 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.

Voluntary and Community Sector

24. The Council places high value on 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' group to improve the lives of the borough's population.

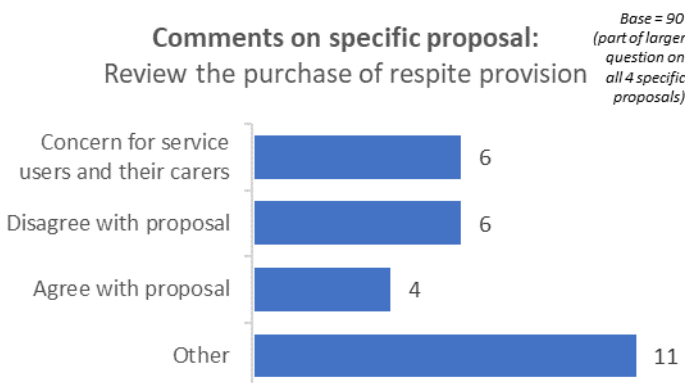
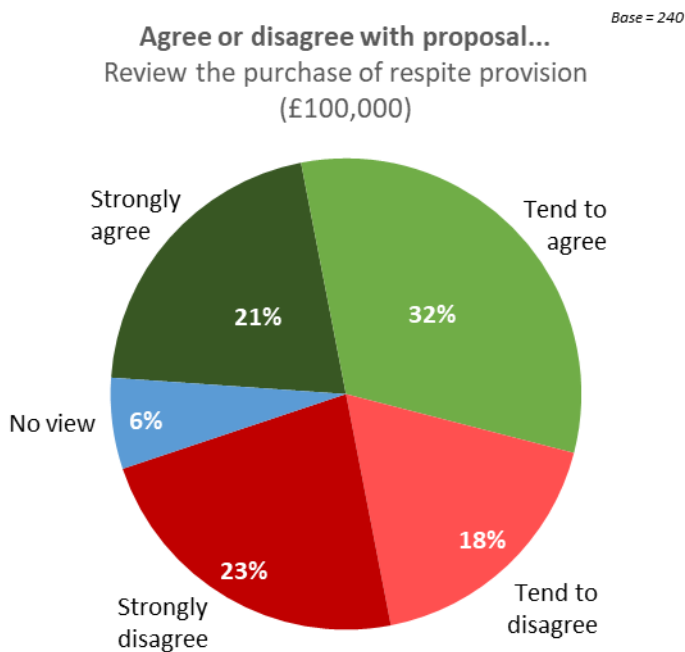
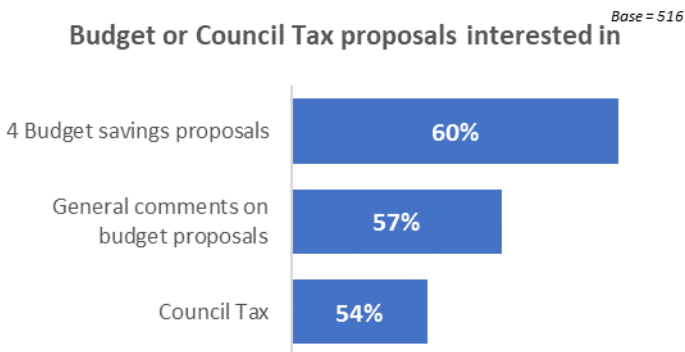
25. The Council's relationship with Connected Voice remains strong and the collective capacity building that results from this will ensure the VCSE continues to receive help and support from the Council and this key partner.

Mitigation of the budget proposals

26. The Council has considered the consultation feedback and the potential for negative impact on residents and service users. Whilst acknowledging that any reduction in budget representative a negative position, the feedback provided is sufficient to inform the likely reduction across these four proposals.

Budget Consultation 2024/25

The Budget 2024/25 consultation ran from 21 November to 15 January 2024. 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 and promoted using different mediums as highlight at paragraphs 6 and 7. In total there were 516 responses to the survey.

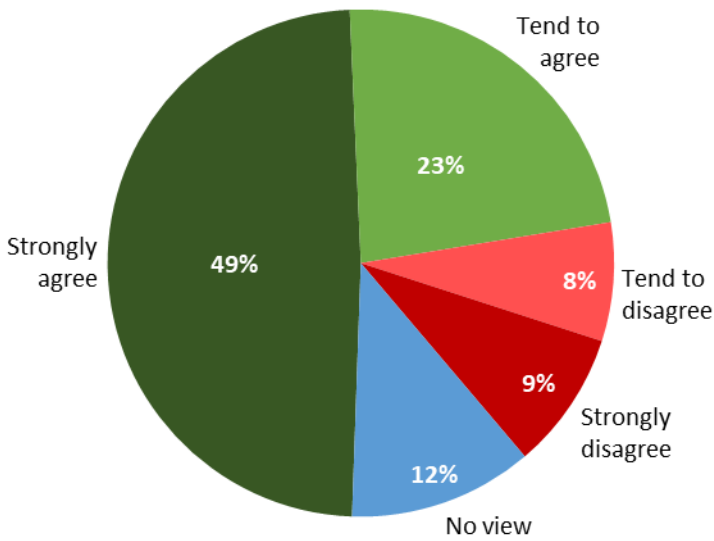


Additional free text comments shown in chart on left. 'Other' includes:

- Need to consult with service users and carers directly, review one-off purchases, use VCS for provision, maintain current service level, reduce funding more than proposed.
- Concern with reductions already made reasons for existing underspend not clear.

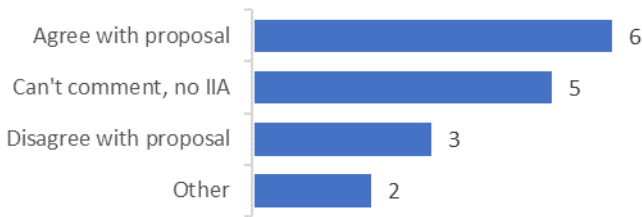
Agree or disagree with proposal...
Review of travellers site (£26,000)

Base = 238



Comments on specific proposal:
Review of travellers site

Base = 90
(part of larger question on all 4 specific proposals)



Additional free text comments shown in chart on left.

