Delivering for our communities

Our medium-term financial plan for 2023-24 to 2025-26

Appendix 1 - Revenue and capital plan

Draft

Newcastle City Council

Contents

Introduction

The council spends in the region of £1 billion each year across the General Fund, Housing Revenue Account and capital programme. Revenue expenditure on day-to-day services is funded by a combination of specific government grants, Council Tax, business rates, rents, third party contributions and income from sales, fees and charges.

Approximately £120 million of this is ring-fenced to schools and £120 million is ring-fenced to services for council tenants. £620 million is used to meet our wide range of statutory requirements and to meet the needs of our residents, communities and city.

Our capital expenditure on our physical assets (such as buildings) is separate to revenue expenditure on day-to-day services and amounts to approximately £120 million per annum and is funded from a combination of specific government grants, third party contributions and capital receipts from the sale of assets and borrowing. It should be noted that we are not allowed to use borrowing or capital receipts to fund revenue expenditure on day-to-day services.

Context

Principles

Since 2010, the council has had to achieve savings of £347 million (to the end of 2022-23) due mainly to Government imposed funding cuts and cost pressures. We have sought to do this in a controlled manner and by taking a medium-term approach as far as possible.

As well as meeting our legal responsibility to set a balanced budget, we have sought to achieve the following objectives through our medium term financial planning process:

- Improving value for money;
- Maintaining financial resilience; and
- Managing significant financial risks.

Our medium-term financial plan is underpinned by the following key principles:

- Allocation of available resources in line with our priorities and to fulfil statutory duties and business critical requirements. By priorities we mean the priority outcomes of resilient city, healthy caring city, growing city, vibrant city, dynamic city, connected clean city and efficient council.
- Assessment of future resources and cost pressures in line with a mid-case scenario rather than a worst case or best case scenario – key assumptions subject to sensitivity analysis.
- Prudent and planned use of reserves to fund permanent expenditure.
- Risk assessed level of reserves and balances to mitigate potential financial liabilities and commitments. Other reserves maintained to hold funding received but not yet spent.
- Maximisation of capital receipts from disposals where this is the most cost effective option.
- Maximisation of external grant funding where this meets our priorities.
- Maximisation of income generated across all areas of the council and prompt collection of all amounts owed to us to minimise bad debts.
- Prudent use of our borrowing powers to undertake capital investment that is not funded by capital receipts, grants or contributions from third parties.
- Strategic approach to asset management across all asset types.
- Promotion of invest to save opportunities funded by prudential borrowing via risk-assessed business cases.
- Provision of revenue funding to invest in service transformation following development and approval of business cases.
- Effective management and forecasting of our day-to-day and longer-term cash flow requirements.
- Minimisation of treasury management risks, including smoothing out the debt maturity profile.

- Full integration of revenue and capital financial decision-making processes, to ensure the revenue implications of capital projects are accurately reflected in the medium-term plan and annual budget.
- Production of detailed implementation plans and risk assessments for all savings proposals.
- Sign off of all revenue budgets by the relevant senior manager before the start of the financial year.
- Regular monitoring of all revenue budgets by the relevant manager and robust management action to address any unplanned variances that arise.

Savings required to date

The following tables show how these principles have been translated into our latest estimate of resources over the next three years. In summary, our net revenue budget is determined by the level of business rates and Council Tax collected locally and the amount of Section 31 grants, Revenue Support Grant and Business Rates Top Up Grant received from government.

Table 1 – estimated net revenue budget

All figures in £ million	**2023-24**	**2024-25**	**2025-26**
Revenue Support Grant	27.6	27.6	27.6
Business rates (incl. grants)	93.8	97.7	100.2
Council Tax	129.0	134.1	139.5
Net revenue budget	**250.4**	**259.5**	**267.3**

As can be seen from Table 1, the net revenue budget is expected to be £250.4 million in 2023-24 and to increase to £267.3 million in 2025-26. However, as can be seen from Table 2 below, significant savings are required in all years due mainly to cost pressures; further details of 2023-24 savings are set out later in this document and in Appendix 2 – summary of 2023-24 savings proposals.

Table 2 – annual budget changes

All figures in £ million	**2023-24**	**2024-25**	**2025-26**
Previous year's net revenue budget	241.7	250.4	259.5
Cost pressures	31.6	26.7	24.3
Growth	0.3	3.0	3.0
Annual savings required	(23.2)	(20.6)	(19.5)

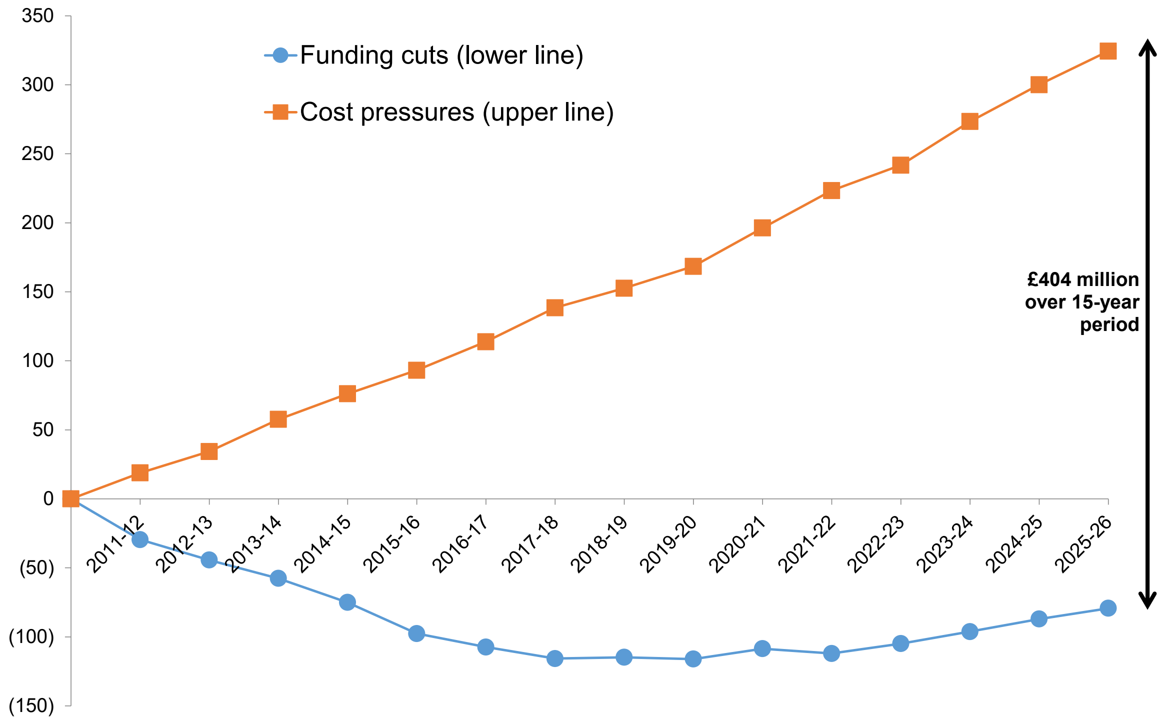
This year's net revenue budget	**250.4**	**259.5**	**267.3**

The savings required in the next three years should be viewed in the context of the savings required to balance the budget in previous years.

Since 2010, we have needed to make savings of £347 million (equivalent to £2,508.23 per household) to balance our budget due mainly to funding cuts and cost pressures. Some of these budget reductions have had an impact on services. However, many have been achieved by finding alternative and more cost-effective ways to deliver the same level of service, or by improving efficiency without any detriment to service delivery, as well generating more income.

The savings required over the next three years is £63.2 million. The savings required to off-set cost pressures over the next three years have been built into Chart 1.

Chart 1 – cumulative savings required since 2010 (all figures in £ million)



It should be noted that that the figure for 2011-12 also includes the in-year funding cuts announced in the 2010-11 Emergency Budget.

Projected outturn for 2022-23

The plans for achieving savings in 2023-24 and the following two years should be viewed in the context of the latest projected outturn position for 2022-23.

As affirmed by the recent CIPFA financial management review, we have robust management arrangements in place to monitor and control revenue expenditure and this has resulted in the achievement of a balanced budget in the last few years. Before the start of the financial year, progress on achieving planned budget reductions is closely monitored at both officer and councillor level. This monitoring continues throughout the year and is enhanced by our formal budget monitoring process that looks at overall performance against the budget and not just delivery of specific budget reductions. Detailed budget monitoring reports are considered by directorate management teams and directors on a regular basis and management action is taken to address any financial pressures that occur.

The COVID lockdown, which initially commenced in late-March 2020, has continued to impact on the council's 2022-23 General Fund budget. In the current financial year to date, we have continued to experience income shortfalls and disruption to the achievement of planned budget savings. In addition, the recent surge in inflation has led to increased costs across many services including a higher than expected pay award for staff and higher than expected costs in relation to inflation-linked long-term contracts and specific goods, works and services.

The Council is currently projecting a potential pressure of £2.5 million on its General Fund budget at this stage of the year. This is after the use of reserves totalling £7.5 million to off-set the COVID scarring evident in Adult Social Care (£4.0 million), Parking (£1.0 million) and Commercial Development and Property (£2.5 million). Managers will continue to seek to address overspends in the current year as far as possible. However, if there is an actual overspend at the end of the financial year this will be funded from the financial risk and resilience reserve, which was set up for this purpose. Any pressures that continue into future financial years will also need to be reflected in the medium-term financial plan and be funded from savings across the council.

Autumn Statement 2022

At the time of writing the council is awaiting the announcement of the Autumn Statement on 17 November 2022. Whilst we will not receive specific information relating to the council's grant funding at that point, we expect the government to clarify the level of the Local Government Departmental Expenditure Limit (DEL), and whether this will be cut in 2023-24 or not. We will need to wait for the provisional 2023-24 local government finance settlement in mid-December 2022 to find out what this will specifically mean for the council when any distributional changes are also taken into account.

We also expect the government to clarify the level of the Council Tax increase allowed without a referendum and the increase in the business rates multiplier for 2023-24 in the Autumn Statement 2022. We have assumed an increase in core Council Tax of 1.99% and an adult social care Council Tax precept of 1.0% in 2023-24 in line with the Spending Review 2021 announcement last year. We have also assumed a cautious increase in the business rates multiplier of only 2.5% in 2023-24. If the government follows the usual approach, then it should either agree a 12.6% increase in the multiplier (linked to September RPI) or cap the increase at a lower level than this and fund local authorities for the lost income. However, there is no guarantee the government will do this so we have followed a cautious approach.

Provisional local government finance settlement for 2023-24

The provisional local government finance settlement for 2023-24 is not due to be announced until mid-December 2022 well after the draft 2023-24 budget is agreed by Cabinet. The council has assumed a £1.2 million cut in the New Homes Bonus but has not assumed any cuts in Revenue Support Grant or Services Grant in 2023-24. If the government do propose any cuts to these grants or a change in the assumptions in relation to Council Tax and business rates, then the council's budget assumptions for 2023-24 and future years will need to be amended.

