CABINET

Newcastle City Council

Tuesday 10 December 2024 at 6.00 pm

Meeting to be held in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

Membership Councillors:	K Kilgour, A Hay, I Ali, P Frew, D Greenhough, P Maines, A Samad, J Sathian, L Storey and A Walker
Opposition Observers Councillors:	C Ferguson and P Lovatt

SUPPLEMENTAL AGENDA

This page is intentionally left blank

CABINET

Newcastle City Council

Date of Cabinet:	**10 December 2024**
Title of report:	**Our medium-term financial plan for 2025 - 2026 to 2027 - 2028: Section 25 Statement of the Chief Finance Officer**
Name of Cabinet Member:	**Councillor Frew**
Responsible Director:	**Mark Nicholson, Chief Finance Officer**
Report Author:	**Tim Gorman, Service Manager Financial Strategy**

Confidential / Not for Publication **Key Decision**
No

Report summary and link to Council priorities:

This report will summarise the Chief Finance Officer's assessment of 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 for 2025-26.

Summary of decision being asked:

Cabinet is recommended to note the content of this report and to have regard to this report when making their decisions in relation to the budget and the setting of Council Tax.

1 What is the report about?

1.1 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:

1.2 The robustness of the estimates made for the purposes of the Council Tax requirement calculations; and

1.3 The adequacy of the proposed financial reserves allowed for in the budget proposals.

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

2 What decisions are being asked for?

2.1 Cabinet is recommended to note the content of this report when assessing the medium-term financial plan for 2025-26 to 2027-28 and to have regard to this report when making their decisions in relation to the budget and the setting of Council Tax.

3 Why are the proposals being put forward?

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

4 What impact will this proposal have?

4.1 Our medium-term financial plan for 2025 - 2026 to 2027 - 2028: Section 25 Statement sets out the key assumptions in the budget and provides information on the reserves held by the council.

4.2 The report includes a summary of the Chief Finance Officer’s assessment of 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 for 2025-26.

5 What are the equality, diversity and inclusion implications?

5.1 Any implications arising are set out in the integrated impact assessments (IIAs) for proposals that will result in a change to a service and or policy in the next financial year. These IIAs accompany the publication of our 2025/26 budget and medium-term financial plan for 2025/26 – 2027/28.

6 What are the climate implications?

6.1 The climate implications of the various budget proposals have been reviewed and at this stage do not present any immediate concerns; progress will be monitored to ensure opportunities are captured or challenge are tackled at the right stage in service delivery.

7 How will success be measured?

7.1 Success will be measured by setting a balanced budget for April 2025 to March 2026.

8 What is the timetable for implementation?

8.1 Our draft proposals will be subject to consultation until 15 January 2025. An updated version of this document, the draft budget, appendices and supporting background papers will be presented to Cabinet on 17 February 2025. This will reflect any changes made in response to feedback received and further announcements that may impact on our financial position. Cabinet will be asked to recommend the updated document to City Council at their meeting on 5 March 2025.

9 What are the legal implications?

9.1 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.

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

10 What are the finance implications?

10.1 The accompanying report and its appendices set out the resources that will be available to us in 2025-26, the key assumptions made, and the level of reserves available to support the budget. The accompanying report also sets out the assessment of the Chief Finance Officer of the robustness of these assumptions and the adequacy of reserves available to support the budget.

10.2 The Medium Term Financial Plan for 2025-26 to 2027-28 and its appendices set out the resources that will be available to us in 2025-26 and our approach to investing these resources. It also sets out our approach to financial planning for 2026-27 and 2027-28.

11 What are the procurement implications?

11.1 There are no procurement implications arising from this report.

12 What are the key risks and how are they being addressed?

12.1 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.

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

12.3 The results of the Chief Finance Officer's assessment of the above matters are set out in the accompanying report and in Appendix 8 of the Revenue and Capital Plan. A risk assessment has been undertaken and based on this the Chief Finance Officer has concluded:

- The estimates included in the 2025-26 budget are sufficiently robust for the purposes of the Council Tax requirement calculations; and
- The level of reserves held by the council is adequate in context of the financial risks we are facing.

12.4 The factors considered within the risk assessment will continue to be monitored over the next few months, and the assumptions underpinning the 2025-26 budget and the medium-term financial plan will be amended should there be a significant change in any of these factors.

Report Author: Tim Gorman

Job Title: Service Manager Financial Strategy

Contact Email: tim.gorman@newcastle.gov.uk

Appendices

- Section 25 Statement for Budget 2025-26

Background Paper

- Our Medium-Term Financial Plan for 2025-26 to 2027-28, including appendices.

Our medium-term financial plan for 2025-2026 to 2027-2028:

Section 25 Statement of the Chief Finance Officer

Draft for consultation

Newcastle City Council

Contents

Introduction

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 their decisions in relation to the budget and the setting of Council Tax.

While the 2003 Act itself does not provide any 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.

Section 114 requirements

The other main statutory duty placed on the Chief Finance Officer is set out in section 114 of the Local Government Finance Act 1988. This requires the Chief Finance Officer to report to elected members if the council is planning to incur expenditure that exceeds the level of resources available to it. This type of report (known as a section 114 notice) has been rare but is becoming increasingly common, as local authorities across the country face increasing financial challenges.

The budget assumptions set out within this report have been assessed in the light of the Chief Finance Officer's responsibilities under section 114 of the Local Government Finance Act 1988 and his conclusion is that the council is not currently in a position where a section 114 notice is required. It should however be noted that the council is operating within extremely challenging financial circumstances and therefore the position will continue to be reviewed.

Best value statutory guidance

The Department for Levelling Up, Housing and Communities (DLUHC) published updated guidance in July 2023. This guidance aims to provide clarity on the responsibility of local authorities to secure 'Best Value' as defined in the Local Government Act 1999. Under the guidance, a local authority is required to demonstrate it has arrangements in place to secure continuous improvement in how it carries out its work, having regard to a combination of economy, efficiency and effectiveness.

The Secretary of State has the power to intervene in cases where an authority is failing to carry out its functions in compliance with the Best Value Duty.

The medium-term financial plan has been developed in line with the considerations outlined within the statutory guidance.

It is important to note the context within which the budget has been set, with unprecedented numbers of local authorities facing financial challenges. This has resulted in the issuance of S114 reports in some cases and agreement to exceptional financial support in others. Whilst the assumptions contained within the budget for 2025-26 are reasonable, and a review of the level of reserves held indicate that these are sufficient, it is important to recognise the risks facing the council as set out in this report. The risks and factors outlined in this report will continue to be reviewed on a regular basis.

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 financial pressures in the current year are addressed either by taking appropriate management action and / or providing additional funding in next year's budget.
- Estimating future financial pressures in the light of all available information and benchmarking these with other comparable local authorities.
- Ensuring the revenue cost associated with capital investment is identified and factored into the revenue budget.
- Minimising use of reserves to fund permanent expenditure as far as possible.
- Estimating savings on a prudent basis, and ensuring all agreed savings have a detailed implementation plan and risk assessment in place.
- Providing sufficient funding to support services to deliver savings through more complex transformational change programmes.

Key assumptions made in the draft 2025-26 budget

- No general inflationary increase assumed for supplies and services budgets – procurement activity will focus on maintaining spend within the proposed cash limited budgets.
- No overall 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 Appendix 2 of the Revenue and Capital Plan.

This report should be considered alongside ‘Our medium-term financial plan for 2025 - 2026 to 2027 – 2028’, which contains detailed information on the proposed budget and the underlying assumptions.

The summarised key assumptions have been set out below:

General Fund

Table 1 – estimated net revenue budget

All figures in £ million	2025-26	2026-27	2027-28
Revenue Support Grant	33.8	33.8	33.8
Business rates (incl. grants)	109.5	111.7	113.9
Council Tax	149.7	155.7	162.0
Net revenue budget	**293.0**	**301.2**	**309.7**

As can be seen from Table 1, the net revenue budget is expected to be £293.0 million in 2025-26 and to increase to £309.7 million in 2027-28. However, as can be seen from Table 2 below, significant savings are required in all years due mainly to cost pressures.