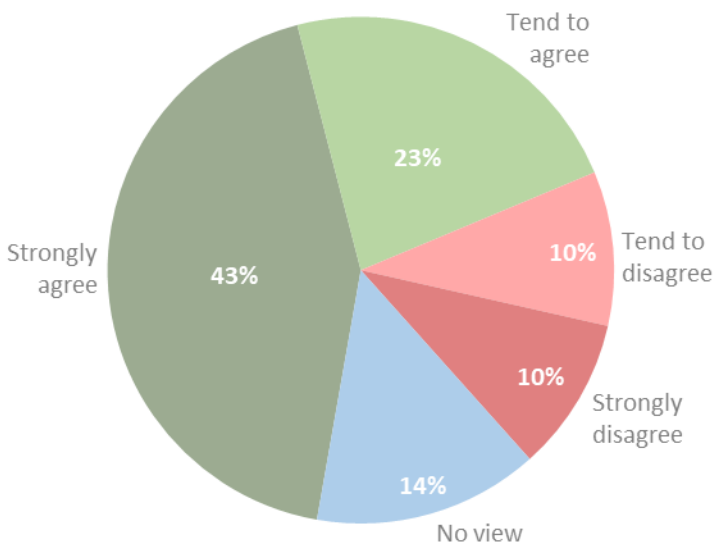
'Other' includes:

- Change to short stay site only and increase traveller's site charges.

Note: Publication of the IIA for the 'Review of travellers site' proposal was delayed until 29th November. Below are charts showing responses to that proposal pre and post publication:

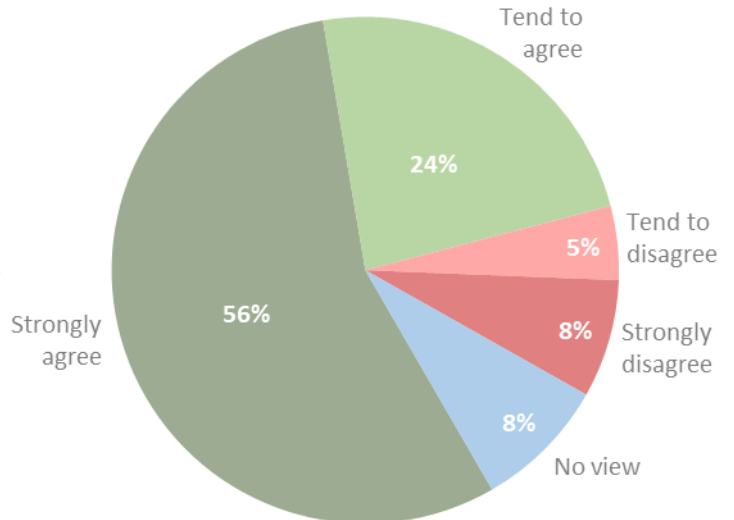
Agree or disagree with proposal...
Review of travellers site (£26,000) [pre IIA]

Base = 132



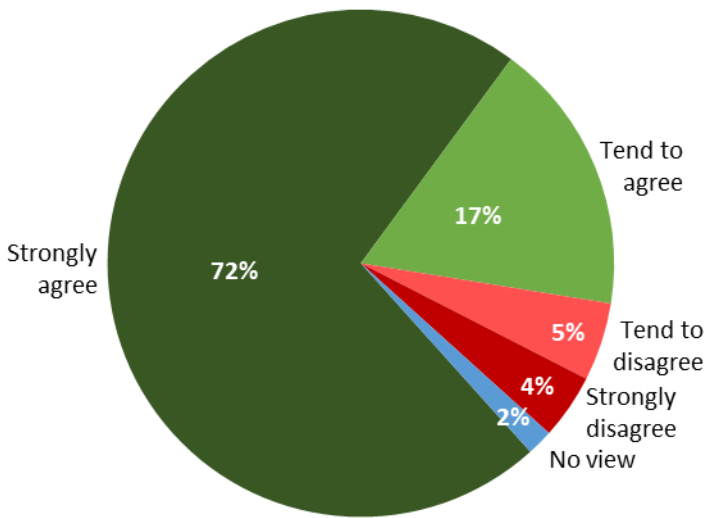
Agree or disagree with proposal...
Review of travellers site (£26,000) [post IIA]

Base = 106



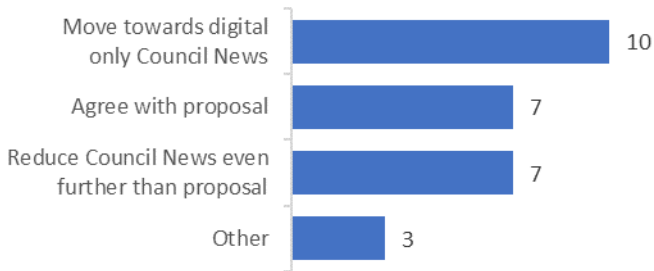
Agree or disagree with proposal...
Council News (£18,000)

Base = 241



Comments on specific proposal:
Council News

Base = 90
(part of larger question on all 4 specific proposals)



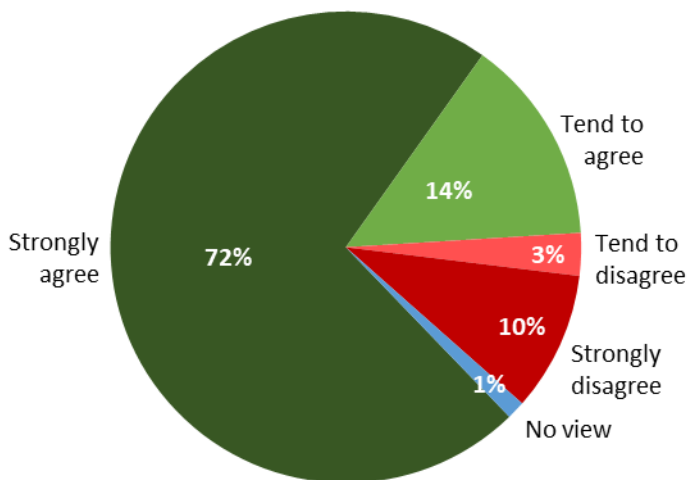
Additional free text comments shown in chart on left.

'Other' includes:

- Making Council News opt in/out and using it to generate income.

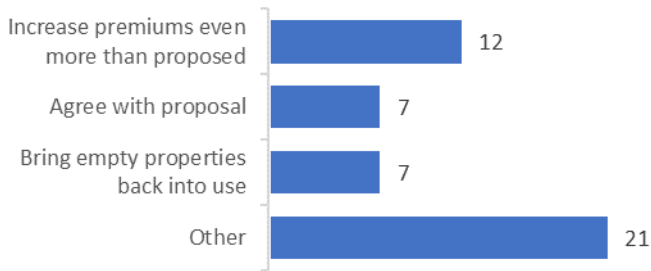
Agree or disagree with proposal...
Review of Council Tax long term empty property premiums (£400,000)

Base = 240



Comments on specific proposal:
Review of Council Tax long term empty property premiums

Base = 90
(part of larger question on all 4 specific proposals)

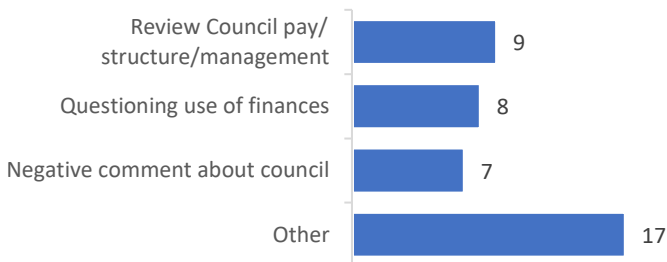


Additional free text comments shown in chart on left. 'Other' includes:

- Having specific exemptions, applying the premium to large organisations and not individuals.
- Ensuring Council houses are not long-term empty, empty properties being used for business development.
- Not forcing owners to sell or let through excessive premiums, and not applying the premium retrospectively.