Other external factors

The medium-term financial plan has been developed in the context of unprecedented economic and political turmoil at a national level in the UK. The Growth Plan announced on 23 September 2022 by the previous Chancellor of the Exchequer, set out a range of unfunded tax cuts that sent huge shock waves through the UK's financial markets and caused the value of both government bonds and sterling to drop to recent historic lows. This led the Bank of England to step in to buy government bonds in order to stabilise the market and protect financial institutions such as pension funds from collapse.

In addition, Russia's invasion of Ukraine earlier this year triggered a surge in the cost of gas, which the UK is a significant net importer of. The price of electricity, which is linked to the price of gas, also surged. This in turn caused a significant increase in UK inflation to levels not seen since the 1970s. The price of not only gas and electricity but also food and other basic commodities has also increased significantly.

In response, the Bank of England has increased interest rates over the last few months from 0.1% in December 2021 to 3.0% at the time of writing (with the prospect of more increases to come), which has had a knock-on effect on mortgage rates.

All of these factors have had and are having an impact on the city and its residents, as well as the council's budget. The council's proposals set out in this report reflect the impact of increased inflation and pay seen in 2022-23 and expected to continue in 2023-24. The savings proposed have been developed within the context of the council's overarching priorities of mitigating the cost of living crisis for our residents, reducing poverty and achieving the council's Net Zero ambitions.

2023-24 Budget Assumptions

Resources

The 2023-24 General Fund net revenue budget is assumed to increase by £8.7 million in 2023-24 as shown in Table 3 due mainly to increases in business rates and Council Tax income.

Table 3 – change in net revenue budget

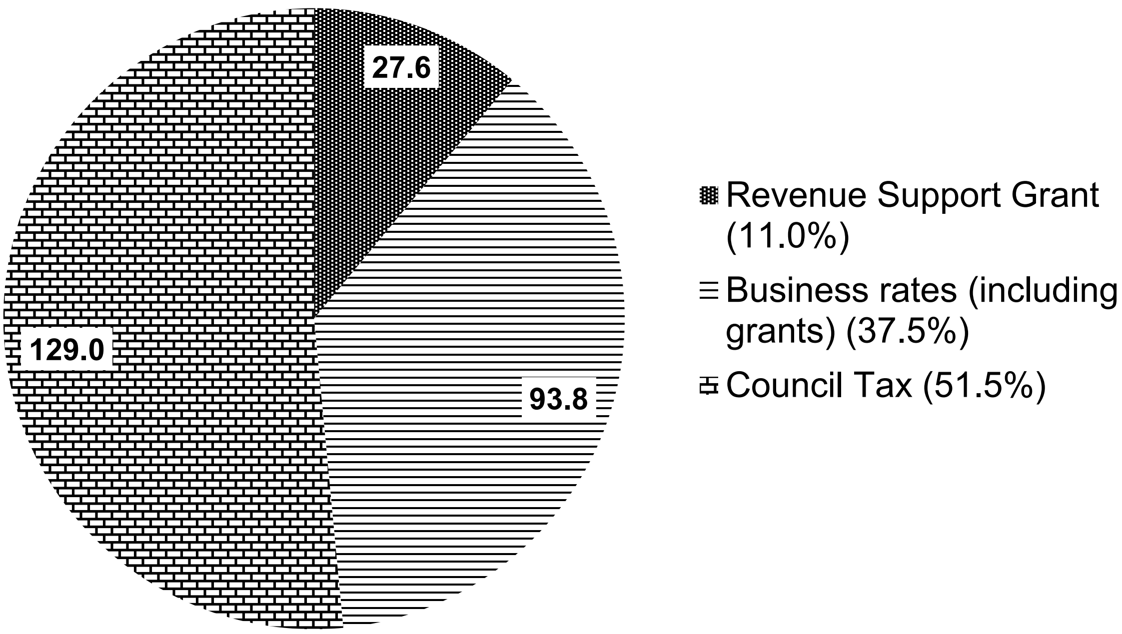
All figures in £ million	2022-23	2023-24	Change
Revenue Support Grant	27.6	27.6	0.0
Business rates (including grants)	90.1	93.8	3.8
Council Tax	124.0	129.0	5.0
Net revenue budget	**241.7**	**250.4**	**8.7**

The above figures are based on:

- A £3.8 million increase in the amount of business rates income receivable (including Business Rates Top Up Grant and Section 31 grants). This is due to a 2.1% increase in the size of the business rates base across the city, a 2.5% increase in the business rates multiplier and a 2.5% increase in the Business Rates Top-Up Grant. The government will publish a new valuation list that will take effect from 1 April 2023 but this has been assumed to be revenue neutral as per government guidance.
- An increase of £5.0 million in the amount of Council Tax income receivable. This is due to a 1.0% increase in the size of the Council Tax base, a government-assumed general increase of 1.99% and a government-assumed application of the 1.0% adult social care precept.

Business rates and Revenue Support Grant constitute the total of un-ringfenced government funding we expect to receive in 2023-24. Together they will fund an estimated £121.4 million or 48.5% of our net revenue budget next year compared with 49.6% this year. Council Tax will fund the other £129.0 million or 51.5% of the 2023-24 net revenue budget as shown in Chart 2 below compared with 50.4% this year.

Chart 2 – breakdown between estimated government funding (including business rates and Revenue Support Grant) and Council Tax in 2023-24



When viewed as a percentage of total General Fund income excluding schools and housing benefits, Council Tax will increase from 20.7% to 21.1% of total income as shown in Chart 3.

Chart 3 – breakdown of total estimated General Fund income in 2023-24 (figures are in £ million)

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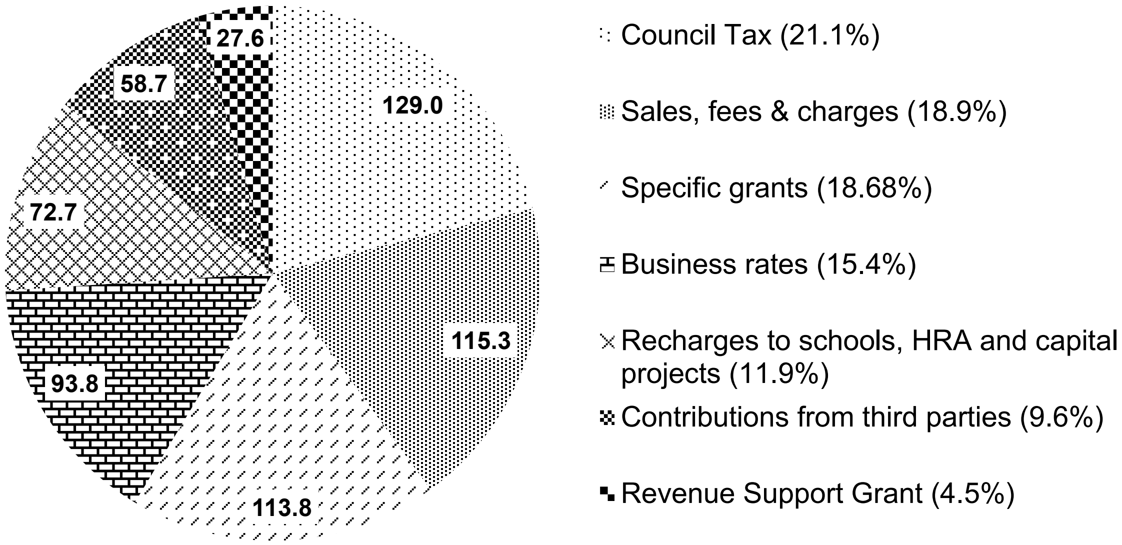


Council Tax

The council is proposing to increase core Council Tax increase by 1.99% in 2023-24 in line with the government's Core Spending Power assumption. We will also apply the government assumed 1.0% adult social care Council Tax precept. Together with 1% growth in the Council Tax due to new properties this will generate increased income totalling £5.0m as set out in Table 4. Further details of these changes are set out in an integrated impact assessment.

Table 4 – change in Council Tax income in 2023-24

	£ million
Previous year's Council Tax income	124.0
Core Council Tax increase	2.5
Increase in adult social care precept	1.3
Change in Council Tax base	1.2
TOTAL	**129.0**

We perform well at collecting Council Tax. In 2021-22 we collected 96.8% of Council Tax due, which was highest amongst Core Cities and second highest amongst North East local authorities, and our longer term collection rate is approximately 98.6%.

Council Tax support

In 2013-14 Council Tax Benefit ended and Council Tax Support was introduced in its place. At the same time, government funding was cut by over 10.0%. As this funding is not ringfenced in the settlement funding assessment, it has effectively been cut at the same rate as our settlement funding assessment every year since then. This has put significant additional strain on the General Fund budget. Like many other local authorities, we have sought to off-set this loss of funding by collecting Council Tax from working age people who previously received 100% Council Tax Benefit.

On 3 February 2022, the government announced plans to pay £150 to every household in Council Tax bands A – D to help off-set increasing energy costs. Officers worked hard to distribute these energy support payments to eligible households (many of whom we do not hold bank account details for as they do not pay Council Tax by direct debit). By 30 September 2022 we had paid out £17.3 million to 115,635 households, which was slightly more than our initial estimate. The discretionary scheme is continuing until 30 November 2022 and we are on course to distribute the full £0.7 million of funding allocated to us.

Given the growing cost of living crisis that is impacting on many of our residents, particularly those on the lowest incomes, we are proposing to inflate the income bands within our Council Tax Support Scheme in 2023-24 by 12.6% in line with September RPI as set out in Table 5.

Table 5 – proposed income bands for 2023-24 Council Tax Support scheme

Band	Discount	Single	Couple	Family with 1 child	Family with 2+ children
Band 1	100%	0.00 to 90.00	0.00 to 140.00	0.00 to 220.00	0.00 to 300.00
Band 2	90%	90.01 to 140.00	140.01 to 190.00	220.01 to 255.00	300.01 to 315.00
Band 3	85%	140.01 to 185.00	190.01 to 240.00	255.01 to 325.00	315.01 to 365.00
Band 4	50%	185.01 to 280.00	240.01 to 325.00	325.01 to 400.00	365.01 to 440.00
Band 5	25%	280.01 to 365.00	325.01 to 420.00	400.01 to 485.00	440.01 to 540.00

This % increase in next year’s income bands is higher than the % increase in average earnings so is likely to lead to more people receiving council tax support and people receiving more council tax support than when compared with this year. This will come at an increased cost, that has been estimated at up to £2.0 million. Officers are looking at options to fund this cost pressure from reviewing single person discounts, removing the Class C exemption for empty and unfurnished homes and increasing the long-term collection rate to reflect the actual level of performance as shown in Table 6.