Table 2 – annual budget changes

All figures in £ million	2025-26	2026-27	2027-28
Previous year's net revenue budget	281.2	293.0	301.2
Cost pressures	30.2	29.7	24.5
Choice	3.0	2.0	2.0
Annual savings required	(21.3)	(23.5)	(18.0)
This year's net revenue budget	**293.0**	**301.2**	**309.7**

Table 3 below sets out the estimated changes in the funding position within the MTFP.

Table 3 – change in net revenue budget (funding assumptions)

All figures in £ million	2024-25	2025-26	Change
Revenue Support Grant	33.2	33.8	0.6
Business rates (including grants)	107.5	109.5	2.0
Council Tax	140.5	149.7	9.2
Net revenue budget	**281.2**	**293.0**	**11.8**

The above figures are based on the following assumptions:

- A £2.0 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 projected 0.3% increase in the size of the business rates base across the city, a 1.7% increase in the business rates multiplier and a 1.7% increase in the Business Rates Top-Up Grant.
- An increase of £9.2 million in the amount of Council Tax income receivable. This is due to a projected 1.5% increase in the size of the Council Tax base, a government-assumed general increase of 2.99%, a government-assumed application of the 2.0% adult social care precept and the proposed introduction of the second homes premium charge.
- An estimated £0.6 million increase in the amount of Revenue Support Grant income receivable. This is based on an estimate of the announced national increase and will be further refined when the provisional local government finance settlement is published.

Our need to achieve savings in 2025-26 is driven mainly by cost pressures. As can be seen in Table 4 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 4 – breakdown of 2025-26 savings required

	£ million
Cost pressures	30.2
Choice	3.0
Increase in net funding	(11.8)
Savings required	**21.3**

Cost pressures have arisen for several reasons including:

- Pay and price inflationary increases – increases in pay and general or specific inflation (for example, 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, New Homes Bonus).

Table 5 shows the total cost pressures identified under each of the above headings.

Table 5 – breakdown of 2025-26 cost pressures

	£ million
Inflationary changes (pay and prices)	27.8
Increasing demand for services	19.1
Other (including grant changes)	(16.7)
TOTAL	**30.2**

As shown in Table 6, estimated savings of £21.3 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.

Table 6 – summary of proposed 2025-26 savings

Theme	£ million	FTEs
Organisational efficiency and effectiveness	9.3	38.5
Promoting independence and community resilience	8.3	0.0
Generating additional income	3.7	0.0
Reduction to services	0.1	2.4
TOTAL	**21.3**	**40.9**

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, containing 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.

To ensure the long-term viability of the HRA, a 30-year business plan is maintained. This is updated at annually to ensure rent and service charge decisions do not result in the HRA becoming financially unsustainable and the necessary long-term investment to maintain our social housing stock is affordable.

Appendix 7 of the Revenue and Capital Plan sets out details of the 2025-26 HRA revenue budget. This reflects the maximum rent increase based on CPI plus 1%. The HRA revenue budget is facing the same financial challenges as the General Fund with significant pay and non-pay inflationary cost pressures, and the revenue costs associated with the HRA's capital programme.

As can be seen from Appendix 7 of the Revenue and Capital Plan, the HRA has a budgeted deficit of £1.2 million in 2025-26. Whilst bringing YHN back into the council and aligning all housing-related services together has facilitated the achievement of initial savings totalling at least £0.9 million, further savings will be required in future years to address the ongoing pressures facing the HRA. The deficit budget in 2025-26 will require the utilisation of ringfenced HRA reserves. These reserves will need to be replenished in future years.

Capital Investment Programme

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 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:

- 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.

The following tables set out the breakdown of the 2024-25 to 2027-28 planned capital investment programme between the General Fund and HRA (Table 7) and by sources of funding (Table 8).

Table 7 – planned capital investment

All figures in £ million	2024-25	2025-26	2026-27	2027-28
General Fund	89.1	102.1	80.0	80.0
HRA	75.0	51.2	50.0	50.0
TOTAL	**164.1**	**153.4**	**130.0**	**130.0**

Table 8 – planned capital investment by source of finance

All figures in £ million	2024-25	2025-26	2026-27	2027-28
Grants and contributions (mainly General Fund)	74.7	74.7	6.6	0.0
Capital receipts (mainly General Fund)	4.1	3.8	0.0	0.0
Borrowing (mainly General Fund)	30.8	25.7	10.5	0.0
Revenue (mainly HRA)	54.6	49.2	3.9	0.0
Pipeline (no funding approved yet)	0.0	0.0	109.0	130.0
TOTAL	**164.1**	**153.4**	**130.0**	**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 therefore 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 within the capital programme. Regular monitoring takes place by project officers, with reporting upwards through our organisational structure.

Assessment of Risks

We have also undertaken the following risk assessment of the 2025-26 budget to assess the robustness of the estimates made:

Potential Risk	Assessment
Has a reasonable estimate of future resources been made?	Yes – the annual inflationary increase in the business rates multiplier has been assumed at 1.7%, which is equal to the September 2024 CPI. The Autumn Budget confirmed the intention to freeze the small business rates multiplier and also confirmed that English Local Authorities will be fully compensated for the loss of income resulting from these changes. The annual increase in Council Tax has been set at 4.99%, which is the maximum permitted as confirmed during Prime Minister's Questions following the budget. We have assumed growth of 0.3% and 1.5% in the underlying business rates and Council Tax bases respectively, which is prudent when compared with the performance in both over the last 9-12 months. The current assumption on the long-term Council Tax collection rate is 98.0%, which is still below the actual long term collection rate of 98.6%.
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 2024-25 are in the following areas: • Adult Social Care & Prevention (projected overspend of £1.7 million at Q2) due mainly to higher than expected demand in relation to demand in relation to learning disability, physical disability and older people commissioned services. Proposals contained within this report aim to offset this pressure. • Children's social care (projected overspend of £1.5 million at Q2) due mainly to increased costs of providing services to children in care, especially external residential placements. • Education (projected overspend of £2.3 million at Q2) due mainly to higher than expected demand for SEN transport and increases in the statutory casework demand for the Education Psychology Service. Proposals contained within this report aim to offset this pressure. • The Dedicated Schools Grant (DSG) is currently forecast to overspend by £9.7 million. This is mainly due to a rise in the number of education & health care plans and the subsequent increase in independent school places, mainstream and special school top-up payments, and the

Potential Risk	Assessment
	use of alternative provision for children with SEND and permanently excluded children. The opening DSG reserve is £6.8 million and the projected in-year deficit would result in a negative reserve at year-end. Whilst there is currently a statutory override in place that allows for this to be treated as an unusable reserve, this is due to expire in March 2026. • Parking has a projected deficit of £1.2 million due to shortfalls in parking income. The budget proposals for 2025-26 contain no uplifts to parking charges. • Operations have a projected deficit of £1.4 million mainly in relation to income that cannot be achieved from construction services. • Repairs and Voids is projecting a potential pressure of £1.0 million due to the rising cost of maintaining Council properties. • The property portfolio income target has a projected pressure of £3.4 million, mainly due to voids in specific office buildings such as Partnership House and Higham House. • These pressures are partially offset by underspends across other services.
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 Appendix 2 of the Revenue and Capital Plan for further details of the assumptions made. The following area has 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.
Have realistic income targets been set?	Yes – income targets have not been increased for inflation. Instead, services have put forward specific proposals to increase fees and charges where this is reasonable, achievable, and in line with our Fees and Charges Policy. Income targets for Council Tax and business rates have been set using reasonable assumptions.

Potential Risk	Assessment
What is the impact of varying the main planning assumptions?	The 2025-26 impact of varying the following planning assumptions by 1% is as follows: • Business rates = £1.1 million • Council tax = £1.4 million • Pay award = £2.0 million • Non-pay inflation = £2.1 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. Due to the timing of these announcements this work will need to continue over the next few months. Where possible expenditure funded by the external grant will be reduced to off-set any reduction in the level of funding. The estimated change in key grant funding streams has been set out in Appendix 2 of the Revenue and Capital Plan.
Is there a reasonable contingency available to cover the financial risks faced by the council?	Yes – we will start the 2025-26 financial year with a £17.6 million unearmarked reserve, which is sufficient to cover a range of financial risks. Should the current projected overspend of £1.0 million arise at 31 March 2024 we will need to look at options to increase the unearmarked reserve back to the level indicated above. The following earmarked reserves are also available to mitigate specific risks: (projected balance as at 31 March 2025) • Budget stabilisation reserve (£6.8 million) – to cover risk of deficits in adult social care, car parking and property over the next three years. • Collection Fund reserve (£11.7 million) – to cover risk of Collection Fund deficits arising from lower than expected levels of Council Tax and / or business rates. • Insurance reserve (£1.0 million) – to cover risk of increased insurance costs. • Treasury management reserve (£22.2 million) – to cover the risk of third party loans not being repaid.