Comments on specific proposal:
General comments provided

Base = 90
(part of larger question on all 4 specific proposals)

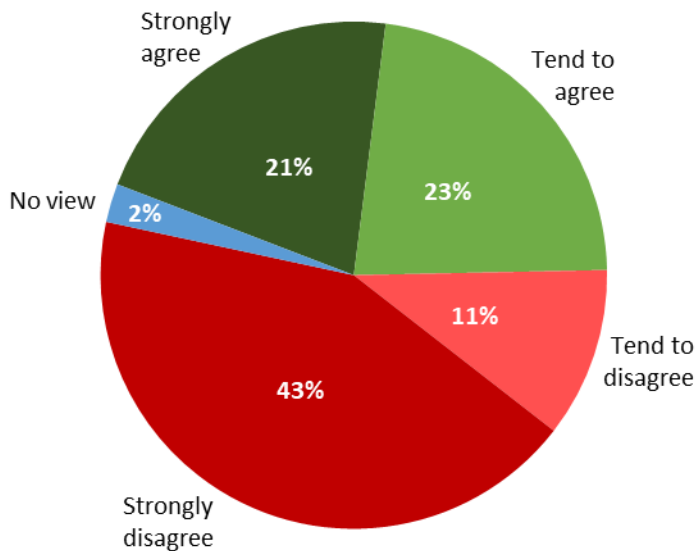


Additional free text comments shown in chart on left. 'Other' includes:

- Cut Council pension scheme and reduce procurement of external services in favour of in-house provision.
- Impact of government funding cuts on the budget and need to use reserves.
- Improvements by reducing inefficiencies, pursuing digital only options, improving street scene, building new Council housing, focussing on climate emergency.
- Increase charge for garden recycling collection.

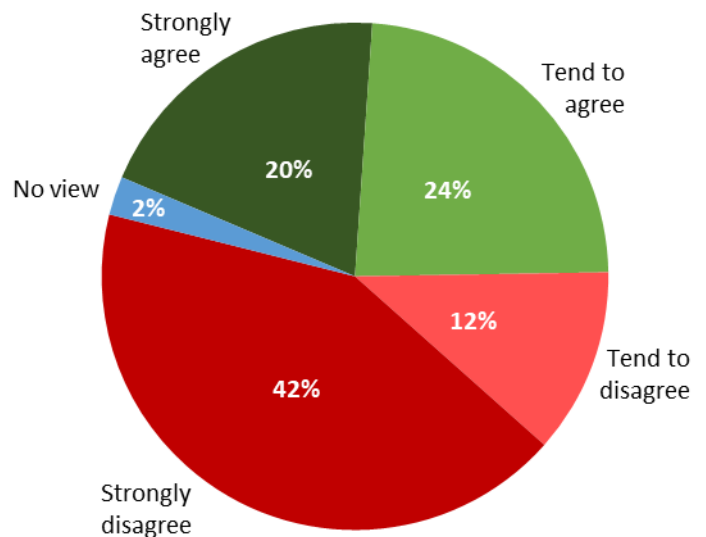
Agree or disagree with 2% increase to Council Tax for the adult social care precept

Base = 203



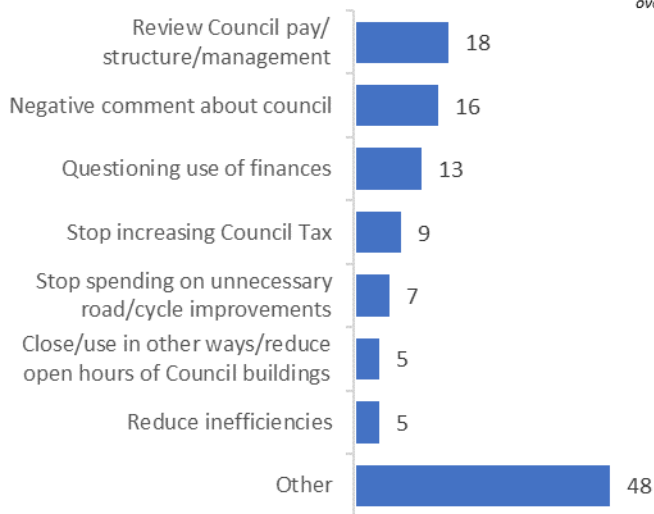
Agree or disagree with 2.99% increase to general Council Tax

Base = 203



Comments on proposals overall:
General comments provided

*Base = 100
(part of larger
question on
the budget
proposals
overall)*



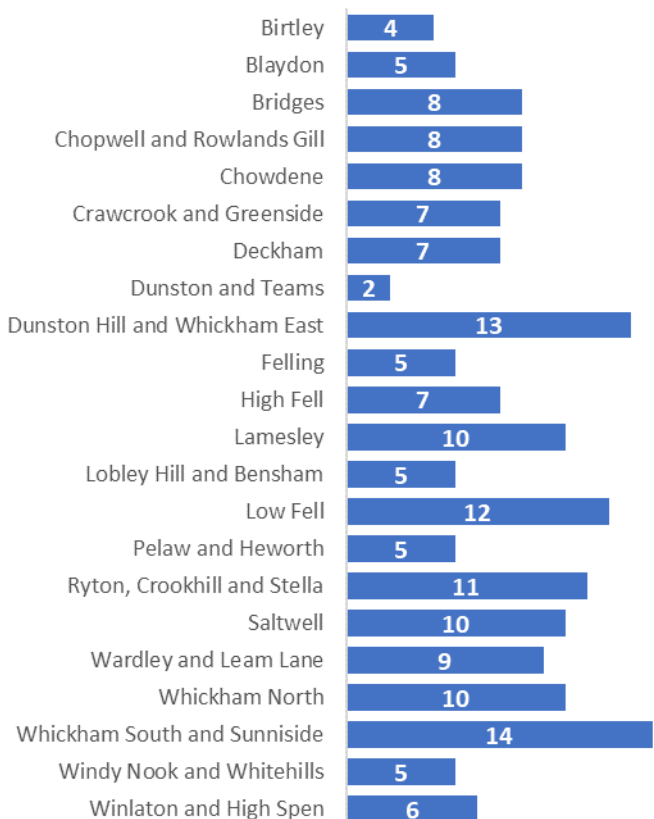
Additional free text comments shown in chart on left. 'Other' includes:

- Improvements by modernising and pursuing digital only options, regenerating areas, improving street scene, building new Council housing and bungalows, reviewing Council Tax charges for homes with new extensions, focussing on versus reducing adult social care, having an elected mayor, selling or engaging management for Gateshead stadium, and focussing on climate emergency.
- Increase budget/revenue through sponsorship opportunities, traded services and debt collection.
- Impact of government funding cuts on the budget, and impact on physical or mental health.
- Importance of vs reduction of frontline staff.
- Cut Council pension scheme, mayors car, and all non-statutory services.
- Issues with pot holes, and use of Council fleet vehicles.
- Improve budget proposal detail/layout and provide statutory vs non-statutory cost breakdown.
- Disagreement with proposal 27 reducing the school meals budget.