Table 6 – funding options for increased cost of council tax support scheme

	£ million
Additional cost of Council Tax Support	2.0
Funded by:	
- Review of single person discounts	(0.4)
- Removal of Class C exemption	(0.8)
- Change in long-term collection rate assumption	(0.7)

Business rates

The level of business rates is set by the government and is based on the rateable value of non-domestic properties across the city. We previously had no direct financial interest in the collection of business rates and acted purely as an agent of the government. However, since 2013-14, 50% of the business rates collected in the city is retained locally (49% to us as the council and 1% to the Tyne and Wear Fire and Rescue Authority) and the remaining amount is paid over to government. The exception to this was in 2019-20 when we were part of a one-year business rates pilot along with North Tyneside Council and Northumberland County Council and retained 75% of business rates locally.

We have assumed an increase of only 2.5% in the business rates multiplier next year. If government follow the usual approach, then the increase could be significantly higher than this but due to the current turmoil in the economy and public sector finances this is not certain which is why we have taken a cautious approach. We have assumed the same 2.5% increase in the Business Rates Top-Up Grant as this is usually inflated at the same rate as the business rates multiplier. We have also assumed growth of 2.1% in the underlying business rates base following the reduction observed as a result of the COVID pandemic in 2020-21 and 2021-22. Taken together these changes will generate increased income totalling £3.8 million as set out in Table 7.

Table 7 – change in business rates income in 2023-24

	£ million
Previous year's business rates income	90.1
Increase in business rates multiplier	1.8
Increase in Business Rates Top-Up Grant	0.4
Change in business rates base	1.5
TOTAL	**93.8**

The government will publish a new valuation list that will take effect from 1 April 2023 and include updated rateable values for all non-domestic properties within the city. The government have stated this will be revenue neutral for local authorities and will adjust our Business Rates Top-Up Grant to reflect these changes. We have not assumed a net cost or gain arising from this change.

Revenue Support Grant

As set out in Table 1, Revenue Support Grant is expected to remain at £27.6 million in 2023-24. The Autumn Statement 2022 to be announced on 17 November 2022 will indicate whether the government intend to cut funding or not.

Cost pressures / growth

Our need to achieve savings in 2023-24 is driven mainly by cost pressures. As can be seen in Table 8 the increase in business rates and Council Tax is not sufficient to off-set the estimated cost pressures next year giving rise to a budget gap or a need to find savings to balance the budget.

Table 8 – breakdown of 2023-24 savings required

	£ million
Cost pressures	31.6
Growth	0.3
Increase in net funding	(8.7)
Savings required	**23.2**

Cost pressures have arisen for several reasons including:

- Pay and price inflationary increases – increases in pay and general or specific inflation (for example, energy costs, long-term contracts).
- Increasing demand for services – increased demand for social care services (for example, increased number of children with complex disabilities).
- External funding changes – changes in specific grants (for example the New Homes Bonus).

Table 9 shows the total cost pressures identified under each of the above headings.

Table 9 – breakdown of 2023-24 cost pressures

	£ million
Inflationary changes (pay and prices)	27.0
Increasing demand for services	3.0
Other	1.7
TOTAL	**31.6**

Further details of individual cost pressures are set out in Annex 1.

The council has also identified two areas of growth it wishes to factor into its 2023-24 budget and these are set out below:

- Arboricultural team – continuation of current level of staffing resources that are funded partly from temporary resources.
- Scrutiny staff – two additional staff will be recruited to provide support to the council's scrutiny committees.

Savings

As shown in Table 10, estimated service savings of £23.2 million are needed next year mainly in response to the cost pressures we face. The required savings have been identified across a number of cross-cutting themes to ensure a joined-up approach as far as possible. Appendix 2 sets out a detailed breakdown of individual savings by theme, some of which have an associated integrated impact assessment.

Table 10 – summary of proposed 2023-24 savings

	£ million	**FTEs**
Improving organisational efficiency (including corporate items)	12.8	53.2
Promoting independence and community resilience	4.9	0.0
Generating additional income	5.4	0.0
TOTAL	**23.2**	**53.2**

NOTE: ‘corporate items’ savings consist mainly of a reduction in the cost of external interest payable due to ongoing use of internal cash balances instead of new external loans to fund the capital programme.

The impact of the savings and other changes set out in this report is shown in Table 11 in summary form and in Annex 3 and 4 in more detail.

Table 11 – net revenue budget by directorate

All figures in £ million	**2022-23**	**2023-24**
Adult Social Care and Integrated Services	88.7	104.2
Assistant Chief Executive's	1.7	1.5
Children, Education and Skills	55.3	55.7
Finance	5.7	4.9
Operations and Regulatory Services	25.7	32.2
Place	8.8	10.9
Workforce Development and Inclusion	2.0	0.9
Net directorate expenditure	**188.0**	**210.3**
JTC levy	17.5	18.5
Corporate items and reserves	36.2	21.6
Net revenue budget	**241.7**	**250.4**

Annex 4 includes a breakdown of all services included in each directorate. The JTC levy is the amount paid to the Joint Transport Committee to fund transport services in the Tyne and Wear area such as concessionary fares. Corporate items and reserves include a range of non-service specific items such as the Newcastle Fund, treasury management costs, historic pension costs, severance costs and insurance costs.

Medium-Term Financial Position

Estimated budget gap

The report so far has focused mainly on the 2023-24 financial year. In this section we focus on the medium-term forecasts of resources and cost pressures, and the proposed approach to meet the estimated budget gaps in future years.

As set out in Table 1, the council's net revenue budget is projected to increase from £241.7 million in 2022-23 to £267.3 million in 2025-26 due to the assumed increases in business rates and Council Tax set out in Table 12.

Table 12 – medium-term financial plan assumptions for business rates and Council Tax

	2023-24	**2024-25**	**2025-26**
Business rates:			
- annual inflationary increase	2.5%	2.5%	2.5%
- growth in base	2.1%	2.1%	0.0%
Council Tax:			
- annual inflationary increase (including adult social care precept)	3.0%	3.0%	3.0%
- growth in base	1.0%	1.0%	1.0%

No change has been assumed in terms of Revenue Support Grant over the period of the medium-term financial plan.

Unfortunately the £25.7 million increase in resources is not sufficient to keep pace with the increased costs we will face over the same period due to inflation and increased demand for services as set out in Table 13.

Table 13 – medium-term financial plan estimate of cost pressures

All figures in £ million	2023-24	2024-25	2025-26	TOTAL
Inflationary changes (pay and prices)	27.0	17.6	15.7	**60.2**
Increasing demand for services	3.0	5.1	5.2	**13.2**
Other	1.7	2.0	0.5	**4.2**
*Headroom	0.0	2.0	3.0	**5.0**
TOTAL	**31.6**	**26.7**	**24.3**	**82.6**

*Headroom figure is a contingency against future unknown cost pressures that may arise and or any increases in cost pressures

As set out in Table 14, when combined with an estimate of growth, or additional investment in priority areas, then the budget gap over the next three years is £63.2 million.

Table 14 – medium-term financial plan budget gap

All figures in £ million	2023-24	2024-25	2025-26	TOTAL
Cost pressures	31.6	26.7	24.3	**82.6**
Growth	0.3	3.0	3.0	**6.3**
Net funding increase	(8.7)	(9.1)	(7.8)	**(25.7)**
Annual savings required	**23.2**	**20.6**	**19.5**	**63.2**

Developing a medium-term financial plan

The recent CIPFA review highlighted the lack of a medium-term financial plan as follows:

> "The MTFP includes a high level three-year plan, but only a one-year MTFP by service level. Reasons given for this shortened plan were the one-year government funding settlement, changes in senior leadership within the Council and the scale of the challenges in bridging the forecast gap. The absence of savings plans for each directorate is indicative of a lack of consensus on how resources should be utilised in future.

The three-year MTFP is a key control in the corporate risk register. By only specifying revenue forecasts by directorate for 2022-23, there is a risk that the Council will revert to having to find tactical savings each year thereafter, which can be difficult to sustain and can undermine future performance."

CIPFA also recommended that the council aims to produce a rolling three-year medium-term financial plan to demonstrate its continued financial sustainability. This recommendation was accepted by Cabinet when it approved the action plan in response to the report in September 2022.

Due to the financial pressures facing the council in 2022-23 and 2023-24 the focus has been on preparing a balanced budget for 2023-24. No detailed proposals for 2024-25 and beyond have been developed at this stage. The council has identified a number of themes and workstreams to be scoped out over the next few months that will form the basis of a medium-term financial plan for the 2023-24 to 2025-26 period. These themes and workstreams will form the platform for a rolling three-year medium-term financial plan for future years and are in line with the council's three overarching priorities (these are the cost of living crisis, poverty and carbon zero) and the 'getting the basics right' programme. These initial views on the scope of the medium-term financial plan will, over time, be developed further and supplemented by other workstreams. The initial set of themes are:

- Efficient Council
- Service optimisation
- Policy, prioritisation and growth
- Building resilience and independence in our communities

From these we have identified the following initial set of workstreams:

Proposed MTFP workstream	**Rationale for inclusion**
Adult social care cost pressures	Adult social care comprises approximately 42% of the council's net revenue budget. Demand and inflationary pressures will cause this figure to increase in future years. In addition, adult social care is projecting to overspend in 2022-23 (based on Q2 projected outturn position).
Children's social care cost pressures	Children's social care comprises approximately 22% of the council's net revenue budget. Demand and inflationary pressures will cause this figure to increase in future years. In addition, children's social care is projecting to overspend in 2022-23 (based on Q2 projected outturn position).

Proposed MTFP workstream	**Rationale for inclusion**
Fees and charges	Under the Local Government Act 2003 and the Localism Act 2011, the council is permitted to recover the full cost of providing services. Any decision to subsidise the cost of services should be in line with our priorities. Given the high level of inflation in both pay and non-pay costs, an annual review is required to ensure that fees and charges remain in line with the expected increases in the costs of these services.
Resident access to services	The council wants to improve its approach to how residents access services and move towards developing a single view of the customer.
Streamlined support services	Financial and other systems used to support managers and staff across the council have not received sufficient investment over the years meaning support services are not able to offer modern and fit for purpose ways of working to internal service users.
Operational property assets	The council delivers services from approximately 85 different buildings across the city (excluding schools) but lacks a comprehensive asset management strategy and plan to oversee the future management of these properties.
Office accommodation	To make the best use of the council's office accommodation estate we need to invest in our buildings to ensure they are fit for purpose and meet the needs of the organisation.