Potential Risk	Assessment
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. In line with the CIPFA Code of Practice on Treasury Management in the Public Services, the council is required to approve a treasury management strategy (including a range of prudential indicators) before the start of each financial year, and to monitor / report performance against these prudential indicators at least twice a year – usually mid-way through the year and at the end of the year. The draft treasury management strategy is available at Appendix 12 of the Revenue and Capital Plan. The most recent report to Cabinet on performance against this strategy was presented in November and this report highlighted that the current estimated level of external loans at the end of the 2024-25 financial year is £643.8 million, compared to an authorised limit of £938.8 million. This level of borrowing is well under the authorised limit for the year, as the council is using internal funds in place of external borrowing to part fund its capital financing requirements. The council strives to minimise the interest rate risk it faces by seeking to maintain an appropriate debt maturity profile (i.e. timing of when external loans need to be repaid). The current profile of debt maturity is within the set targets, which helps to mitigate the risks in relation to the refinancing of debt. Capital grant funding used to finance some of the capital programme often comes with restrictive conditions that can for example: limit future alternative uses of the asset; or require clawback of grant funding if conditions placed on the grant are not complied with. All investment decisions take the grant conditions into account as part of the business case. Any subsequent business cases will take funding conditions into account in the decision making process. Capital receipts are also used to finance the capital programme and these are reliant on the sale of assets to fund future investment. Risks associated with this aspect of the capital programme are mitigated through prudent monitoring of the level of receipts available to fund the capital programme, including forecasting the level of future receipts.

Potential Risk	Assessment
Have the risks associated with borrowing and lending been identified?	Yes - the main areas of risk are outlined below, along with measures to manage the risk. **Lender Option Borrower Option loans (LOBO)** - The main risk associated with LOBO loans is in relation to the option dates and the interest rate when LOBO lenders call those options. There is a risk that when LOBO loans are called, we may need to borrow at higher rates, therefore increasing borrowing costs. Should this occur the council will review rates and will be able to borrow for shorter terms while borrowing rates are high in order to ensure that any increased borrowing costs are for as short a time as possible. Long term fixed rate borrowing, which guarantees the rate for the length of the loan, can then be undertaken at a time when rates have fallen. **Interest Rates** - Interest rates are currently higher than they have been in recent years, although we have seen a decrease in recent months. We're we need to refinance borrowing, we would do this in a way to minimise costs through the consideration of short term borrowing as outlined above. **Third Party Loans** – International reporting standards, specifically IFRS9, requires the council to account for the risk that loans may not be repaid in full. The council monitors repayments of the loans and has discussions with borrowers where there is an identified increase in the risk of risk of loan repayments not following the agreed schedule. **Investments** - The draft Capital and Investment Strategy is available at Appendix 11 of the Revenue and Capital Plan. The primary objective of the council's investment strategy is to ensure the security of the funds invested, followed by achieving a reasonable rate of return commensurate with the level of risk. UK legislation on failing financial institutions means that any losses not funded from reserves and equity must be funded from investments held by the institution, including those belonging to local authorities. To minimise this 'bail-in' risk the council's investment criteria are regularly reviewed, and we receive regular updates from our treasury management advisors on different financial institutions. Loans to other local authorities are made on a short-term basis and are in line with advice received from the council's external treasury management advisors. We set aside reserves in the Treasury Management earmarked reserve against the risk of borrowers defaulting on loan repayments and to cover other treasury management risks.

Potential Risk	Assessment
Have risks to the Dedicated Schools Grant (DSG) been assessed?	Yes - the Projected DSG overspend for 2024-25 at quarter 2 is £9.7 million. The opening DSG reserve at the start of 2024-25 is £6.8 million. Should the projected position materialise at year-end, this will mean that the DSG reserve at the end of 2024-25 will move into a deficit position. This effectively means that the spend to date on the DSG is greater than the funding received to date. The has been recognised as a national issue, with a large number of Local Authorities currently holding a deficit on their DSG reserves. As a result of this, there is a national statutory override in place, which allows the reserve to be treated as an unusable reserve. This override is due to end in March 2026, although there has been significant lobbying on this issue. The main factor is the increasing number of students who have been assessed as requiring support for Special Educational Needs and Disabilities (SEND). A recent survey by the Association of Local Authority Treasurers (ALATS) highlighted that nationwide SEND deficit currently exceeds £3 billion across English councils and is projected to rise to £8 billion in 2026/27. It is therefore anticipated that the statutory override will continue into future years whilst the sector continues to push for a sustainable funding position. Whilst the statutory override means that the deficit reserve is not considered alongside our useable reserves, there is a cost to the Local Authority of holding this deficit balance within our reserves. As we have been required to cash flow the associated activity, we do not have this cash available to either invest, repay borrowing, or to support other activities. There is therefore an opportunity cost of holding the balance. At an average rate of return on our investments of 4.4%, the annual 'cost' of each £1m in negative reserves is £0.044 million (forty-four thousand pounds). With a current estimated in-year deficit of £9.5m, this would mean an additional annual 'cost' to us of almost £0.5 million. This is a significant risk in our MTFP and a removal of the statutory override would have an impact on our level of usable reserves and would therefore present a significant risk to our financial resilience. Whilst the potential impact would be significant, the assessed likelihood is low when viewed in the national context. The removal of the statutory override would decimate the usable reserves of many local authorities and would lead to the issuance of an unprecedented number of S114 notices across the sector.

Potential Risk	**Assessment**
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 and the results of this are reported to Cabinet and Finance and Budget Monitoring Scrutiny Committee via the quarterly performance report.
Do senior managers own the responsibility for managing cost pressures and delivering agreed budget savings?	Yes – this is clearly set out in Financial Regulations and individual job descriptions. Furthermore, the budget sign-off process ensure senior managers are clear on how budgets have been compiled and the extent of their financial management responsibilities. Budget savings are reviewed throughout the year and senior managers take ownership of the delivery plan and scheduling for significant items. Monitoring throughout the year reports on the performance against these delivery plans.
Have risks to the Housing Revenue Account (HRA) been assessed?	Yes – a combination of the impact of rent freezes in recent years, and increased costs in relation to damp and mould and repairs, has eroded the level of HRA reserves and therefore presents a risk within the 30 year business plan. HRA reserves are projected to fall to approximately £5 million by the end of 2024-25. Stock condition surveys are currently underway and these reviews also have the potential to increase the strain on the repairs budget within the HRA. Work continues on the integration of transferred housing services and it is anticipated that this will release further efficiencies that will reduce the pressure on the HRA and improve the financial resilience. Targeted work will continue to be undertaken on void properties to minimise the rent loss and costs associated with holding these empty properties. Until the review work is completed, there is a risk of increased costs and therefore a further decrease in reserve levels. This will be monitored closely and opportunities will be explored to reprofile investment and to manage costs.

Potential Risk	Assessment
Have risks to the Collection Fund been assessed?	Yes – the current assumption on the long-term Council Tax collection rate is 98.0%, which is still below the actual long term collection rate of 98.6%. The collection of business rates also presents a risk in relation to the potential for successful appeals to the rating, which will result in a refund in relation to prior periods, and a decrease in the amount receivable in future years. We have established a provision to offset this risk and this is reviewed regularly to ensure that the level held is sufficient. Performance against collection rate targets is regularly monitored for both Council Tax and business rates, with both measures currently on target or ahead of target at this stage of the year. Assumptions on the growth in the Council Tax base and business rates base are both made on a prudent basis when compared to the trend over recent years.
Have risks associated with joint ventures and wholly owned companies been assessed?	Yes, the council is a shareholder or member of a range of wholly-owned companies and joint ventures (i.e. companies jointly owned with one or more third parties). The shareholder board has been established to obtain assurance form each of these entities and to report to elected members and the public through the Annual Governance Statement. To achieve this, the Shareholder Board will: • maintain a live list of the council's shareholding / membership of corporate entities and lead council officer(s) for each; • obtain assurance that any risks to the council are known, documented and appropriately managed by the entities and joint ventures through an annual self-assessment programme. This includes reputational risks associated with late filing of company accounts and returns; and • provide support, training and guidance to those acting as directors and shareholders on behalf of the council.