Demographics of respondents (optional questions)

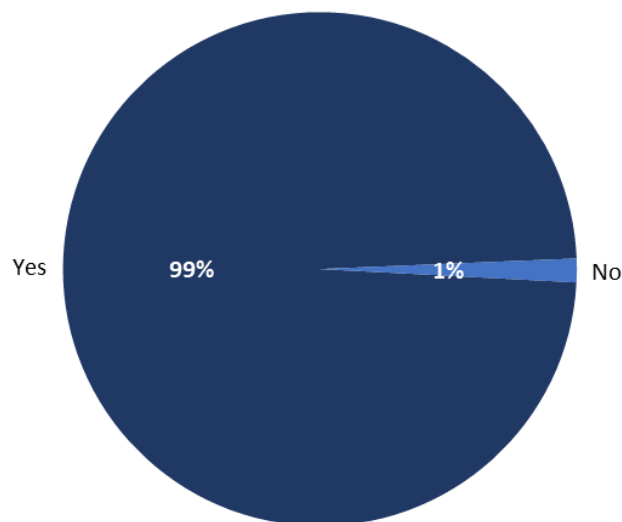
Number of responses by ward
(of those providing their full postcode)

Base = 201



Are you a Gateshead resident?

Base = 201



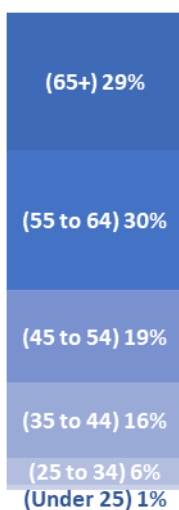
Respondents limited
because of a physical or
mental health condition

Base = 332



Age of respondents

Base = 325



Sex of respondents

Base = 327



Appendix 4 (continued)

Alice Wiseman, Director of Public Health Statement of Assessment of Impact on Health and Wellbeing of Gateshead Council's Budget Consultation (2024/25)

Purpose of the Health Impact Statement

This statement:

- provides a brief overview of current health and wellbeing challenges in Gateshead.
- 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 a cost-of-living crisis over the last two years, 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. 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 Care 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.

This report considers the health impacts due to pressures on Local Government funding, the reduction in budget, and the potential implications of this for people living in Gateshead. Future reports could be strengthened by more detailed analysis of the health impacts of individual and specific proposals within the budget, as the Health in All Policies approach continues to be developed.

Budget Approach

On 24 October 2023, the updated Medium Term Financial Strategy (MTFS) was reported to Cabinet outlining an estimated financial gap of £49.5m over the five-year period 2024/25 to 2028/29. The scale of the financial challenge the Council is facing should not be underestimated, and the impact of removing a further £49.5m from Council resources will have on both the health and resilience of Gateshead is recognised. This is on top of £191m of budget cuts the Council has made since 2010, equivalent to £977 less to spend per resident, which is estimated to rise to £1,229 less spend per resident by the end of the MTFS period.

Consultation this year has focused on a Council Tax increase of 2.99%, and Adult Social Care precept increase of 2%, which would raise £5.6m in support of the Council's strategic approach "Making Gateshead a Place Where Everyone Thrives", and the budgetary framework of the MTFS. It has also included proposals for savings made across Council services including communications, social care, housing, environment and health communities, and through the review of Council Tax long-term empty property premiums.

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 MTFS period 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

We start this impact statement with the recent news that data published by the Office for National Statistics shows a decline in life expectancy in the UK. From 2020-2022, life expectancy at birth was 78.6 years for males and 82.6 years for females in the UK¹. The COVID-19 pandemic led to increased mortality, which has impacted life expectancy estimates from 2020. Improvements in life expectancy slowed over the last decade, and current estimates are now back to where they were in 2010-2012, for males they are even lower.²

Since 2020, Gateshead has had higher excess mortality than expected if there had been no pandemic, with 10% higher registered deaths than expected from March 2020 up until the end of 2023.³ Whilst through 2020-2021, COVID-19 is attributable for many excess deaths,

¹ [ONS, 2024](#)

² [ONS, 2024](#)

³ OHID, [Microsoft Power BI](#)

there are fewer mentions of it on death certificates through 2022-2023 compared to the overall number of excess deaths.⁴

Current life-expectancy estimates on a Local Authority level (2018-20) show that a baby boy born in the most deprived areas in Gateshead can expect to live an average of 71.2 years, whereas a baby boy born in the least deprived areas in Gateshead can expect to live an average of 83 years⁵. A baby girl born in the most deprived areas in Gateshead can expect to live an average of 76.4 years and a baby girl born in the most deprived areas in Gateshead can expect to live an average of 86.9 years.⁶ There is a gradient in health with life expectancy reducing with increased deprivation, there is a 10.8 year gap in life expectancy for males, and 8.8 year gap in life expectancy for females in Gateshead for those living in the poorest areas.⁷

In Gateshead higher proportions of people die too soon from diseases consider preventable than national levels, including cardiovascular disease and cancer.⁸ There is a strong relationship between premature mortality and deprivation, with more deprived areas experiencing greater rates of premature death.⁹

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.