Proposed MTFP workstream	**Rationale for inclusion**
Commercial property assets	The commercial property portfolio is projecting an income shortfall of £5.3 million in 2022-23 (based on Q2 projected outturn position) before significant corporate funding is taken into account.
Carbon zero and reducing energy costs	The council's ambition is to achieve carbon neutrality by 2030. This is not only good for the environment and health and wellbeing of residents but will reduce the amount the council needs to spend on energy.
Special educational needs transport	This service area is projecting to overspend by £2.0 million in 2022-23 (based on Q2 projected outturn position). Demand and inflationary pressures will cause this figure to increase in future years.
Car parking	This service area is projecting an income shortfall of £1.0 million in 2022-23 (based on Q2 projected outturn) before significant corporate funding is taken into account.
Procurement of goods, works and services from third parties	The council spends approximately £150 million per annum on goods and services (excluding social care and waste disposal). This area is subject to relatively high levels of inflation. Given the size of the spend and the policy priority of maximising social value and increasing the proportion of spend with local and regional suppliers, the council will review what scope exists to mitigate inflationary cost pressures and make savings and mitigate cost pressures through a review of the commissioning and procurement of all third party spend.

Housing Revenue Account

The Housing Revenue Account (HRA) was established by the Local Government and Housing Act 1989 as a ring-fenced account separate to the General Fund. HRA contains income and expenditure related to the ownership and management of our social housing stock.

Prior to 2012-13, the HRA was funded at a national level through the housing subsidy regime. From 2012-13 it has been run on a self-financing basis. In other words, all revenue and capital expenditure needs to be funded from rents and service charges paid by tenants or funded by housing benefit.

Annex 5 sets out details of the 2023-24 HRA revenue budget. This reflects the maximum rent increase to be specified by government (we have assumed 5% in these figures), pay and non-pay inflationary cost pressures and the revenue costs associated with the HRA's capital programme. As can be seen from Annex 5, the HRA is still expected to be in deficit in 2023-24 but this has reduced when compared with 2022-23 and sufficient HRA reserves exist to fund this deficit in 2023-24.

We are expecting the government to announce its decision on the maximum rent increase in 2023-24 as part of the Autumn Statement 2022. If this differs from the 5% we are currently modelling then the council's HRA budget assumptions will need to be amended.

To ensure the long-term viability of the HRA, a 30-year business plan is maintained. This is updated annually to ensure rent and service charge decisions do not result in the HRA becoming financially unsustainable and that the necessary long-term investment to maintain our social housing stock is affordable. The latest iteration of the 30-year HRA business plan is set out in Annex 5. This shows debt initially peaking in year 10 at £424.0 million due to a concentration of lifecycle works in years 7-10 plus investment in new build properties and then reducing down to nil at the end of the 30-year cycle.

Capital investment

Capital investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets or loans to third parties for a capital purpose.

The primary objective of the capital programme is to support the delivery of our priorities, demonstrate leadership of place and bring about change and transformation. Other objectives include:

- Delivering tangible outputs and outcomes and value for money.
- Maximising social value including using locally based suppliers and sub-contractors as far as possible.

We have a bold ambition to transition to net zero by 2030. In September 2020, we launched our Net Zero Newcastle: 2030 Action Plan, which identified over 100 priority actions that the council and its partners can take to reduce carbon emissions over the next decade towards Net Zero. The main areas targeted relate to:

- Energy use in homes and non-domestic properties, which accounts for 64% of the city's emissions:
- Transport, which accounts for just under 30% of the city's emissions; and
- A smaller but still significant emission profile relating to waste, at around 6% of the city's emissions.

While many of the actions set out in the Net Zero Newcastle: 2030 Action Plan need to be taken by national government there are many actions that the council, together with its partners, can take now with our existing duties and powers. We will seek to progress the actions that are in our control through targeted feasibility and development activities, and the development of targeted work programmes and capital investment programmes.

We will develop and deliver an ambitious and effective decarbonisation programme by:

- Closely monitoring available government funding sources for Net Zero schemes (both revenue and capital funding);
- Preparing for these funding streams in advance of them opening with investment grade costed plans;
- Considering all available sources to deliver a fully funded scheme including grant funding and match funding. By carefully assessing available budgets across the organisation, assessing prudential borrowing options and considering 'invest to save' funding models, and identifying other direct and indirect financial benefits of the scheme; and
- Effectively managing and delivering the capital schemes to minimise risk exposure to the council. We will maximise the positive impacts of the schemes including carbon dioxide reductions, delivering economic and job creation benefits to city residents, reducing financial pressures on the council's budget and other considerations

Capital investment also plays an important role in improving economic opportunities across all parts of the city, for example, by providing a much-needed stimulus to the economy, creating employment opportunities or contributing to investor confidence. This is more important than ever following the economic impact of COVID.

Our capital investment programme has been developed with a strong focus delivering our priorities. Many of the capital projects in the programme have been developed with the aim of helping to deliver revenue savings to help us manage the financial pressures we face. Proposals such as the improvements to the Civic Centre, will improve the asset, help generate additional income and deliver savings in our revenue budget through reduced running costs and energy efficiency, as well as repaying the loan that will be taken out to fund the works. This will help to protect frontline services.

The availability of funding plays a key part in the size and content of the capital investment programme. A significant source of funding for capital projects comes from our ability to borrow, known as prudential borrowing. This has proved to be an extremely important freedom and flexibility as it gives us the scope to locally determine the scale and shape of our capital investment programme. As the name suggests, prudential borrowing must be undertaken on a prudent basis. In general terms, this means the revenue cost associated with the borrowing (principal repayment and interest) needs to be funded from either:

- a reduction in an existing revenue expenditure budget; or
- a new or increased revenue income budget that is dependent on the planned capital investment.

Borrowing on a self-financing basis as set out above cannot be used to fund a different project if the original project does not proceed. Each proposal needs to be financially viable in its own right.

Our main source of loan finance is the Public Works Loans Board, which recently changed its lending terms to prevent local authorities from investing in purely commercial assets. This is not expected to cause an issue for us, although we seek to negotiate commercial terms on many of our capital investment projects where appropriate, we do not invest on a purely commercial basis.

The Accelerated Development Zone (ADZ) allows us to retain 100% of the growth in business rates income in three specific areas in the city:

- Helix;
- Stephenson Quarter; and
- East Pilgrim Street.

The ADZ generates an income stream that will be used to repay prudential borrowing on infrastructure works that are aimed at bringing forward developments in these areas faster than would otherwise have happened. The increase in business rate income is available until 2036-37 (a period of up to 25 years).

The Enterprise Zone (EZ) allows the North East Local Enterprise Partnership (LEP) to retain 100% of the growth in business rates income in several specific areas across the North East LEP area. Our sites within the EZ include the North Bank of the Tyne and the proposed Airport Business Park.

As with the ADZ, the EZ generates an income stream that will be used to repay the prudential borrowing on infrastructure works that are aimed at bringing forward developments in these areas faster than would otherwise have happened. This is available up to 2037-38 for the North Bank of the Tyne and 2040-41 for the Airport Business Park.

The following tables set out the breakdown of the 2022-23 to 2025-26 planned capital investment programme between the General Fund and HRA (Table 15), between our service directorates (Table 16), between HRA programme streams (Table 17) and by sources of funding (Table 18).

Table 15 – planned capital investment

All figures in £ million	2022-23	2023-24	2024-25	2025-26
General Fund	103.5	82.5	80.0	80.0
HRA	52.5	48.5	48.1	50.0
TOTAL	**156.0**	**131.0**	**128.1**	**130.0**

Table 16 – General Fund planned capital investment by council directorate

All figures in £ million	2022-23	2023-24	2024-25	2025-26
Place	55.1	45.7	0.0	0.0
Workforce Development and Inclusion	19.6	13.7	0.0	0.0
Children, Education and Skills	17.9	7.6	0.0	0.0
Operations and Regulatory Services	9.6	14.8	0.0	0.0
Loans	1.3	0.3	0.0	0.0
Other directorates	0.1	0.4	0.0	0.0
Pipeline	0.0	0.0	80.0	80.0
TOTAL	**103.5**	**82.5**	**80.0**	**80.0**

Table 17 – HRA planned capital investment by programme

All figures in £ million	2022-23	2023-24	2024-25	2025-26
Communal areas	5.9	5.0	4.0	0.0
Environmental works	1.4	1.8	1.0	0.0
Voids	3.8	3.0	3.1	0.0
Lifecycle replacements	24.4	25.7	22.3	0.0
New build and acquisitions	9.6	5.5	0.2	0.0
Regeneration	3.3	4.5	2.5	0.0
Standard housing investment	4.1	3.0	0.0	0.0
Pipeline	0.0	0.0	15.0	50.0
TOTAL	**52.5**	**48.5**	**48.1**	**50.0**

Table 18 – planned capital investment by source of finance

All figures in £ million	2022-23	2023-24	2024-25	2025-26
Grants and contributions (mainly General Fund)	88.3	50.3	0.0	0.0
Capital receipts (mainly General Fund)	5.5	4.2	0.0	0.0
Borrowing (mainly General Fund)	18.0	29.2	2.4	0.0
Revenue (mainly HRA)	44.2	47.3	30.7	0.0
Pipeline (no funding approved yet)	0.0	0.0	95.0	130.0
TOTAL	**156.0**	**131.0**	**128.1**	**130.0**

All of the planned borrowing will be undertaken on a self-financing basis. The revenue costs associated with the borrowing will be funded by efficiency savings or income generated as a direct result of the capital investment and will not create a cost pressure in the net revenue budget.

Our arrangements for agreeing and delivering the capital investment programme are robust and consist of business case development at directorate level, with detailed scrutiny by a senior cross-council officer group prior to formal approval and inclusion in the capital programme. Regular monitoring takes place by project officers, with reporting upwards through our organisational structure.

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

- West Denton Leisure Centre (£19.3 million)
- Parklife (£13.0 million)
- Public Sector Decarbonisation Scheme – various (£11.5 million)
- Grainger Market (£11.2 million)
- Clean Air Zone (£9.0 million)
- Northumberland Street improvements (£7.9 million)
- Kingston Park Primary School (£5.9 million)
- Pattern Shop (£5.8 million)
- Pilgrim Street Southern Block (£5.6 million)
- Transforming Cities Fund – various (£5.4 million)
- Road and footpath improvements (£3.6 million)
- Byker waste transfer station (£3.5 million)
- Annuity lease back housing model (£3.4 million)
- IT investment (£2.7 million)
- Havannah First School (£2.4 million)
- Gosforth Park First School (£2.0 million)
- Central Gateway (£1.8 million)
- Disabled Facilities Grant (£1.8 million)
- West Denton children's residential care home (£1.8 million)
- Scotswood housing development (£1.7 million)
- Tyne Bridge (£1.3 million)
- Helix multi-storey car park loan (£1.3 million)
- Malmo and Glasshouses (£1.2 million)
- Vehicle replacement programme (£1.2 million)
- North East Community Forest (£1.0 million)

Financial resilience

Section 25 requirements

Section 25 of the Local Government Act 2003 (the 2003 Act) requires that when the council is considering its budget and setting its Council Tax for the forthcoming financial year, the Chief Finance Officer should report to elected members on:

- The robustness of the estimates made for the purposes of the Council Tax requirement calculations; and
- The adequacy of the proposed financial reserves allowed for in the budget proposals.