Based on the results of this risk assessment, the Chief Finance Officer has concluded that the estimates included in the 2025-26 budget are sufficiently robust for the purposes of the Council Tax requirement calculations.

Adequacy of reserves

The council's medium-term financial plan is based on the following principles in relation to reserves:

- 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.

As at 31 March 2024, the unearmarked General Fund reserve totalled £17.6 million.

At Q2 there is a projected overspend of £1.0 million. If this is the position at the end of the financial year then this pressure would need to be funded from the unearmarked General Fund reserve thus potentially reducing the balance from £17.6 million to £16.6 million as at 31 March 2025.

In Appendix 8 of the Revenue and Capital Plan, the council has assessed the financial risks it faces and sought to quantify these in terms of potential impact and likelihood, and this amounts to £17.6 million. Given the level of the unearmarked General Fund reserve is now expected to be less than this, the council will need to develop options to increase the level of the unearmarked General Fund reserve back up to £17.6 million as part of the 2024-25 outturn.

Our earmarked reserves are set aside for specific purposes. The main earmarked reserves are set out in Appendix 9 of the Revenue and Capital Plan.

As set out in Table 9, the level of earmarked reserves is expected to reduce from £142.6 million as at 31 March 2024 to £127.9 million as at 31 March 2025 in line with the purposes for which the individual reserves were established.

Table 9 – profile of General Fund earmarked reserves

All figures in £ million	31 March 2024 (actual)	31 March 2025 (estimate)	31 March 2026 (estimate)
Contractual commitments	(3.6)	(3.4)	(3.1)
Unspent government grants	(32.8)	(30.2)	(29.0)
Planned future spending	(58.5)	(50.0)	(40.7)
Specific risks	(34.1)	(35.6)	(36.0)
Budget stabilisation	(11.5)	(6.8)	(3.7)
Other	(2.1)	(2.0)	(1.9)
TOTAL	**(142.6)**	**(127.9)**	**(114.4)**

There is modest planned use of reserves to support the General Fund net revenue budget (£2.5 million in 2025-26) but this is planned to be phased out over the next two 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 £17.6 million at 31 March 2025, which represents 6.0% of the 2025-26 net revenue budget.
- The budget stabilisation reserve is estimated to be £6.8 million at 31 March 2025, which represents 2.3% of the 2025-26 net revenue budget.
- The transformation reserve is estimated to be £7.2 million at 31 March 2025.
- Other earmarked reserves are estimated to total £113.9 million at 31 March 2025 – these may be used on a short-term temporary basis, provided the funding is replaced in future years.
- The level of earmarked reserves, as set out in the CIPFA Financial Resilience Index and Oflog's 'Local Authority Data Explorer' is above the median average of the council's CIPFA Nearest Neighbours.

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 the context of the financial risks we are facing.

CIPFA financial resilience index

CIPFA published the latest version of its financial resilience index, which is based on the Revenue Expenditure and Financing England Outturn Report 2022-23 ('RO Forms') and reflects figures submitted by Local Authorities to DLUHC as at 31 March 2023.

Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	3.16	100.00	100.00
Level of Reserves	17.11%	75.44%	126.69%
Change In Reserves	-48.69%	79.53%	96.38%
Interest Payable/ Net Revenue Expenditure	1.61%	10.63%	14.19%
Gross External Debt	£172,269k	£930,117k	£1,220,539k
Social care ratio	52.91%	77.74%	94.67%
Fees & Charges to Service Expenditure Ratio	6.74%	14.26%	20.92%
Council Tax Requirement / Net Revenue Expenditure	41.91%	53.30%	69.77%
Growth Above Baseline	-7.74%	-7.74%	19.67%

Indicator	Min	Indicator Value	Max
Unallocated Reserves	3.26%	4.35%	13.36%
Earmarked Reserves	8.00%	71.08%	113.33%
Change in Unallocated Reserves	-18.29%	0.00%	509.33%
Change in Earmarked Reserves	-53.98%	88.72%	105.67%
Change in HRA Reserves	-37.33%	-15.35%	602.28%
Children Social Care Ratio	23.66%	27.10%	44.19%
Adult Social Care Ratio	28.23%	50.64%	53.10%

Key points to note from the above are as follows: (figures used were from 2022-23)

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.
- **Change in reserves** – the council's use of reserves was comparatively lower than other nearest neighbours.
- **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.

Office for Local Government

The Office for Local Government (Oflog) was established with a vision to provide authoritative and accessible data and analysis about the performance of local government and support its improvement.

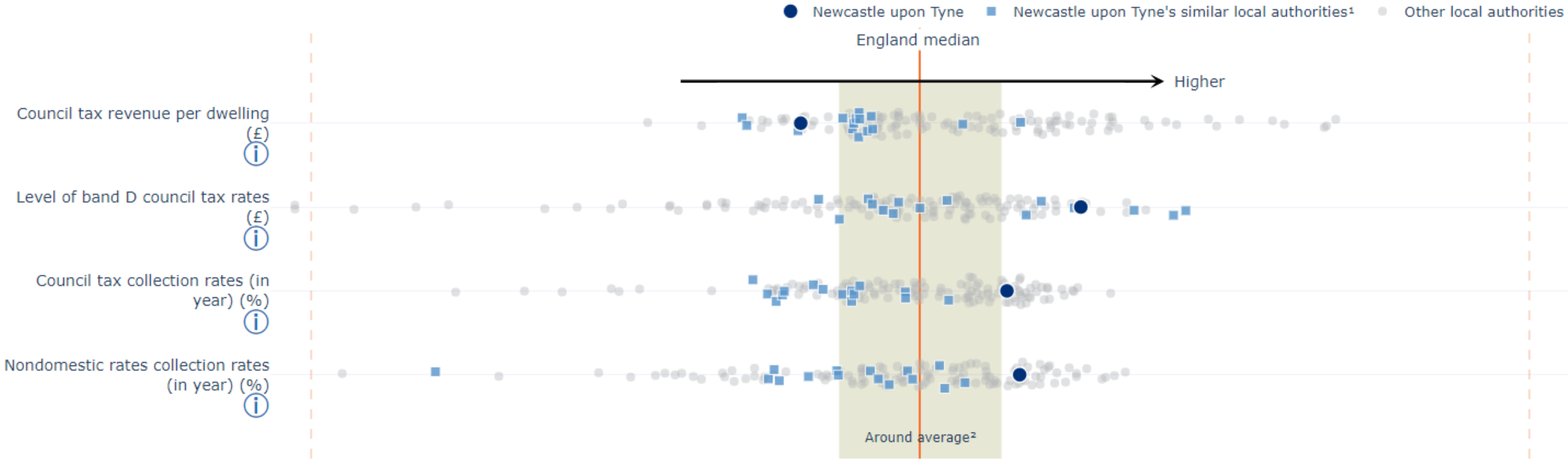
The key tool that has been launched by Oflog is the 'Local Authority Data Explorer', which has been compiled with information from Local Government returns.

The council's position for the finance category is set out below. The dark blue circle represents Newcastle and the lighter blue square shaped indicators represent our CIPFA nearest neighbours (which represent the statistically closest comparator authorities assessed across a range of 40 metrics):

Council tax data for Newcastle upon Tyne, 2023-24

Council tax and non-domestic rates (business rates) are paid directly to councils by the businesses and households in the area. Collection rates can be influenced by councils' collection methods, as well as factors which are partly or wholly outside of council control, such as the make-up of the local population, types of businesses in the area and people's ability to pay.