Life continues to be complex and challenging for many in our borough. 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 has continued for some time. The percentage of adults in employment in the borough has fallen since the pandemic.¹⁰ A quarter of children in the borough are estimated to live in relative low-income families, and less than half of children with free school meal status achieve a good level of development by the end of reception.¹¹

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. Just a quarter of adults in the Borough are eating enough fruit and veg in line with recommendations.¹² Furthermore, worrying about making ends meet, increases stress and anxiety. This can negatively impact both physical and mental health. Rates of emergency admission for self-harm are significantly high,¹³ and rates of suicide among men in Gateshead show an increasing trend, though this is not yet statistically significant.¹⁴ Alcohol related harm

⁴ OHID, [Microsoft Power BI](#)

⁵ [OHID, 2024](#)

⁶ [OHID, 2024](#)

⁷ [Public Health Outcomes Framework - Data - OHID \(phe.org.uk\)](#)

⁸ [OHID, 2024](#)

⁹ [OHID, 2024](#)

¹⁰ [Public Health Outcomes Framework - Data - OHID \(phe.org.uk\)](#)

¹¹ [Public Health Outcomes Framework - Data - OHID \(phe.org.uk\)](#)

¹² [Public Health Outcomes Framework - Data - OHID \(phe.org.uk\)](#)

¹³ [Mental Health and Wellbeing JSNA - OHID \(phe.org.uk\)](#)

¹⁴ [Suicide Prevention Profile - OHID \(phe.org.uk\)](#)

is a significant issue for the Borough, with Gateshead having among the among the highest levels of admission to hospital for alcohol-related conditions nationally.¹⁵

Furthermore, rising costs and inflation 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 important.

Government funding

As Director of Public Health for Gateshead I am concerned that the Government funding for local authorities is under enormous pressure. Councils in areas of higher deprivation face even greater stresses because of challenges in raising funds through Council tax and the increasing need for services and support among the population. In Gateshead 90% of housing is in Council tax band A-C, compared to 65% in England, reducing the Councils ability to raise funds in comparison to more wealthy areas and putting financial pressure on those living in disadvantaged areas, as those on lower incomes will spend a greater proportion of their income on bills such as Council tax.

There is also significant concern regarding uncertainty surrounding the continuation of the Household Support Fund, which has supported people living in Gateshead through the cost-of-living crisis through initiatives such as free school meals during school holidays. The health impacts of the cost-of-living crisis and poverty are discussed later in this report. If this funding is withdrawn, people in Gateshead who have benefited from support may face additional challenges and help and support needed through Council services could increase further.

Funding reform is needed to ensure fair, equitable and sustainable funding for Local Government going forward. The requirement for funding reform is widely acknowledged, as outlined in a recent report of the Levelling Up, Housing and Communities Committee on financial distress in local authorities.¹⁶

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. 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 disadvantage. As such, some groups may not be sufficiently protected due to the disproportionate cuts imposed on areas with high levels of deprivation. Gateshead has committed to implementing the socio-economic duty through its Health and Wellbeing Strategy and draft Corporate Equality, Diversity and Inclusion Policy and given the extent of health inequalities faced by people in the borough who are most disadvantaged, it is vital steps are taken to implement this in practice.

Building blocks for health; the economy and jobs

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

¹⁵ [Local Alcohol Profiles for England - Data - OHID \(phe.org.uk\)](https://www.phe.org.uk/about/our-work/our-research-and-evidence/local-alcohol-profiles-for-england)

¹⁶ [Financial distress in local authorities \(parliament.uk\)](https://www.parliament.uk/research-and-factsheets/financial-distress-in-local-authorities)

depended on the industry people worked in, their occupation, the kind of business they ran, type of employment available or demographics such as age and health. 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 and economic inactivity levels due to ill health were already higher than national levels¹⁷

Good health is as critical for employment and the economy, as good work and income is for a person's health. Economic inactivity and ill health, in the North East region, limit many residents' participation in the labour market and capacity to access new opportunities, which is a concern. The latest economic inactivity rate for the North East is at its highest level since 2012/13 and the gap between the regional and England (excl. London) rate is the largest since comparable data started in 2004/05.¹⁸

Economic inactivity due to long-term sickness in Gateshead is particularly worrying, it peaked at 44% during 2020 and remains stubbornly high. Labour market disadvantage for Gateshead residents with disabilities or long-term health conditions is particularly acute with fewer than 50% of working age in employment, lower than the rate across England.¹⁹ Employment rates for those, in Gateshead, aged 50-64 are significantly below national levels and have not returned to pre-Covid levels. In Tyne and Wear, 17% of people aged 50-64 are economically inactive due to ill health, compared to 11% in London.²⁰ 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 working²¹.

The financial strain many have faced during the pandemic has been compounded by the cost-of-living crisis. This 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 and face increasing precarity and uncertainty.

Around 14% of employees in the North East region earn below the Living Wage, while productivity lags the national average.²² In Gateshead, the median weekly earnings by place of residence are £87 less a week than the median level in England²³.

Around 4,200 people aged 16 and over in Gateshead were unemployed in the year ending June 2023. This is a rate of 4.1%. Although, this was a decrease compared with the year ending June 2022 when the unemployment rate was 5.2%, it is higher than the unemployment rate across Great Britain which stayed at a similar rate between the year ending June 2022 and the year ending June 2023, at around 3.8%²⁴.

¹⁷ [Labour Market Profile - Nomis - Official Census and Labour Market Statistics \(nomisweb.co.uk\)](https://nomisweb.co.uk/).

¹⁸ [Report: Economic inactivity rate - North East Evidence Hub \(northeastlep.co.uk\)](https://northeastlep.co.uk/)

¹⁹ [Report: Economic activity status, disability and health - North East Evidence Hub \(northeastlep.co.uk\)](https://northeastlep.co.uk/)

²⁰ [Resolution Foundation, 2024](#)

²¹ [Health Foundation, 2022](#)

²² [North East Evidence Hub, 2023](#)

²³ [ONS, 2024](#)

²⁴ [NOMIS, 2023](#)

Cost-of-living crisis and a healthy standard of living

Whilst a crisis suggests an acute emergency at a point in time, the cost-of-living crisis has been endured by the people of Gateshead for some time. Food and energy prices have risen markedly since 2022, particularly gas prices, partly in response to the conflict in Ukraine as well as the global recovery from the coronavirus pandemic. Inflation affects all households. The Consumer Prices Index rose by 4.2% in the 12 months to December 2023²⁵. This followed a rise of 10.5% in the preceding 12 months to December 2022²⁶. A slowing or falling inflation rate means that prices are rising more slowly than before; it does not mean that price levels are actually falling. Not all households are experiencing the increase in the same way, or at the same rate, and the cost-of-living crisis has worsened the situation for many who were already vulnerable due to the pandemic. For example, in the year to October 2022, 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. The UK's annual inflation rate is expected to continue falling in 2024, though more gradually than in 2023, due to lower energy prices and reduced inflation in consumer goods and food.²⁷

Low-income households are most affected by rising prices. ONS data shows that households with the lowest incomes experience a higher than average inflation rate while the highest-income households experienced lower than average inflation. This disparity is due to low income households being more affected by high food and energy prices.