Section 25 of the 2003 Act also requires elected members to have regard to this report when making decisions in relation to the budget and setting Council Tax.

While the 2003 Act does not provide specific detail on how to evaluate the robustness of the estimates, accompanying guidance notes state that it should be based on an assessment of all circumstances considered likely to affect the council.

Robustness of estimates

We adopt a risk-based approach to financial planning, which aims to safeguard our financial resilience through:

- Making prudent estimates of business rates, Council Tax and government grants.
- Identifying potential liabilities and providing sufficient funding for these (either one-off or on-going).
- Ensuring current financial pressures are addressed either by taking appropriate management action and / or providing additional funding.
- Ensuring the revenue cost associated with capital investment is identified and factored into the revenue budget.
- Minimising use of reserves to fund permanent expenditure.
- Providing sufficient funding to support services to deliver savings through more complex transformational change programmes.
- Ensuring the financial risk and resilience reserve is set at a reasonable level to provide cover for unexpected in-year financial pressures.
- Ensuring risk-based earmarked reserves are set at a reasonable level to cover the specific financial risks we are facing.
- Ensuring other earmarked reserves are set at a level to meet specific future financial liabilities (these reserves may also be used on a temporary basis for other purposes provided the funding is replaced in future years).
- Ensuring the unearmarked General Fund reserve is set at a reasonable level based on the financial risks facing the council – this is our last line of defence should unforeseen financial pressures emerge.

Some of the specific assumptions made when setting the 2023-24 budget are:

- No general inflationary increase assumed for supplies and services budgets – procurement activity will focus on maintaining spend within the proposed cash limited budgets.
- No general inflationary increase assumed for income budgets – specific proposals have been brought forward to increase income from trading and fees and charges where appropriate.
- Specific grant income budgets will be adjusted in line with government announcements – related expenditure will either be reduced to bring it into line with the reduced level of funding or identified as a cost pressure (where this is not possible).
- Prudent assumption made for staff annual pay award and Real Living Wage increases.
- Specific inflationary increases assumed in essential utilities such as gas, electricity and water, external insurance premiums and business rates payable based on latest available intelligence.
- Specific inflationary increases assumed for PFI unitary charges based on contractual terms and conditions.
- Specific inflationary increases assumed for other (non-PFI) long-term contracts (for example, waste disposal contracts) based on contractual terms and conditions.
- Service specific cost pressures arising from inflation (including the National Living Wage) and increasing demand – for further details see Annex 1.

We have also undertaken the following risk assessment of the 2023-24 budget to assess the robustness of the estimates made:

Potential Risk	Response
Has a reasonable estimate of future resources been made?	Yes – the annual inflationary increase in the business rates multiplier has been limited to 2.5%, which is considered to be very prudent when September RPI is 12.6%. Should the actual increase be higher than 2.5% then this will create additional resources to fund any changes in cost pressures or government funding assumptions. The annual increase in Council Tax has been set at 2.99%, which is the maximum permitted as per last year's Spending Review announcement. We have assumed growth of 2.1% and 1.0% in the underlying business rates and Council Tax bases, which is in line with the growth in both over the last 9-12 months. We have also assumed an increase in the long-term Council Tax collection rate from 97.5% to 98.0% but this is still below the actual long term collection rate of 98.6%. We have assumed no change in Revenue Support Grant in 2023-24 but this is dependent on the Autumn Statement 2022 to be announced on 17 November 2022.

Potential Risk	Response
Is performance against the current year's budget reflected fully?	Yes – any recurring overspends in the current year will be funded from a combination of permanent and temporary resources (to allow time for permanent solutions to be identified and implemented). The main service overspends in 2022-23 are in the following areas: • Adult social care (projected overspend of £6.3 million) – funding has been included in the MTFP to address the £4 million base budget deficit. In the meantime, the budget stabilisation reserve will be used to temporarily re-base the adult social care budget. The additional pressure is partly off-set by underspends elsewhere in the directorate's budget and will be covered as part of the proposed adult social care cost pressures MTFP workstream. • Children's social care (projected overspend of £0.6 million at Q2) – to be covered as part of the proposed children's social care cost pressures MTFP workstream. • Commercial Development and Property (projected overspend of £2.5 million at Q2) – to be covered as part of the proposed commercial property MTFP workstream with temporary funding being provided from the budget stabilisation reserve in the interim to balance the budget. • Education (projected overspend of £2.0 million at Q2) – to be covered through the proposed SEN transport MTFP workstream. • Fairer Housing Unit (projected overspend of £1.0 million at Q2) – this pressure is time-limited and will reduce next year without any further management action. • Legal Services (projected overspend of £0.3 million at Q2) – the service is developing an action plan to address the underlying reasons for the projected overspend. • Operations (projected overspend of £0.5 million at Q2) – the pressure is time-limited and will reduce in next year without any further management action. • Parking (projected overspend of £1.0 million at Q2) – to be covered as part of the proposed car parking MTFP workstream with temporary funding being provided from the budget stabilisation reserve in the interim to balance the budget. • Transport (projected overspend of £1.4 million at Q2) – the service is developing an action plan to address the income shortfalls causing the pressure.

Potential Risk	Response
Have one-off cost pressures been identified?	Yes – although this is an on-going process (funding for one-off cost pressures that arise after the budget is set can be included in the revised budget for the year).
Has a reasonable estimate of future cost pressures been made?	Yes – all significant cost pressures covering inflation (pay and prices) and increasing demand for services were considered when estimating our budget savings target. See Annex 1 for further details of the assumptions made. Due to the current economic volatility there is more risk in these assumptions than in previous years, however this has been modelled as part of our scenario analysis. The following areas have not been included in the estimate of cost pressures set out in this report: • Adult social care reforms – we are assuming that government funding to cover these new burdens will be sufficient to cover the additional costs. • Fair cost of care – although the council has undertaken a fair cost of care exercise as requested by the government this is based on information provided by care providers themselves that the council was not able to verify. We are also assuming that government funding provided for this purpose will be sufficient to cover any additional costs.
Have realistic income targets been set?	Yes – income targets have not been increased for inflation. Instead, services have reviewed individual income generating areas and put forward specific proposals to increase fees and charges where this is reasonable and achievable.
What is the impact of varying the main planning assumptions?	The 2023-24 impact of varying the following planning assumptions by 1% is as follows: • Revenue Support Grant = £0.3 million • Business rates = £0.7 million • Council tax = £1.2 million • Pay award = £1.4 million • Non-pay inflation (including energy costs) = £2.3 million
Have risks to external grant funding been identified?	Yes – each specific grant is separately coded within our financial system and can be amended when announcements are made. Where possible expenditure funded by the external grant will be reduced to off-set any reduction in the level of funding. We have, however, assumed a £1.2 million reduction in the level of New Homes Bonus funding to be received next year based on two payments dropping out and one additional payment coming in.

Potential Risk	Response
Is there a reasonable contingency available to cover the financial risks faced by the council?	Yes – we will start the 2023-24 financial year with a £10.1 million unearmarked reserve and a £7.0 million financial risk and resilience reserve, which is sufficient to cover a range of financial risks. The following earmarked reserves are also available to mitigate specific risks: (balance as at 31 March 2023) • Budget stabilisation reserve (£14.6 million) – to cover risk of deficits in adult social care, car parking and property over the next three years. • Collection Fund reserve (£10.2 million) – to cover risk of Collection Fund deficits arising from lower than expected levels of Council Tax and / or business rates. • Insurance reserve (£3.0 million) – to cover risk of increased insurance costs. • Pension reserve (£2.4 million) – to cover the risk of increased pension fund costs arising at next triennial valuation. • Treasury management reserve (£22.5 million) – to cover the risk of third party loans not being repaid.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising?	Yes – total General Fund reserves at 31 March 2023 are expected to be £139.7 million, which represents 55.8% of the 2023-24 net revenue budget. Within this, the General Fund unearmarked reserve is estimated to be £10.1 million and earmarked reserves are estimated to be £129.5 million as at 31 March 2023, which represent 4.0% and 51.7% of the 2023-24 net revenue budget respectively.
Is all approved capital expenditure fully funded?	Yes – to be included in the capital programme, projects must be approved by the relevant officer or Cabinet member in line with our decision-making process, which includes consideration of the financial implications. Specifically this involves confirming that all capital expenditure is fully funded, that the proposed funding source(s) is or are secured and that the revenue implications of any planned prudential borrowing are fully funded either from an existing budget or from further income generation or efficiency savings.
Are arrangements for monitoring and reporting performance against the budget robust?	Yes – all budgets are monitored by managers and reported to directorate management teams on a monthly basis. The results of this are reported to Cabinet and Finance and Budget Monitoring Scrutiny Committee via the quarterly performance report.

Based on the results of this risk assessment, and subject to the caveat that we await the announcement of the Autumn Statement 2022 on 17 November 2022, the Chief Finance Officer has concluded that the estimates included in the 2023-24 budget are sufficiently robust for the purposes of the Council Tax requirement calculations.

Adequacy of reserves

As at 31 March 2022, the unearmarked General Fund reserve totalled £10.1 million and the financial risk and resilience reserve totalled £7.0 million. Taken together they represented 7.7% of 2021-22 net revenue expenditure, compared with a median average of 9.2% for those single tier local authorities who submitted 2021-22 outturn information to the Department for Levelling Up, Housing and Communities.

At Q2 there is a projected overspend of £2.5 million. If this is the position as at the end of the financial year then this pressure would need to be funded from the financial risk and resilience reserve thus potentially reducing the balance from £7.0 million to £4.5 million as at 31 March 2023. When combined with the unearmarked General Fund the total balance would be £14.6 million, which represents 5.8% of the 2023-24 net revenue budget.

In Annex 6, the council has assessed the financial risks it faces and sought to quantify these in terms of potential impact and likelihood, this amounts to £17.1 million. Given the level of the unearmarked General Fund reserve and the financial risk and resilience reserve is now expected to be less than this, the council will need to review the level of other reserves to assess the scope for transferring funding to the financial risk and resilience reserve as part of the 2022-23 outturn.