Show more

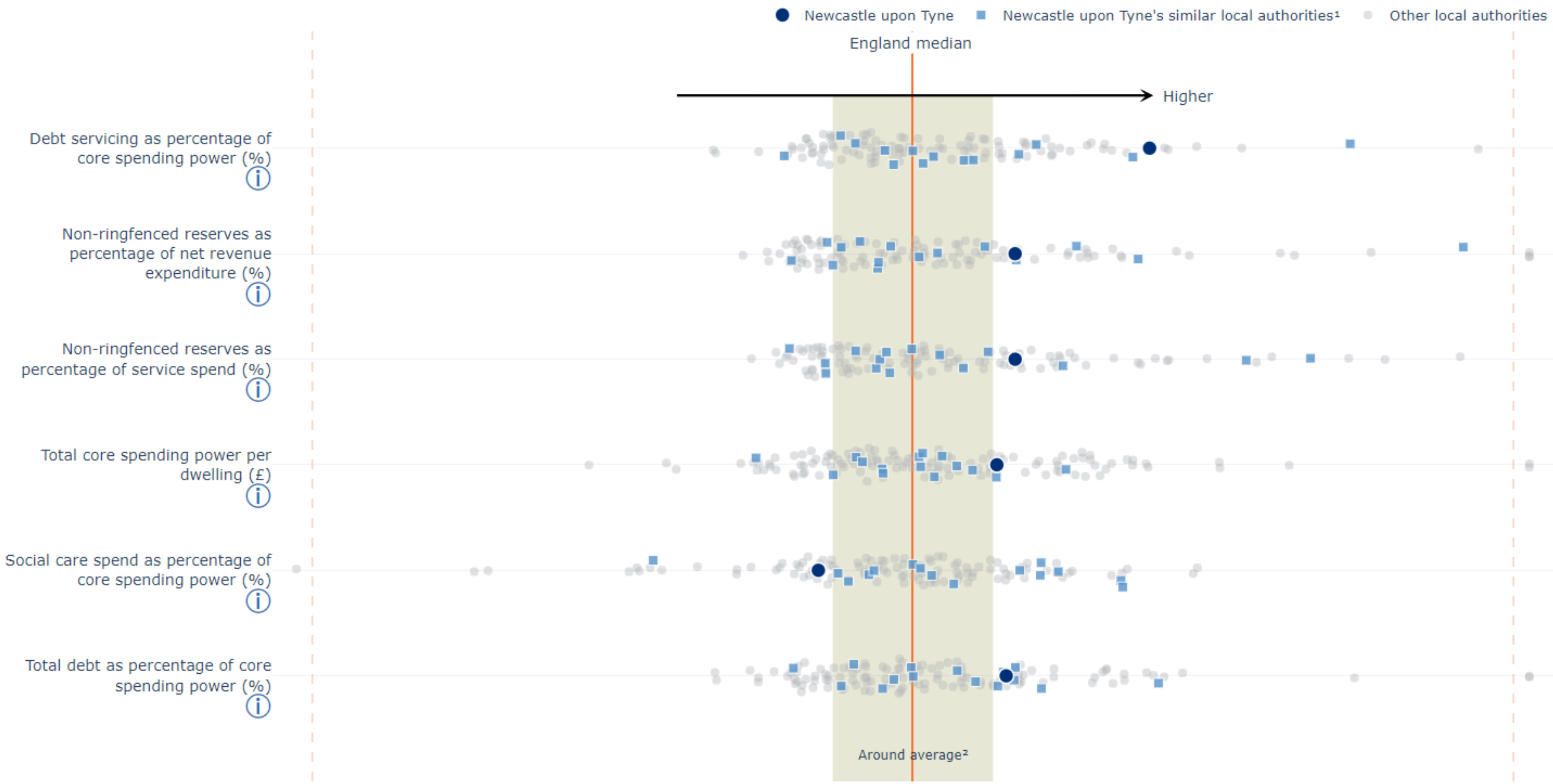


Page 27

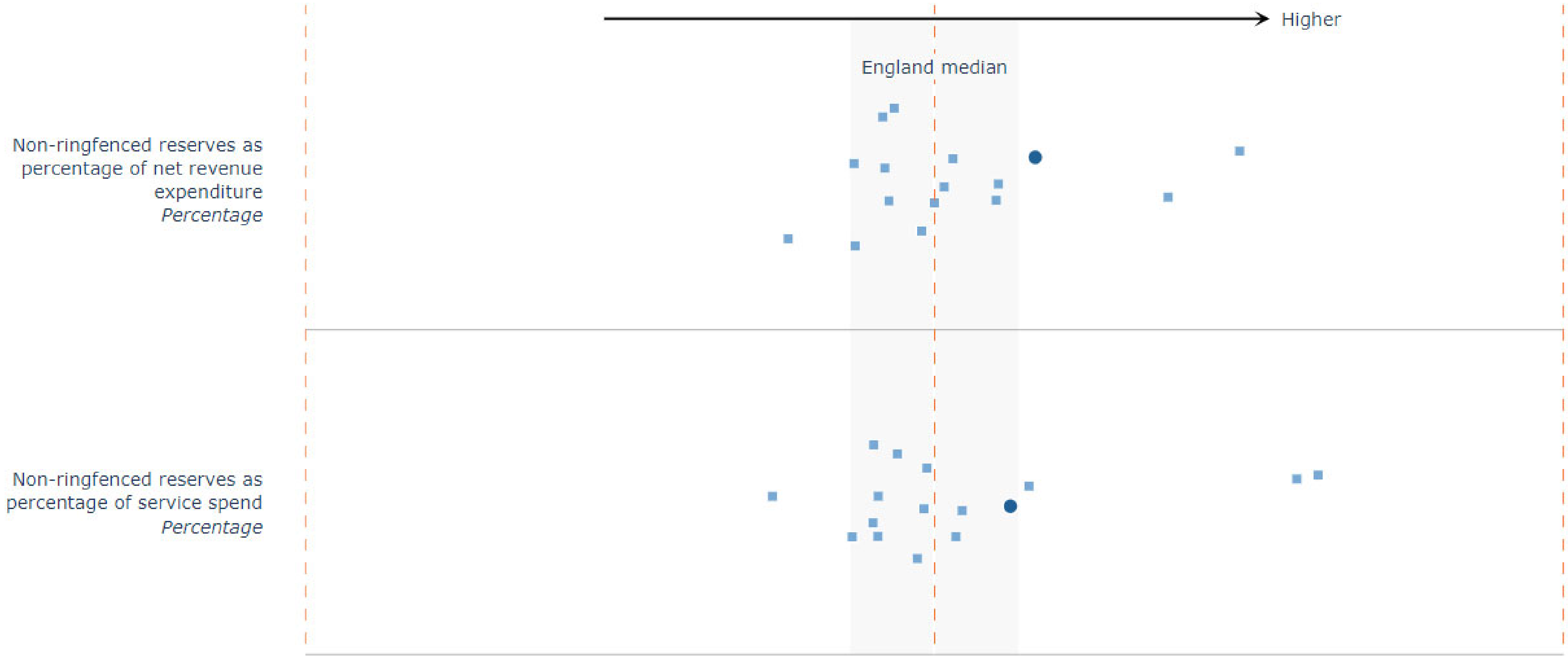
Council finances data for Newcastle upon Tyne, 2023-24

This data gives an idea of how much money councils have available to spend, how much debt they hold and some of their spending pressures. While useful, on their own these metrics cannot show whether a council is managing its finances effectively, without considering the whole council financial strategy (e.g. spending or future plans).