High interest rates have led to higher borrowing costs for households, notably mortgage interest rates which rose sharply from the very low rates seen previously. Around 1.6 million households whose fixed rate mortgages end in 2024 face higher mortgage cost.²⁸ Rental price growth has also been rising in recent years. Private rental prices paid by tenants in the North East rose by 4.6% in the 12 months to December 2023 (6.2% in the UK as a whole).²⁹ In 23/24 council housing rents in Gateshead increased by 7% in line with the rent standard.

49% of adults in Great Britain reported an increase in their cost of living compared to the previous month. Around 4 in 10 adults (41%) who pay energy bills said it was very or somewhat difficult to afford them³⁰.

Financial hardship can have a long-term impact on health through chronic stress, reduced opportunities and resources that are good for wellbeing, access to healthy food, and secure, stable, quality homes.

Over the two years from December 2021 to December 2023 food prices rose by 26.2%. Food bank charities are reporting an increase in demand: the Trussell Trust reported that between April and September 2023 they provided 1.5 million emergency food parcels, a record high

²⁵ [ONS, 2023](#)

²⁶ [ONS, 2022](#)

²⁷ [House of Commons Library, 2024](#)

²⁸ [House of Commons Library, 2024](#)

²⁹ [ONS, 2023](#)

³⁰ [ONS, 2024](#)

for this period, and a 16% increase from the same period in 2022.³¹ A survey by the Food Foundation found that 17% of households experienced food insecurity, but that this increased 23.4% households with children. Food insecurity was also higher among those on universal credit, non-white ethnic groups, and house-holds with an adult limited a lot by disability.³²

Food insecurity is found more often among children living in poverty. Food insecurity impacts health directly through poor quality diet and is associated with poor mental health.³³ For children this can impact their development including maths and vocabulary skills.

The most recent child poverty data available is from 2021/22 when the number of children (under 16) in Gateshead in relative low income families was 8,335 or 24.2%. This is significantly worse than the England average of 19.9%, but better than the North East average of 25.8%. Relative poverty is households whose income is 60% below the average (median) household income before housing costs.³⁴ In recent years, the proportion of children (under 16) in absolute low-income families has increased significantly. Previous data for 2017/18 showed that 15.3% of children were in poverty, however this has increased and now stands at 19.5% in 2021/22³⁵. Absolute poverty is households with income 60% below the median income from 2010/11, to help understand changes in living standards.³⁶ The proportion of children in relative and absolute low-income households increases when housing costs are also factored in.³⁷

There are differences in poverty levels in different parts of Gateshead, with some of our most deprived areas experiencing much higher levels of child poverty.^{38,39} Growing up in poverty damages health and wellbeing and can affect a child's future health and opportunities. Child poverty is strongly related to adverse childhood experiences,⁴⁰ and is causal factor for poorer developmental, educational and health outcomes.⁴¹

In 2021, 12,157 (13.3%) households in Gateshead were estimated to be in fuel poverty. This compares with the England average of 13.1%. However, in some parts of Gateshead it is estimated that one in three households are in fuel poverty⁴². National Energy Action polling in November 2023 indicated that 6.5 million UK households would be in fuel poverty from January 2024. That's 2 million up from when the crisis began in October 2021. Living in a cold home is associated with numerous health impacts including direct effects on respiratory

³¹ [House of Commons Library, 2024](#)

³² [Food Insecurity Tracking | Food Foundation](#)

³³ [Good food in childhood Ver-7.0 web \(fph.org.uk\)](#)

³⁴ [Constituency data: Child poverty \(parliament.uk\)](#)

³⁵ [Gateshead JSNA, 2023](#)

³⁶ [Constituency data: Child poverty \(parliament.uk\)](#)

³⁷ [Households Below Average Income: an analysis of the UK income distribution: FYE 1995 to FYE 2022 - GOV.UK \(www.gov.uk\)](#)

³⁸ [Local Health - Office for Health Improvement and Disparities - Indicators: maps, data and charts](#)

³⁹ [Gateshead Maps - LloN23 \(Public\)](#)

⁴⁰ [The Clustering of Adverse Childhood Experiences in the Avon Longitudinal Study of Parents and Children: Are Gender and Poverty Important? - PMC \(nih.gov\)](#)

⁴¹ [LSE, 2017](#)

⁴² [JSNA, 2023](#)

conditions, cardiovascular disease, mental health, dementia, hypothermia, falls and increased risk of death.⁴³ It can also affect health indirectly through increased stress, loneliness, impaired child development, and reduced money for other essentials.⁴⁴

Destitution is described as experiencing the most severe forms of hardship and not being able to meet essential human needs for shelter, to stay warm, dry, clean and fed. The North East experiences high levels of destitution.⁴⁵ Welfare reform, the pandemic, and cost-of-living crisis as set out above, have created a hostile environment where the most vulnerable in our population face difficulties in accessing the essentials they need without support or services.

Domestic Abuse

Domestic-related incidents reported to Northumbria Police have increased by 5% compared to the previous year. There were 30.7 domestic-related incidents per 1,000 population reported to Northumbria police in the 12 months to end of September 2023. 30.7 domestic-related incidents per 1,000 population were reported to Northumbria police in the 12 months to end of September 2022. The Council's Domestic Abuse Service received 2,040 referrals between August 2022-July 2023 relating to 1,079 individuals which equates to 1.9 referrals per individual. There are concerns that the cost-of living crisis is having 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.⁴⁶ 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.

Children and Young People

In previous health impact statements, I highlighted the adverse effects children and young people experienced due to the pandemic, including lost opportunities for learning and social development, and increased exposure to stressful environments at home as families dealt with wider pressures.

Now, as Director of Public Health I am concerned that we are seeing clear indicators of need amongst our children and young people. Research has shown that the pandemic, and subsequent measures, have had significant impacts on the mental health of some children and young people. Rates of hospital admission for self-harm among 10–24-year-olds, are significantly higher in Gateshead than in England (2021-2022).⁴⁷

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 20% families on

⁴³ [read-the-report.pdf \(instituteofhealththequity.org\)](#)

⁴⁴ [read-the-report.pdf \(instituteofhealththequity.org\)](#)

⁴⁵ [Destitution in the UK 2023 | Joseph Rowntree Foundation \(jrf.org.uk\)](#)

⁴⁶ [Chancellor must put cost of living crisis and domestic abuse at the top of his agenda – lives depend on it - Domestic Abuse Commissioner](#)

⁴⁷ [Children and Young People's Mental Health and Wellbeing - OHID \(phe.org.uk\)](#)

the lowest incomes are four times as likely to have severe mental health difficulties identified by their parents compared to families with the 20% highest incomes.⁴⁸

Although there has been a slight reduction in the number of children who need to be taken into care in last 12 months (56.9/10,000),⁴⁹ the overall rate per 10,000 remains higher than regional comparators and statistical neighbours. Emotional wellbeing is a concern for just over half of looked after children in Gateshead.⁵⁰ Care experienced people are more likely to experience health inequalities in to adulthood including poorer self-rated health, increased likelihood of premature death, including deaths by suicide, substance misuse, car accidents, and assaults.⁵¹