Our earmarked reserves are set aside for specific purposes. The main earmarked reserves are set out in Annex 5 and a brief description of each one is set out below:

1. **ADZ reserve** – to fund cash outflows arising in the early years of the Accelerated Development Zone, which will be repaid from business rates growth in future years.
2. **Asset management reserve** – to fund cash outflows arising in the early years of the Civic Centre refurbishment project, which will be repaid from cash flow surpluses generated in future years.
3. **Budget stabilisation reserve** – holds funding to mitigate risk of cost pressures in relation to long-term impact of COVID pandemic.
4. **Capital projects development reserve** – holds funding to meet the internal and external costs of developing capital projects.
5. **Collection Fund reserve** – holds funding to mitigate risk of Collection Fund deficits.
6. **Developers' contributions reserve** – holds funding received from developers for capital works linked to planning applications.
7. **Digital screen reserve** – holds funding received from Northumberland Street advertising board.
8. **Directorate commitments reserve** – holds funding to meet financial commitments of directorates.
9. **Election reserve** – holds funding to meet costs of elections.

10. **Estate Management Fund reserve** – holds funding to meet the cost of repairs and maintenance of our operational buildings.
11. **Financial risk and resilience reserve** – holds funding to mitigate risk of unexpected cost pressures in services.
12. **Insurance reserve** – holds funding to mitigate risk of cost pressures in relation to our insurance liabilities.
13. **Local Plan reserve** – holds funding to meet the costs of developing the next Local Plan.
14. **Major developments reserve** – to fund cash outflows arising in the early years of specific development projects.
15. **One-off funding reserve** – holds one-off funds from a range of sources that have been earmarked for specific priorities.
16. **Parks Trust subsidy reserve** – holds funding that will be used to pay the subsidy to Urban Green Newcastle in future years.
17. **Pension reserve** – holds funding to mitigate risk of cost pressures in relation to our pension liabilities.
18. **PFI reserve** – holds funding to meet future payments under our PFI / Building Schools for the Future (BSF) contracts.
19. **Public Health Grant reserve** – holds unspent public health grant funding to be used to meet future financial commitments.
20. **Revenue grants to be applied reserve** – holds unspent grant funding to be used to meet future financial commitments.
21. **Ring-fenced balances reserve** – holds funding that may only be spent on specific statutory activities.
22. **School kitchens reserve** – holds funding to replace or refurbish school kitchens used our colleagues to provide school meals to children.
23. **Strategic reserve** – holds funding to support our medium-term financial plan.
24. **Transformation reserve** – holds funding set aside for future transformation and public sector reform work.
25. **Treasury management reserve** – holds funding to mitigate risk of third party loans not being repaid.

As set out in Table 19, the level of earmarked reserves is expected to reduce from £165.7 million as at 31 March 2022 to £109.0 million as at 31 March 2024 in line with the purposes for which the individual reserves were established.

Table 19 – profile of General Fund earmarked reserves

All figures in £ million	31 March 2022 (actual)	31 March 2023 (estimate)	31 March 2024 (estimate)
Contractual commitments	(3.9)	(3.4)	(3.1)
Unspent government grants	(45.3)	(17.5)	(12.8)
Planned future spending	(52.8)	(48.2)	(36.3)
Specific risks	(46.5)	(42.7)	(44.1)
Budget stabilisation	(15.9)	(13.9)	(11.4)
Other	(1.4)	(1.3)	(1.2)
TOTAL	**(165.7)**	**(127.0)**	**(109.0)**

There is modest planned use of reserves to support the General Fund net revenue budget (£5.8 million in 2023-24) but this is planned to be phased out over the next three years, as relying on reserves to fund on-going revenue expenditure is not financially prudent or sustainable.

The following key points should also be noted:

- The General Fund unearmarked reserve is estimated to be £10.1 million at 31 March 2023, which represents 4.0% of the 2023-24 net revenue budget.
- The financial risk resilience reserve is estimated to be £4.5 million at 31 March 2023, which represents 1.8% of the 2023-24 net revenue budget although the council will seek to increase the value of this reserve to £17 million by transferring funding in from other reserves.
- The budget stabilisation reserve is estimated to be £14.6 million at 31 March 2023, which represents 5.8% of the 2023-24 net revenue budget.
- The strategic reserve is estimated to be £3.4 million at 31 March 2023, which represents 1.3% of the 2023-24 net revenue budget.
- The transformation reserve is estimated to be £12.7 million at 31 March 2023 plus there is a base budget of £1.0m per annum to invest in one-off transformation projects designed to deliver budget savings in future years.
- Other earmarked reserves are estimated to total £91.8 million at 31 March 2023 – these may be used on a short-term temporary basis, provided the funding is replaced in future years.

Based on the factors set out above, the Chief Finance Officer has concluded that the level of reserves held by the council is adequate in context of the financial risks we are facing.

CIPFA's financial management review

The Chartered Institute of Public Finance and Accountancy (CIPFA) visited the council earlier this year to undertake a review of the council's financial management arrangements. The outcome of the review was as follows:

	Management dimensions			
Financial management styles	Leadership (A)	People (B)	Process (C)	Stakeholders (D)
Delivering Accountability (1)	****	*****	****	****
Supporting performance (2)	*	****	**	****
Enabling transformation (3)	***	*****	***	**
Overall	***			

As can be seen from the above, the overall outcome was a three star rating, and the council only narrowly missed out on a four star rating.

The following recommendations for improvement were included in the CIPFA report:

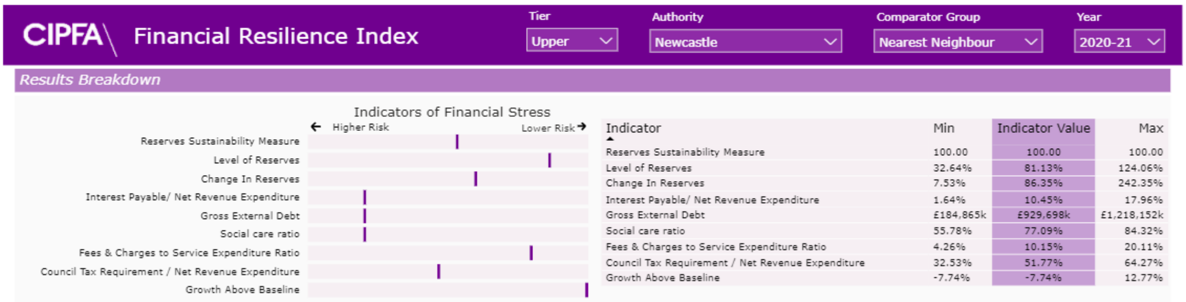
- Set out a timeline for the next budget setting cycle that allows sufficient time to consult with budget holders and engage Members. It may need to include sufficient time for further iterations to confirm savings plans for the whole of the medium-term.
- Task finance business partners with preparing briefings that included past performance, feedback from budget holders and analysis of demand projections and so on for each directorate. This analysis should also include relevant reserves and the budgets held centrally under corporate services.
- Invite selected Committee chairs or other key Members to chair meetings with each service director and finance to scrutinise the pressures and opportunities for financial savings. This should include an upfront briefing on the overall financial position of the Council.
- Commission a review of the existing estate to establish the extent of utilisation, condition surveys and weighs up the benefits of retaining each key asset versus the costs of running/maintaining it.
- Prepare a revised capital strategy that includes proactive asset management, sets out how assets no longer required can be disposed to maximise capital receipts and how further capital investment can be prioritised over the next ten years.

- Commission an options appraisal for replacing the existing finance system. This should include consideration of a range of options such as an ERP system, 'best of breeds', shared services, and to 'do nothing'.
- Establish a suitable board that will oversee the governance of the Council's investments in related parties.
- Task Internal Audit with undertaking a review of the Council's existing investments to identify where it is not clear that the investment risks are actively managed or that the returns on investment are weak.
- Commission a series of 'deep-dives' that will examine the larger and more high risk existing investments to determine whether they should continue as present or whether alternative options might be explored.

An action plan has been developed and was agreed by Cabinet in October 2022. The key issue raised by CIPFA is the lack of a rolling three-year medium-term financial plan. Whilst the 2023-24 budget is a one-year budget, the council has identified the building blocks to construct a medium-term financial plan and will develop these workstreams into a programme that will help to deliver balanced budgets in future years.

CIPFA financial resilience index

CIPFA also published the latest version of its financial resilience index in February 2022.



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	100.00	100.00	100.00
Level of Reserves	32.64%	81.13%	124.06%
Change In Reserves	7.53%	86.35%	242.35%
Interest Payable/ Net Revenue Expenditure	1.64%	10.45%	17.96%
Gross External Debt	£184,865k	£929,698k	£1,218,152k
Social care ratio	55.78%	77.09%	84.32%
Fees & Charges to Service Expenditure Ratio	4.26%	10.15%	20.11%
Council Tax Requirement / Net Revenue Expenditure	32.53%	51.77%	64.27%
Growth Above Baseline	-7.74%	-7.74%	12.77%

Indicator	Min	Indicator Value	Max
Unallocated Reserves	2.90%	4.55%	16.78%
Earmarked Reserves	22.64%	76.58%	117.36%
Change in Unallocated Reserves	-67.52%	0.00%	409.09%
Change in Earmarked Reserves	0.24%	96.44%	260.95%
Change in HRA Reserves	-66.81%	-38.53%	125.53%
Children Social Care Ratio	24.05%	24.73%	37.58%
Adult Social Care Ratio	31.53%	52.36%	54.44%

Key points to note from the above are as follows: (figures used were from 2020-21)

Higher risk indicators

- **Interest payable as a proportion of net revenue expenditure** – the council's level of spend on interest payable as a proportion of net revenue expenditure is comparatively high. This is due to the comparatively high level of debt.

- **Gross external debt** – the council's level of external debt is comparatively high although it should be noted that this figure includes notional PFI debt. Just under half of the council's external debt relates to the Housing Revenue Account, however, it should be noted that some of our CIPFA Nearest Neighbours do not have a Housing Revenue Account.
- **Social care ratio** – the council's spend on social care as a proportion of net revenue expenditure is comparatively high. This is largely due to comparatively high level of expenditure on adult social care.
- **Change in HRA reserves** – the change in the level of HRA reserves is comparatively greater than other CIPFA Nearest Neighbours.
- **Adult social care ratio** – the council's level of spend on adult social care as a proportion of net revenue expenditure is comparatively high.

Lower risk indicators

- **Level of reserves** – the council's total reserves as a proportion of net revenue expenditure were comparatively high.
- **Fees and charges** – income from fees and charges as a proportion of net revenue expenditure was comparatively high.
- **Business rates growth above baseline** – business rates income was closer to the Baseline Funding Level than other CIPFA Nearest Neighbours.
- **Earmarked reserves** – the council's earmarked reserves as a proportion of net revenue expenditure were comparatively high.

The other indicators are in the second and third quartiles.