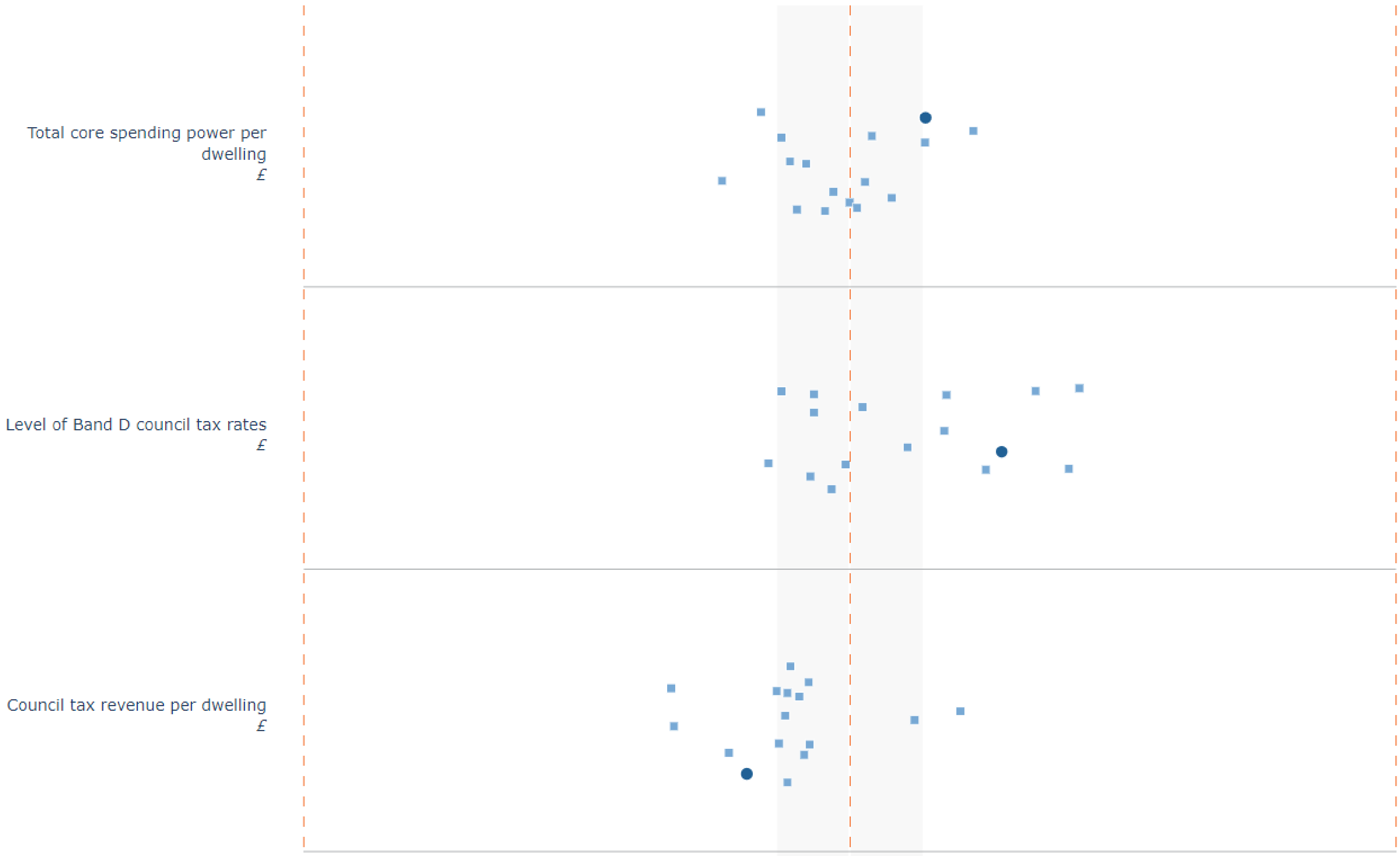
Show more



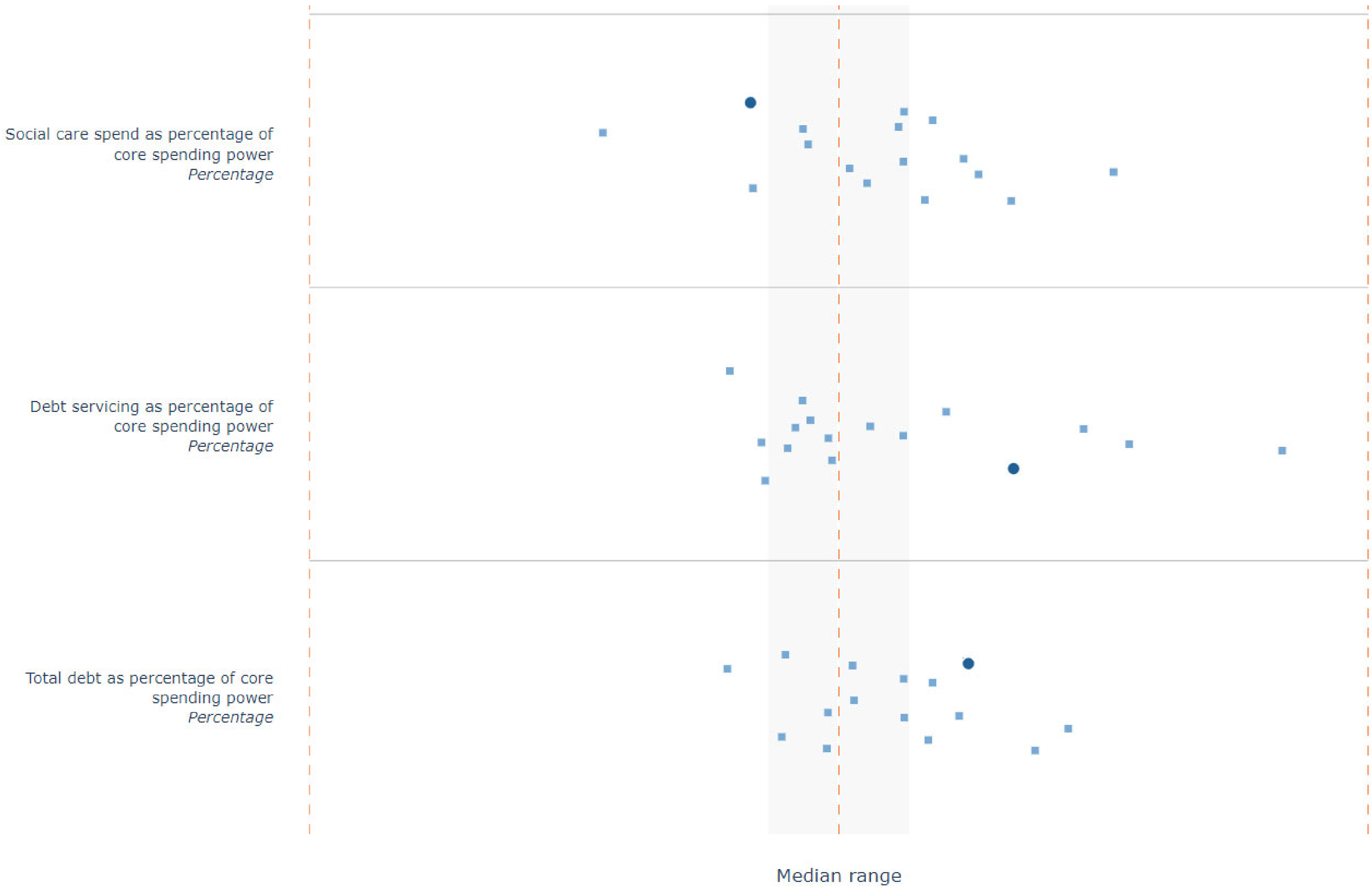
Page 28


Higher
England median
Non-ringfenced reserves as percentage of net revenue expenditure
Percentage
Non-ringfenced reserves as percentage of service spend
Percentage

Page 29


Total core spending power per dwelling
£
Level of Band D council tax rates
£
Council tax revenue per dwelling
£

Page 30


Social care spend as percentage of core spending power
Percentage
Debt servicing as percentage of core spending power
Percentage
Total debt as percentage of core spending power
Percentage
Median range

Data table for Unitary Authorities, Metropolitan Districts and London Boroughs

Indicator (click for source data)	Financial year	Newcastle upon Tyne	Median of Newcastle upon Tyne's CIPFA Nearest Neighbours	England median (Unitary, Metropolitan and London Boroughs)
Non-ringfenced reserves as percentage of net revenue expenditure	2021-22	75.8%	53.6%	54.9%
Non-ringfenced reserves as percentage of service spend	2021-22	57.3%	42.3%	44.6%
Total core spending power per dwelling	2021-22	£2013.97	£1870.51	£1885.14
Level of Band D council tax rates	2021-22	£1792.81	£1609.09	£1554.02
Council tax revenue per dwelling	2021-22	£1096.58	£1174.11	£1293.42
Social care spend as percentage of core spending power	2021-22	60.3%	70.7%	66.4%
Debt servicing as percentage of core spending power	2021-22	17.8%	8.6%	9.0%
Total debt as percentage of core spending power	2021-22	368.7%	297.9%	226.7%