Exclusions from school have increased sharply with 94 Gateshead children excluded in 2022/2023, more than double than in 2019/2020.⁵² School exclusion can disproportionately affect vulnerable children already facing increased health risks,⁵³ including children from disadvantaged backgrounds and those with social, emotional, and mental health needs.⁵⁴ It may also increase health risks into their future, with poorer mental health and wellbeing, poor sleep, less physical activity, and increased likelihood of smoking,⁵⁵ in addition to negative impacts on the building blocks of health; educational attainment, employment, and poverty.⁵⁶ Similarly the number of children missing school and being persistently absent from school has increased and in Gateshead, levels are similar to those seen nationally.⁵⁷ Poor attendance at school may be associated with mental health needs such as anxiety⁵⁸ and depression.⁵⁹ There may also be an association between school absence, self-harm and suicide ideation.⁶⁰

As Director of Public Health, 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

⁴⁸ [\(PDF\) Children of the new century: mental health findings from the Millennium Cohort Study \(researchgate.net\)](#)

⁴⁹ [\(Public Pack\)Agenda Document for Cabinet, 23/01/2024 10:00 \(gateshead.gov.uk\)](#)

⁵⁰ [Children and Young People's Mental Health and Wellbeing - OHID \(phe.org.uk\)](#)

⁵¹ [The-lifelong-health-and-wellbeing-trajectories-of-people-who-have-been-in-care.pdf \(nuffieldfoundation.org\)](#)

⁵² [\(Public Pack\)Agenda Document for Cabinet, 23/01/2024 10:00 \(gateshead.gov.uk\)](#)

⁵³ [Association of school absence and exclusion with recorded neurodevelopmental disorders, mental disorders, or self-harm: a nationwide, retrospective, electronic cohort study of children and young people in Wales, UK - The Lancet Psychiatry](#)

⁵⁴ [The impact of school exclusion in childhood on health and well-being outcomes in adulthood: Estimating causal effects using inverse probability of treatment weighting - Obsuth - British Journal of Educational Psychology - Wiley Online Library](#)

⁵⁵ [The impact of school exclusion in childhood on health and well-being outcomes in adulthood: Estimating causal effects using inverse probability of treatment weighting - Obsuth - British Journal of Educational Psychology - Wiley Online Library](#)

⁵⁶ [Association of school absence and exclusion with recorded neurodevelopmental disorders, mental disorders, or self-harm: a nationwide, retrospective, electronic cohort study of children and young people in Wales, UK - The Lancet Psychiatry](#)

⁵⁷ [Appendix 2 Cabinet PMIF Report 23 Jan 2024.pdf \(modern.gov.co.uk\)](#)

⁵⁸ [Review: The association between anxiety and poor attendance at school - a systematic review - PubMed \(nih.gov\)](#)

⁵⁹ [The association between child and adolescent depression and poor attendance at school: A systematic review and meta-analysis - ScienceDirect](#)

⁶⁰ [School absenteeism as a risk factor for self-harm and suicidal ideation in children and adolescents: a systematic review and meta-analysis - PMC \(nih.gov\)](#)

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.⁶¹ 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.

Commercial determinants of health

This year my annual report has looked at private sector activities that affect people's health, either directly or indirectly - known as the commercial determinants of health. It examines the tactics used by the tobacco industry over centuries to create an epidemic, including aggressive marketing, lobbying and casting doubt on scientific evidence of smoking-related harm. Worryingly, these methods are now being used by other industries that are profiting from products known to be harmful. In particular, the report focuses on alcohol, gambling and ultra-processed food and drink. These industries gently remind us to enjoy their products 'responsibly'. However, what they fail to acknowledge is the significant role they play in shaping our environments and ultimately influencing our choices through marketing, availability and culture. These harmful environments for health are compounded by the other challenges many people face through cost-of living and social inequalities. We must ensure that budget considerations take account of commercial determinants of health and support policies to mitigate the impact such as learning from the 'food advertising policies' in other local authority areas, and reducing exposure to harmful products high in fat, salt, and sugar on council owned sites.

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 continue 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, 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,

⁶¹ [Middle-aged generation most likely to die by suicide and drug poisoning - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/peoplepopulationandcommunity/healthandlife/articles/middle-aged-generation-most-likely-to-die-by-suicide-and-drug-poisoning/2022-07-27)

- innovation and growth across the borough; and
- Work together and fight for a better future for Gateshead.

The Thrive strategic approach is delivered through the Council's Corporate Plan which highlights the need to ensure a fair and inclusive culture that involves our diverse communities in decision making processes, a culture of continuous improvement, and that we co-design and collaborate with partners where we can, therefore making the most effective and efficient use of the resources available⁶².

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; and
- Strengthen the role and impact of ill health prevention.

While the Council has no choice but to make savings to manage funding cuts from central Government alongside increasing costs and demand for services, 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

The recommendations below follow previous statements as they remain pertinent to support the consideration of health impacts in light of ongoing funding pressures. This year I also want to set out an increased focus on *best start in life* to mitigate the impact on children and young people. Going forward, as we continue to implement our Health and Wellbeing Strategy, I recommend that the Council works with its partners to follow these mitigations:

⁶² [How we will deliver our Corporate Plan - Gateshead Council](#)

1. **Best start in Life** – the early years and childhood are crucial for long-term development and health outcomes. Child poverty and adversity is associated with adverse health outcomes. Therefore, budget decisions need to consider the cumulative impact on children and young people’s health and wellbeing and increase the focus of expenditure on children to support development and reduce inequalities across the life-course.
2. **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. This includes assessing health impacts when reviewing budgets across the council.
3. **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.
4. **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.
5. **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.

6. **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.

7. **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.