Annex 1 – breakdown of cost pressures

All figures in £ million	2023-24	2024-25	2025-26
Inflationary changes (pay and prices)			
- Pay inflation	7.0	6.1	4.0
- Non-pay inflation	6.4	0.9	0.9
- Adult social care inflation (incl. NLW and NMW)	8.5	7.9	8.0
- Children's social care inflation	1.1	1.1	1.1
- Adoption allowances	0.2	0.0	0.0
- PFI contractual inflation	2.2	0.9	0.8
- Highway maintenance materials cost inflation	0.3	0.3	0.3
- Waste management inflation	1.4	0.5	0.5
Increasing demand for services			
- Adult social care increasing demand	1.0	1.0	1.1
- Adult social care base budget deficit	0.0	2.0	2.0
- Children's social care increasing demand	0.3	0.3	0.3
- Children with disabilities turning 18	1.3	1.3	1.3
- SEN transport inflation and increasing demand	0.5	0.5	0.5
Other			
- External grant changes	1.2	0.5	0.5
- JTC levy increase	1.0	0.8	0.5
- Reduced use of reserves	0.0	0.7	0.0
- Temporary mitigation of COVID pressures	(0.5)	0.0	(0.5)
Headroom	0.0	2.0	3.0
TOTAL	**31.6**	**26.7**	**24.3**

Description (initial estimate)	Pay inflation (£7.0 million in 2023-24)
How have the above amounts been calculated?	The cost pressure is an estimate based on an assumed pay award of 5%. The actual cost will be determined by the pay award agreed as part of the national pay agreement process.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Annual pay award to be agreed by employers as part of national pay bargaining, and current staffing numbers.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Not applicable
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Yes, staff are involved in delivering a range of statutory and discretionary services, which are being reviewed as part of the identification of savings to meet our budget gap in 2023-24.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are reviewed to find savings to contribute to our 2023-24 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Non-pay inflation (£6.4 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is an estimate based on assumed inflationary increases in 2023-24 across a range of areas (mainly energy costs).
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Inflation on payments to third parties and increases in insurance and other non-pay costs.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Any reduction in costs arising from a reduction in the number of buildings will be factored into the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	This cost pressure is based on assumed inflationary increases in 2023-24. We will not know the specific inflation factors to be applied until next year.
Does the activity causing the cost pressure need to continue?	Yes, buildings are an integral part of delivering a range of statutory and discretionary services, which are reviewed as part of the identification of savings to meet our budget gap in 2023-24.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2023-24 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Adult and children’s social care inflation (£9.6 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is based on assumed increases in: • Hourly rates payable to third parties including an assumed increase in National Living Wage and National Minimum Wage. • Foster carer allowances, special guardianship order allowances, child arrangement order allowances and adoption allowances.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	We will agree an inflationary increase in hourly and daily rates payable to reflect the costs incurred by care providers. We will agree an inflationary increase in foster carer allowances, special guardianship order allowances, child arrangement order allowances and adoption allowances to remain competitive with rates offered by other agencies and local authorities.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Any savings from greater investment in preventative services and improved partnership working are set out in the relevant budget proposals.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Cost pressure is based on assumed increases in rates agreed with third parties and assumed increases in allowances.
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are reviewed to find savings to contribute to our 2023-24 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Adoption allowances (£0.2 million in 2023-24)
How have the above amounts been calculated?	Adoption allowances have previously been paid at two thirds of the full allowance. The council was an outlier in this approach and so a decision was made to begin to pay the full allowance and increase this as the child gets older.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Change to policy
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Not applicable
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Yes, adoption of looked after children is a good outcome for the child and makes good financial sense.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Inflation on PFI contracts (£2.2 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is based on assumed increases in a range of inflation factors built into contracts with third parties. In addition, the street lighting PFI cost pressure also includes an element related to increased electricity costs.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Contractual and market-led inflation on payments to third parties.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Any savings arising from reducing demand is factored into the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Inflation factors to be used to calculate inflationary increases are set out in the relevant contracts.
Does the activity causing the cost pressure need to continue?	Yes, we are contractually committed to increase the rates we pay to third parties.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	**Highway maintenance materials (£0.3 million in 2023-24)**
How have the above amounts been calculated?	Based on current year's cost pressure.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Price inflation on materials.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Not applicable
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Based on actual price rises from suppliers in the current year.
Does the activity causing the cost pressure need to continue?	Yes, road and footpath maintenance are statutory duties and failure to adequately maintain our road and footpath network may expose us to a significant financial risk.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Waste management inflation (£1.4 million in 2023-24)
How have the above amounts been calculated?	Assumed inflationary uplift applied to current prices and assumed tonnage.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Prince inflation and increased demand.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	The cost pressure has been mitigated by agreeing a fixed price for three years on the energy from waste and refuse derived fuel contract.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Retail Price Index (RPI)
Does the activity causing the cost pressure need to continue?	Yes, disposal of domestic waste is a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Adult social care increasing demand (£1.0 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is based on assumed growth in the number of service users applied to current year projected expenditure in adult social care.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Increasing demand arising from increasing population.
If the cost pressure is due to increased demand, what evidence exists to support this?	Estimated growth in service users in 2023-24.
What, if anything, can be done to mitigate the cost pressure?	Any savings from greater investment in preventative services and improved partnership working are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2023-24 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Children’s social care increasing demand (£0.3 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is based on assumed population growth applied to current year projected expenditure in children’s social care.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Increasing demand arising from increasing population.
If the cost pressure is due to increased demand, what evidence exists to support this?	Assumed increase in 0-17 populations in 2023-24.
What, if anything, can be done to mitigate the cost pressure?	Any savings from greater investment in preventative services and improved partnership working are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2023-24 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Children with disabilities turning 18 (£1.3 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is based on specific children who will turn 18 during 2023-24 and the estimated cost of meeting their needs as adults.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Increased demand – the cost saving in the children's social care budget will be reinvested in care packages for new and other children with disabilities. Continuing improvement in medical treatments will lead to an increase in the number of people with profound and multiple disabilities in future years.
If the cost pressure is due to increased demand, what evidence exists to support this?	This cost pressure is based on specific children currently receiving care who will continue to require care when they reach adulthood.
What, if anything, can be done to mitigate the cost pressure?	Any savings from improved partnership working are set out in the relevant budget proposal.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Special Educational Needs transport (£0.5 million in 2023-24)
How have the above amounts been calculated?	Based on current cost pressure.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Increased demand and price inflation.
If the cost pressure is due to increased demand, what evidence exists to support this?	Actual increases in numbers of children with special educational needs and rates payable in the current year.
What, if anything, can be done to mitigate the cost pressure?	The service is taking a number of actions to mitigate the cost pressure including reviewing procurement processes, promoting the use of personal transport budgets, better route planning and training children with special educational needs to use public transport. Further work to identify options to reduce the current financial pressure will be undertaken as part of the SEN transport MTFP workstream.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Increases in rates taking place in the current year.
Does the activity causing the cost pressure need to continue?	Yes, this is a statutory function.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	External grant changes (£1.2 million in 2023-24)
How have the above amounts been calculated?	This cost pressure is based on estimated reduction in the New Homes Bonus.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Specific funding changes to be made by government.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Not applicable
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Not applicable
Is there scope to fund this cost pressure from existing resources?	Not applicable
More generally, what is the impact of not agreeing funding for the cost pressure?	Not applicable

Description (initial estimate)	Joint Transport Committee levy (£1.0 million in 2023-24)
How have the above amounts been calculated?	Funding is required to meet the increased costs of the Joint Transport Committee levy.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	The COVID pandemic had a significant impact on metro patronage and electricity costs have increased dramatically over the last 12 months so the Joint Transport Committee are recommending an increase in the levy. The JTC will continue to monitor patronage levels and lobby government for additional funding throughout the year, to keep future years' increases to a minimum.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Not applicable
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	Yes, activity is based on a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the budget that can absorb this pressure, plus all areas of the budget are being reviewed to find savings to contribute to our 2023-24 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Temporary mitigation of COVID pressures (-£0.5 million in 2023-24)
How have the above amounts been calculated?	This funding was required to off-set car parking income reductions that occurred in 2020-21 and 2021-22 due to COVID. Less funding is needed next year due to an assumed recovery in this source of income.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Reductions in income received in relation to car parks.
If the cost pressure is due to increased demand, what evidence exists to support this?	Not applicable
What, if anything, can be done to mitigate the cost pressure?	Every effort is being made to mitigate the income reductions and increase income in other areas, but this is limited to what is achievable in the current financial and economic climate.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Not applicable
Does the activity causing the cost pressure need to continue?	No, but if individual car parks or commercial properties were to be sold, then this would create a larger pressure in the General Fund revenue budget.
Is there scope to fund this cost pressure from existing resources?	Not applicable
More generally, what is the impact of not agreeing funding for the cost pressure?	Not applicable

Annex 2 – net expenditure budgets by directorate

All figures in £ million	2022-23	2023-24
Adult Social Care and Integrated Services	88.729	104.232
Assistant Chief Executive’s	1.736	1.504
Children, Education and Skills	55.309	55.675
Finance	5.729	4.935
Operations and Regulatory Services	25.683	32.215
Place	8.826	10.872
Workforce Development and Inclusion	2.034	0.853
Net Directorate Expenditure	**188.045**	**210.287**
JTC Levy	17.453	18.470
Net Service Expenditure	**205.499**	**228.757**
Corporate Items	36.313	25.892
Transfers to or (from) Reserves	(0.143)	(4.245)
Net Revenue Budget	**241.668**	**250.404**
Less: Revenue Support Grant	(27.608)	(27.608)
Less: Business Rates	(90.081)	(93.833)
Council Tax Requirement	**123.978**	**128.963**

Annex 3 – net expenditure budgets by service

All figures in £ million	2022-23	2023-24
Adult Social Care and Integrated Services		
Adult Social Care and Integrated Services	74.159	89.694
Director of Adult Social Care and Integrated Services	0.323	0.315
Integrated Services	14.247	14.223
Assistant Chief Executive’s		
Assistant Chief Executive	0.280	0.286
Communication Services	0.530	0.536
Communities Team	0.196	0.139
North of Tyne Combined Authority	0.037	0.047
Policy and Performance	0.692	0.496
Children, Education and Skills		
Children's Social Care	47.721	47.421
Director of Children, Education and Skills	0.134	0.139
Early Help and Family Support	2.565	2.618
Education	4.289	4.468
Schools	0.000	0.000
Strategy and Commissioning Unit	0.599	1.029
Finance		
Audit, Risk and Insurance	0.535	0.545
Chief Executive	0.328	0.314
Chief Finance Officer	0.167	0.117
Financial Services	4.699	3.959