Key factors are summarised below:

- **Council Tax revenue per dwelling** – the council's figure of £1,190.38 is below the statistical median for both the CIPFA Nearest Neighbours and all English local authorities. This reflects the relatively high proportion of properties in the lower Council Tax bands in Newcastle (bands A to C) when compared to other similar local authorities and is therefore a limiting factor in our ability to raise additional revenues through council tax.
- **Level of Band D Council Tax rates** – the council's figure of £1,919.32 is above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities. Newcastle's band D average is above the nearest neighbour's average and is 4th highest of the 16 nearest neighbours.
- **Council Tax and Business Rates collection** are above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities.
- **Debt servicing as percentage of core spending power** – the council's figure of 18.7% is above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities.
- **Non-ringfenced reserves as percentage of net revenue expenditure** – the council's figure of 61.5% is above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities. Reserves are held against future committed expenditure or to manage risks within the budget. This mirrors the CIPFA financial resilience index in that council's total reserves as a proportion of net revenue expenditure continues to be comparatively high.
- **Non-ringfenced reserves as percentage of service spend** – the council's figure of 48% is above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities. Reserves are held against future committed expenditure or to manage risks within the budget. This mirrors the CIPFA financial resilience index in that the council's total reserves as a proportion of net spend continues to be comparatively high.
- **Total core spending power per dwelling** – the council's figure of £2,372.22 is above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities. The council's spending power has started to increase following austerity cuts now that there have been increases in social care funding of which the council's needs indicator is high in comparison to other authorities.
- **Social care spend as percentage of core spending power** – the council's figure of 64.7% is below the statistical median for both the CIPFA Nearest Neighbours and all English local authorities.
- **Total debt as percentage of core spending power** – the council's figure of 304.5% is above the statistical median for both the CIPFA Nearest Neighbours and all English local authorities.

The intention of this final indicator is to ensure that borrowing is affordable. The council's debt servicing costs and total debt as a percentage of core spending power are high compared to nearest neighbours and the all-England average as also shown in the CIPFA financial resilience statistics. However, as highlighted with the CIPFA financial resilience indicators not all CIPFA Nearest Neighbours have a Housing Revenue Account, and just under half of the council's debt relates to the Housing Revenue Account. It should also be noted that the council's policy on borrowing aligns with the CIPFA Prudential Code in only allowing borrowing where we can demonstrate savings or increased income to fund the debt costs. This ensures the planned capital expenditure is affordable.

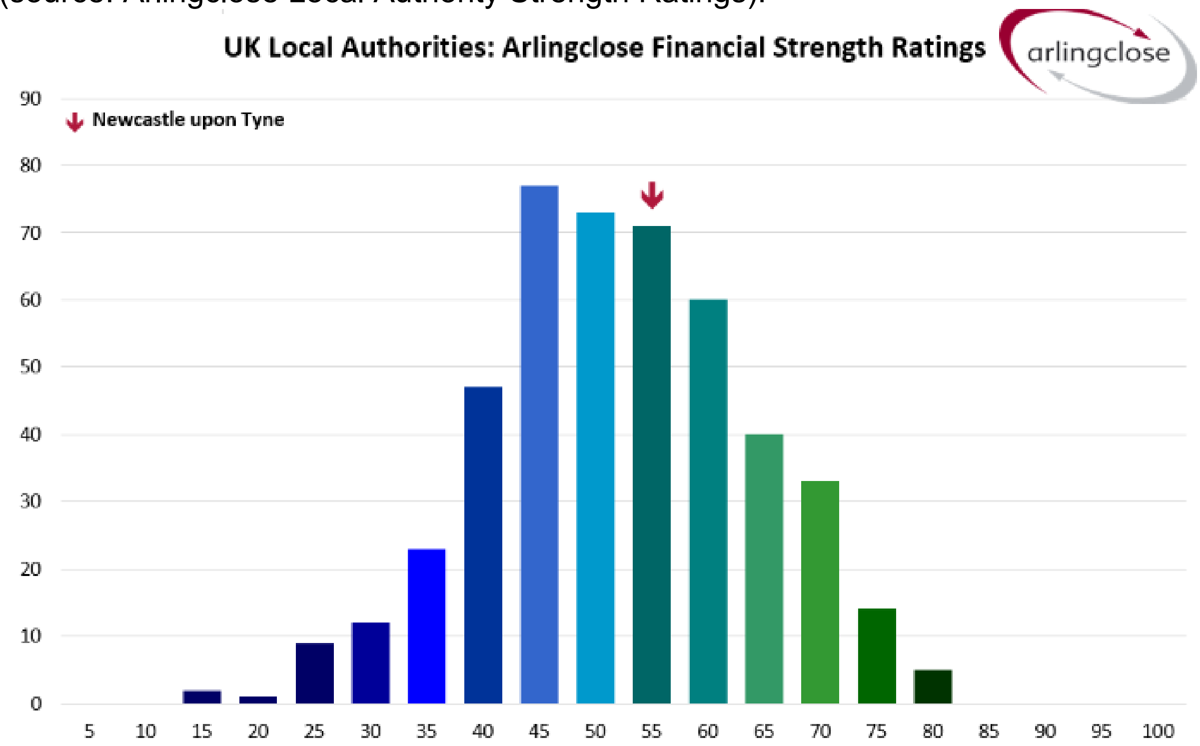
Arlingclose financial strength ratings

Arlingclose is an independent treasury advisory company which provides financial advice and capital expertise for the public, private and third sectors. Arlingclose have shared their updated financial strength ratings, which rate local authorities from 0 to 100 based on ten indicators, each scoring from 0 to 10. The assessment is based on published datasets from MHCLG and higher numbers indicate higher financial strength.

Arlingclose publishes financial strength ratings for local authorities based on ten indicators across four categories: level of debt, interest cost, income flexibility, the level and rate of use of revenue reserves; plus, an overall score. Indicator scores range from 0-10, with the median authority scoring 5, and 10 indicating the strongest. The overall score is the sum of the ten indicator scores.

The latest ratings published are based on a combination of datasets covering all UK local authorities except national parks.

Newcastle City Council has a rating of 52, which places us in the following ranking in comparison to the English unitary authorities, London and metropolitan boroughs (source: Arlingclose Local Authority Strength Ratings):



Arlingclose Local Authority Financial Strength Ratings			Q4 2023/24
Newcastle upon Tyne			
Indicators: Debt	**Local auth**	**Median**	**Score**
Debt: reserves	468%	240%	4
Debt: income	101%	51%	4
Planned CFR increase: income	2%	8%	6
Category Score: Debt /30			**14**
Indicators: Interest			
GF interest paid: GF income	1.4%	1.2%	5
ST & variable borrowing: income	0.0%	0.0%	5
Category Score: Interest /20			**10**
Indicators: Income			
Locally set income: total income	49%	52%	5
Category Score: Income /10			**5**
Indicators: Reserves			
Reserves: income	21.5%	21.5%	5
GF reserves: GF income	23.1%	21.1%	5
Use of GF reserves p.a.	-9.0%	-6.3%	6
Planned use of GF reserves	-4.5%	5.4%	7
Category Score: Reserves /40			**23**
Deductions			
Late/missing data	0	n/a	0
Section 114 reports (x2 if within a year)	0	n/a	0
Deductions			**0**
FINANCIAL STRENGTH RATING /100			**52**

The overall rating is consistent with that previously provided in January 2024, which provides evidence of the stability of our position when compared to the wider sector.

Conclusion and View of the Chief Finance Officer

Based on the results of this risk assessment, the Chief Finance Officer has concluded that the estimates included in the 2025-26 budget are sufficiently robust for the purposes of the Council Tax requirement calculations.

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

This page is intentionally left blank

CABINET

Newcastle City Council

Date of Cabinet:	**10 December 2024**
Title of report:	**Our medium-term financial plan for 2025 - 2026 to 2027 - 2028: Revenue and Capital Plan**
Name of Cabinet Member:	**Councillor Paul Frew**
Responsible Director:	**Mark Nicholson, Chief Finance Officer**
Report Author:	**Tim Gorman, Service Manager Financial Strategy**

Confidential / Not for Publication **Key Decision**
No

Report summary and link to Council priorities:

To set out a draft budget for 2025-26 and a draft medium-term financial plan for the period from 2025-26 to 2027-28. The report will provide the latest assessment of the council's overall financial position, taking into account external economic and other factors, and proposals to set a balanced budget for 2025-26 and an assessment of the financial position for the following two years. Cabinet will be asked to approve the draft plan for consultation.