ESTIMATED COMMITMENT OF RESERVES

1. The following table shows the budgeted use of reserves in 2023/24 and the proposed use in 2024/25.

Usable Reserves	Opening Balance 1/04/23 £m	Budgeted Use 2023/24 £m	Proposed Use 2024/25 £m	Balance 31/3/25 £m	Available to Support Council Budget?
<u>General Fund balance:</u>					
General Reserve	(11.9)			(11.9)	Y
*LMS Budget Share Reserve	(8.3)			(8.3)	N
General Fund	(20.2)			(20.2)	
<u>Earmarked General Fund reserves:</u>					
Financial Risk and Resilience	(19.2)	0.7	0.3	(18.2)	Y
Thrive	(7.5)	1.7	1.5	(4.3)	Y
Budget Sustainability	(36.7)	14.5	5.0	(17.2)	Y
*Developers' contributions	(2.2)			(2.2)	N
*Unapplied revenue grants	(1.4)			(1.4)	N
*Public Health	(3.8)			(3.8)	N
*Dedicated Schools Grant (DSG)	(4.0)			(4.0)	N
Total Earmarked General Fund Reserves:	(74.7)	16.9	6.8	(51.0)	
Total Reserves	(94.9)			(71.2)	

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

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 2023
Council General Reserve	This is a statutory fund that acts as a contingency and allows the Council to meet any unforeseen costs. If the Council overspends in a year this fund will meet that liability. The minimum balance on the reserve is 3% of the net revenue budget	Yes (subject to minimum levels being maintained)	£11.9m
Schools Balances	Use of this reserve is ring-fenced to schools and there is a duty to report planned use to Schools Forum. The balance is for schools collectively, but this includes both surplus and deficit balances of individual schools	No – ringfenced for to schools	£8.3m

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

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

Ringfenced Reserves

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

Reserve	Why Needed	Available to support Council budget	Balance as at 31 March 2023
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	£2.2m
Unapplied Revenue Grants	This reserve was created to comply with accounting rules where unspent grants and contributions, without grant conditions are to be used in the following years.	No	£1.4m
Public Health Reserve	The responsibility for Public Health transferred to local authorities on the 1 April 2013. The funding is for future Public Health use.	No	£3.8m

Dedicated Schools Grant Reserve	This is for schools use and cannot be used for other priorities within the Council. Use of this reserve will be agreed by Schools Forum.	No	£4m
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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 regularly monitored by senior management via the Councils performance framework
The impact of business rate appeals is higher than expected affecting the amount of business rate funding projected	Possible	High	<ul style="list-style-type: none"> • Financial monitoring framework in place • Modelling of potential impacts is used to inform financial planning and completion of the NNDR1 estimates. • Impact is also assessed as part of accounts closedown and completion of the NNDR3 • All assumptions and position on appeals are discussed with Section 151 officer at the time of form completion.
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 economic forecasts by officers • Budget monitoring will highlight any budget variations.
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 MTF5.
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 • Oversight of savings achievement by Corporate Resources OSC
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.

Risk	Likelihood	Impact	Risk Management
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.
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 • 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.
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.

Risk	Likelihood	Impact	Risk Management
Changes to legislation and/or 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. • Networking discussions take place with regional treasurers to discuss potential impacts and treatment in MTFS

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 2022/23 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are: -

	2022/23 £000 Actual	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate	2026/27 £000 Estimate	2027/28 £000 Estimate	2028/29 £000 Estimate
Non-HRA	56,745	52,810	87,060	96,140	51,557	32,422	36,613
HRA	20,625	25,192	26,837	37,186	54,553	44,612	39,449
Total	77,370	78,002	113,897	133,326	106,110	77,034	76,062

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2022/23 are: -

	2022/23 £000 Actual	2023/24 £000 Estimate	2024/25 £000 Estimate	2025/26 £000 Estimate	2026/27 £000 Estimate	2027/28 £000 Estimate	2028/29 £000 Estimate
Non-HRA	10.78%	13.63%	13.37%	15.96%	17.64%	18.23%	19.02%
HRA	37.85%	32.39%	33.26%	38.30%	42.12%	35.33%	35.36%

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

3. The actual Capital Financing Requirement at 31 March 2023 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: -

	31/03/23 £000 Actual	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	31/03/29 £000 Estimate
Non-HRA	415,383	425,509	483,507	551,192	549,438	550,490	565,717
HRA	345,505	345,505	345,505	345,505	345,505	345,505	345,505
Total	760,888	771,014	829,012	896,697	894,943	895,995	911,222

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, Resources and Digital reports that the Council had no difficulty meeting this requirement in 2022/23, 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.

	31/03/23 £000 Actual	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	31/03/29 £000 Estimate
Actual gross debt at 31 March	684,966	702,092	760,090	832,635	832,635	833,687	848,914
Capital Financing Requirement	760,888	771,014	829,012	896,697	894,943	895,995	911,222
Under / (over) borrowing	75,922	68,922	68,922	64,062	62,308	62,308	62,308

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>					
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Borrowing	872,000	942,000	938,000	937,000	949,000

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>					
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Borrowing	857,000	927,000	923,000	922,000	934,000

9. The Council's actual external debt at 31 March 2023 was £684.966m comprising £684.966m 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 2024/25 (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	16%	0%
12 months and within 24 months	16%	0%
24 months and within 5 years	22%	0%
5 years and within 10 years	23%	0%
10 years and within 20 years	17%	0%
20 years and within 30 years	21%	0%
30 years and within 40 years	46%	0%
40 years and within 50 years	39%	0%
50 years and above	13%	0%

Upper and Lower Limits for the Maturity Structure of Variable Rate Borrowings		
	Upper Limit	Lower Limit
Under 12 months	18%	0%
12 months and within 24 months	13%	0%
24 months and within 5 years	13%	0%
5 years and within 10 years	13%	0%
10 years and within 20 years	13%	0%
20 years and within 30 years	13%	0%
30 years and within 40 years	13%	0%
40 years and within 50 years	13%	0%
50 years and above	13%	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: -

Upper Limit on amounts invested beyond 365 days					
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Investments	15,000	15,000	15,000	15,000	15,000

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2024/25

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. MRP will be charged on the same basis as unsupported or Prudential borrowing. Where repayments of the principal amounts are received, they will be treated as capital receipts and either used to reduce the Council's underlying need to borrow or used to offset the MRP charge in line with regulation 27(4) of the Local Government Act 2023.

Capital Receipts

Capital receipts are used to reduce the CFR of the Council particularly in relation to short life assets such as IT equipment and vehicles. The receipts are not used to directly replace, in whole or part, the prudent charge to revenue except in relation to capital loans as mentioned previously.

Voluntary Provision

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

Projected MRP Charge

An analysis of the projected MRP Charge for 2024/25 over the different calculation methodologies and components is set out in the table below along with a comparison to the projection for 2023/24:

Projected MRP Charge 2024/25		£m
Capital Programme	Investment funded by Supported Borrowing and Prudential Borrowing prior to 1 April 2008	2.547
	Asset Life Method – Equal Instalment	3.760
	Asset Life Method – Annuity Method	8.758
PFI	Annuity Method	2.884
Leases	Annuity Method	0.053
Capital Loans	Annuity Method	0.241
Voluntary Provision	General Fund	0
	Housing Revenue Account	0
Total Projected MRP Charge		18.243

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	3.772
	Asset Life Method – Annuity Method	8.110
PFI	Annuity Method	2.993
Leases	Annuity Method	0
Capital Loans	Annuity Method	0.094
Voluntary Provision	General Fund	(1.031)
	Housing Revenue Account	0
Total Projected MRP Charge		16.485