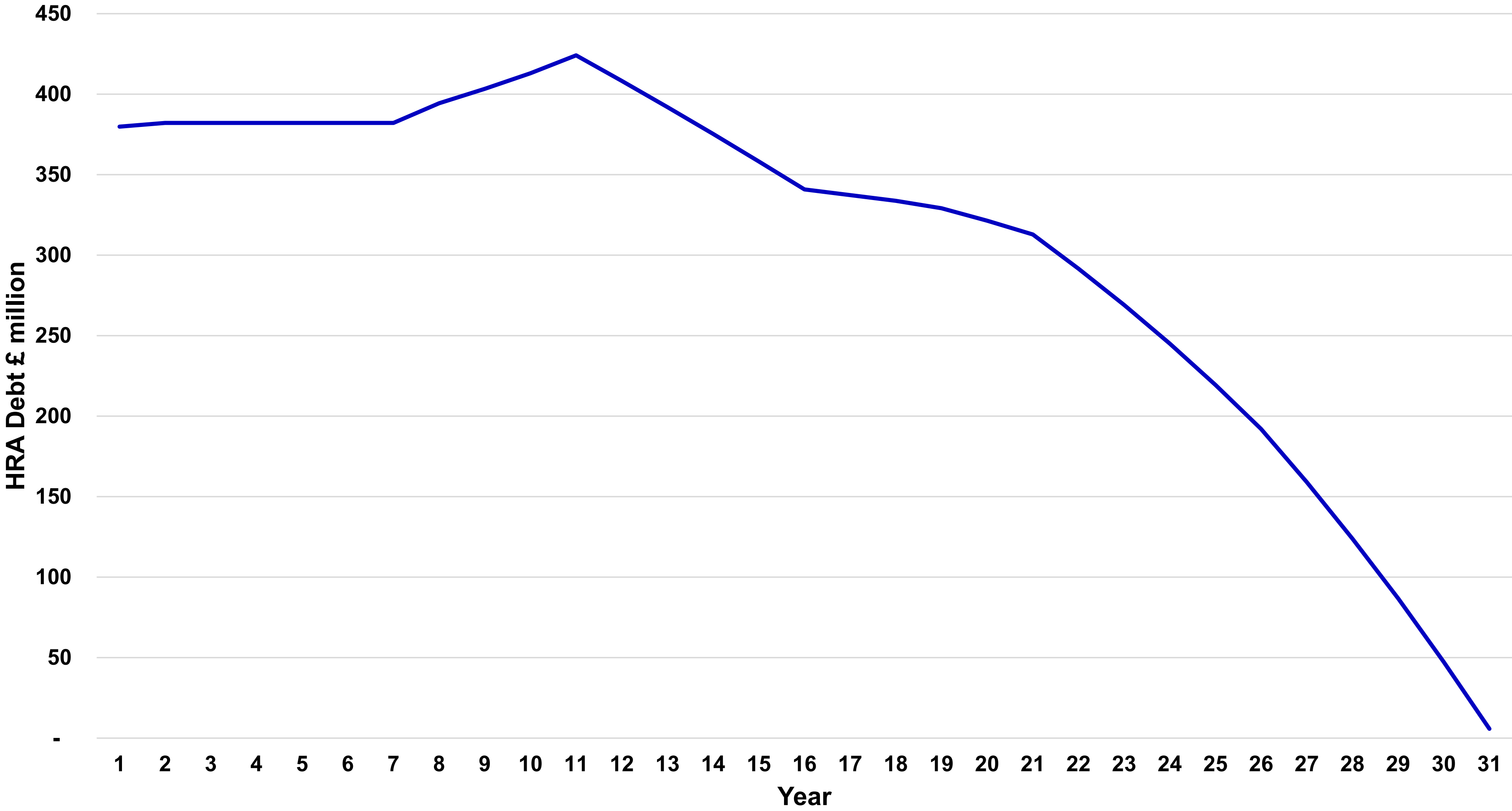
Annex 3 – net expenditure budgets by service

All figures in £ million	2022-23	2023-24
Operations and Regulatory Services		
Business Management	8.119	7.443
Community Hubs	3.078	3.543
Democratic Services	2.013	2.143
Director of Operations and Regulatory Services	0.281	0.189
Environment and Public Protection	0.526	0.441
Facilities Services and Civic Management	0.613	1.054
ICT	6.100	5.924
Legal Services	1.744	2.225
Local Services	23.321	26.761
Operations	(0.134)	0.246
Parking	(11.398)	(12.389)
Repairs and Construction Services	(8.581)	(5.365)
Place		
Commercial Development and Property	(3.527)	(3.872)
Development Management	0.751	0.743
Economic Development	0.038	0.027
Fairer Housing Unit	0.965	0.841
Major Projects	0.143	0.015
Museums, Arts & Culture	(0.035)	(0.068)
Director of Place	1.650	1.655
Transport	8.840	11.532
Workforce Development and Inclusion		
Human Resources	1.874	1.862
Public Health	0.160	(1.009)
Net Directorate Expenditure	**188.045**	**210.287**

Annex 4 – Housing Revenue Account budget

All figures in £ million	**2022-23**	**2023-24**
Rent income	102.2	105.7
Other income	15.3	16.0
YHN management fee	(24.0)	(26.2)
Repairs and maintenance	(28.0)	(24.9)
Other running costs (for example utilities, supplies and services)	(17.9)	(21.4)
Bad debt provision	(1.4)	(1.8)
External interest payable	(17.6)	(14.5)
Operating surplus	**28.6**	**32.9**
Debt repayment or contribution to capital	(33.0)	(35.8)
Increase or (decrease) in HRA reserves	**(4.4)**	**(2.8)**

Annex 5 – Housing Revenue Account debt profile



Annex 6 – projected trend in General Fund earmarked reserves

Ref	All figures in £ million	31 March 2020 (actual)	31 March 2021 (actual)	31 March 2022 (actual)	31 March 2023 (estimate)	31 March 2024 (estimate)	31 March 2025 (estimate)	31 March 2026 (estimate)
1	ADZ reserve	1.7	1.3	2.4	2.4	2.2	1.7	1.0
2	Asset management reserve	5.2	5.3	5.3	5.2	5.0	4.7	4.3
3	Budget stabilisation reserve	(10.3)	(17.5)	(17.4)	(14.6)	(11.4)	(11.1)	(13.3)
n/a	Byker district heating scheme	0.6	0.0	0.0	0.0	0.0	0.0	0.0
4	Capital projects development reserve	(0.7)	(1.1)	(0.9)	(1.0)	(0.8)	(0.6)	(0.4)
5	Collection Fund reserve	(7.4)	(55.9)	(15.0)	(10.2)	(10.7)	(11.0)	(11.0)
6	Developers' contributions reserve	(0.8)	(0.9)	(1.2)	(1.1)	(1.0)	(0.9)	(0.8)
7	Digital screen reserve	(0.3)	(0.6)	(0.8)	(1.0)	(1.3)	(1.5)	(0.3)
8	Directorate commitments reserve	(1.2)	(0.8)	(1.3)	(3.9)	(3.7)	(3.4)	(3.2)
9	Election reserve	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
10	Estate Management Fund reserve	0.0	(1.1)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
11	Financial risk and resilience reserve	(7.0)	(7.0)	(7.0)	(4.5)	(4.5)	(4.5)	(4.5)
n/a	Housing benefit subsidy reserve	(1.1)	(0.8)	0.0	0.0	0.0	0.0	0.0
12	Insurance reserve	0.0	0.0	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
n/a	Interim capital funding reserve	1.1	0.4	0.0	0.0	0.0	0.0	0.0
13	Local Plan reserve	0.0	0.0	(3.5)	(3.3)	(2.2)	(1.6)	(1.0)
14	Major developments reserve	3.8	1.6	3.3	4.9	4.9	4.6	4.0

Ref	All figures in £ million	31 March 2020 (actual)	31 March 2021 (actual)	31 March 2022 (actual)	31 March 2023 (estimate)	31 March 2024 (estimate)	31 March 2025 (estimate)	31 March 2026 (estimate)
n/a	NDR pool reserve	1.0	(0.1)	0.0	0.0	0.0	0.0	0.0
15	One-off funding reserve	(5.5)	(4.9)	(10.0)	(8.7)	(7.7)	(6.7)	(5.7)
16	Parks trust subsidy reserve	(2.4)	(3.4)	(2.2)	(1.0)	(0.2)	(0.1)	0.2
17	Pension reserve	(2.3)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
18	PFI reserve	(4.1)	(3.6)	(3.9)	(3.4)	(3.1)	(2.9)	(2.6)
19	Public Health Grant reserve	(1.3)	(1.9)	(4.0)	(3.5)	(3.0)	(2.5)	(2.0)
n/a	Repairs and Construction reserve	(0.6)	0.2	0.0	0.0	0.0	0.0	0.0
20	Revenue grants to be applied reserve	(4.3)	(16.2)	(45.3)	(17.5)	(12.8)	(11.3)	(10.3)
21	Ring-fenced reserve	(19.4)	(23.2)	(17.6)	(16.4)	(12.9)	(9.7)	(9.0)
n/a	Risk management and insurance reserve	(3.3)	(3.4)	0.0	0.0	0.0	0.0	0.0
22	School kitchens reserve	(0.6)	(0.7)	(0.8)	(0.7)	(0.6)	(0.5)	(0.4)
23	Strategic reserve	(2.6)	(9.0)	(6.7)	(3.4)	(2.6)	(2.6)	(2.6)
24	Transformation reserve	(0.8)	(5.3)	(10.1)	(12.7)	(9.2)	(9.3)	(8.6)
25	Treasury management reserve	(10.4)	(14.8)	(19.0)	(22.5)	(23.5)	(24.5)	(25.5)
n/a	Other reserves (all under £0.5 million)	(0.3)	(0.6)	(1.4)	(1.3)	(1.2)	(1.1)	(1.0)
	TOTAL	**(73.8)**	**(166.8)**	**(165.7)**	**(127.0)**	**(109.0)**	**(103.6)**	**(101.6)**

Annex 6 – General Fund net revenue budget risk assessment

Brief description of in-year financial risk	Potential impact (£ million)	Likelihood of occurrence (%)	Potential weighted impact (£ million)
Cost pressure on adult social care placement budget	6.9	50%	3.471
Shortfall in Place directorate income	4.9	50%	2.456
Cost pressure on children's social care placement budget	3.9	50%	1.957
Cost pressure on SEN transport budget	2.5	75%	1.875
Electricity / gas - higher than expected costs	3.4	50%	1.694
Shortfall in Operations & Regulatory Services directorate income	6.1	25%	1.531
Slippage in budget savings proposals	2.5	50%	1.258
Shortfall in ASC & Integrated Services directorate income	3.5	25%	0.877
Costs associated with extreme weather (e.g. flooding, snow etc.)	1.1	50%	0.566
Cost pressure on waste management budget (price and/or demand)	1.5	50%	0.731
Shortfall in Children, Education & Skills directorate income	0.7	50%	0.361
Shortfall in other directorate income	0.6	25%	0.161
Revenue impact of General Fund capital programme overspend	0.6	25%	0.154

TOTAL = 17.093