Summary of decision being asked:

Cabinet is recommended to agree the medium-term financial plan for 2025-26 to 2027-28 and its appendices as the basis for consultation with residents, partners and other stakeholders until 15 January 2025. The consultation will focus on the detailed service proposals for 2025-26 and proposals for Council Tax and the adult social care precept.

1 What is the report about?

1.1 Our medium-term financial plan for 2025-26 to 2027-28 sets out the latest assessment of the financial challenges we face. It also sets out draft plans for the savings we will need to make, in co-operation and collaboration with communities and partners, to deal with these challenges for 2025-26 and how we'll continue to approach detailed planning for 2026-27 and 2027-28.

2 What decisions are being asked for?

2.1 Cabinet is recommended to agree our medium-term financial plan for 2025-26 to 2027-28 and its appendices as the basis for consultation with residents, partners and other stakeholders until 15 January 2025. The consultation will focus on the detailed service proposals for 2025-26 and proposals for Council Tax and the adult social care precept.

2.2 Our proposals for delivering a balanced budget in 2025-26 are set out in:

- Medium Term Financial Plan for 2025-26 to 2027-28
- Appendix 1 – Summary of 2024-25 savings proposals

2.3 These proposals include increasing core Council Tax by 2.99% and applying the 2% adult social care precept to Council Tax as assumed by government.

3 Why are the proposals being put forward?

3.1 We have a legal duty to set a balanced budget each year and to consult on any service or policy changes required to do so as well as any proposed increase in Council Tax before formal agreement by City Council. Detailed savings proposals for 2025-26 are therefore set out within the attached report and its appendices.

3.2 One of the proposals to set a balanced budget is to increase core Council Tax by 2.99%, in line with government expectations. The additional income generated through this will avoid the need to make further reductions to service provision beyond those set out in the accompanying report. We also propose to apply the government's 2% precept for adult social care to help address the rising costs of adult social care. This will result in an overall Council Tax increase of 4.99%.

3.3 We are publishing our proposals for 2025-26 and approach for 2026-27 and 2027-28 now to allow residents, businesses, community organisations and partners to understand and comment on what is being proposed. Assuming Cabinet agree, the proposals will be subject to a consultation until 15 January 2025.

3.4 People will be encouraged to have their say through engagement across a range of channels. A high-level summary of our communications and consultation plan is published on our website. All feedback will be considered along with any announcements that may impact upon our financial position. An updated version of our medium-term plan for 2025-26 to 2027-28 will be presented to Cabinet in February 2025 who will be asked to recommend it to the meeting of City Council on 5 March 2025 for debate and voting.

4 What impact will this proposal have?

4.1 To meet our commitment to a ‘fairness test’ for key decisions and our legal obligations (see section 1 below), we carry out integrated impact assessments (IIAs) for proposals that will result in a change to a service and / or policy in the next financial year. The IIAs, including one for Council Tax and the adult social care precept proposals, are published as background papers to this report. They outline in detail how we propose to change a service or policy, evidence that has informed the development of the proposals and our assessment of potential impacts. We will further develop the IIAs to reflect feedback received through consultation. Updated versions will be published alongside the report to Cabinet in February and City Council in March 2025.

4.2 We will go beyond our equality legal duties and also carry out a cumulative impact assessment which will consider impacts from several perspectives to ensure that the decisions we make are informed by the fullest understanding of potential impacts. We will draw on information and evidence set out in IIAs alongside potential impacts of government policies and decisions. This will form part of the updated report to Cabinet in February and City Council in March 2025.

5 What are the equality, diversity and inclusion implications?

5.1 We have drafted integrated impact assessments (IIAs) for proposals that will result in a change to a service and or policy in the next financial year, and these will be kept under review and amended as appropriate throughout the consultation phase of the process.

6 What are the climate implications?

6.1 The climate implications of the various budget proposals have been reviewed and at this stage do not present any immediate concerns; progress will be monitored to ensure opportunities are captured or challenge are tackled at the right stage in service delivery.

7 How will success be measured?

7.1 Success will be measured by setting a balanced budget for April 2025 to March 2026 and having a clear plan for our services. Officers will monitor the budget monthly to ensure all savings proposals agreed by City Council are achieved. Progress against our priorities and our revenue and capital position will be reported to Cabinet regularly, including as part of our Council performance reports.

8 What is the timetable for implementation?

8.1 Our draft proposals will be subject to consultation until 15 January 2025. An updated version of this document, appendices and supporting background papers will be presented to Cabinet on 17 February 2025. This will reflect any changes made in response to feedback received and further announcements that may impact on our financial position. Cabinet will be asked to recommend the updated document to City Council at their meeting on 5 March 2025.

9 What are the legal implications?

9.1 We are required by the Local Government Finance Act 1992 to set our Council Tax for each year on or before 11 March in the preceding financial year. To do this we must calculate our Council Tax taking requirement by taking account of our estimated future spending requirements and ensuring there are adequate reserves to draw on if the estimates turn out to be insufficient. We must take account of the report of the designated Chief Financial Officer on the robustness of these estimates and the adequacy of proposed reserves. The views of the Chief Finance Officer are set out in the Section 25 Statement and are supported by the risk assessment at Appendix 8 – General Fund net revenue budget risk assessment.

9.2 We are required to consult on our financial plans and proposals and give due regard to any responses received before finalising the proposals. To do this we must take account of our relevant statutory duties. This includes our public-sector equality duties under section 149 of the Equality Act 2010, which requires us to have due regard to the need to:

a) Eliminate unlawful discrimination.

b) Advance equality of opportunity between people who share a protected characteristic and people who do not.

c) Foster good relations between people who share a protected characteristic and those who do not.

9.3 As well as these statutory duties, we have an underlying fiduciary duty to our business rate and taxpayers to conduct our financial administration in a business-like manner with reasonable care, skill and caution, and have due regard to their responses.

10 What are the finance implications?

10.1 The accompanying report and its appendices set out the resources that will be available to us in 2025-26 and our approach to investing these resources. It also sets out our approach to financial planning for 2026-27 and 2027-28. Detailed resource implications are set out in the Medium Term Financial Plan for 2025-26 to 2027-28 and Appendix 1 – summary of 2025-26 savings proposals. Detailed implications of changes to services and policies in 2025-26 are set out in individual integrated impact assessments.

11 What are the procurement implications?

11.1 A number of proposals set out in the accompanying report and appendices will have procurement implications and will be dealt with in accordance with our procurement and financial procedures.

12 What are the key risks and how are they being addressed?

12.1 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.

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

12.3 The results of the Chief Finance Officer's assessment of the above matters are set out in the Section 25 Statement and in Appendix 8. A risk assessment has been undertaken and based on this the Chief Finance Officer has concluded:

- The estimates included in the 2025-26 budget are sufficiently robust for the purposes of the Council Tax requirement calculations; and
- The level of reserves held by the council is adequate in context of the financial risks we are facing.

12.4 The factors considered within the risk assessment will continue to be monitored over the next few months, and the assumptions underpinning the 2025-26 budget and the medium-term financial plan will be amended should there be a significant change in any of these factors.

Report Author: Tim Gorman

Job Title: Service Manager, Financial Strategy

Contact Tel no/ Email: tim.gorman@newcastle.gov.uk

Appendices

- Our Medium-Term Financial Plan for 2025-26 to 2027-28
- Appendix 1 - Summary of 2025-26 savings proposals
- Appendix 2 – Breakdown of cost pressures
- Appendix 3 – Net expenditure budgets by directorate
- Appendix 4 – Net expenditure budgets by service
- Appendix 5 – Fees and Charges Policy
- Appendix 6 – Summary of directorate budgets
- Appendix 7 – Housing Revenue Account budget
- Appendix 8 – General Fund net revenue budget risk assessment
- Appendix 9 – Projected trend in earmarked reserves
- Appendix 10 – Consultation and engagement plan
- Appendix 11 - 2025-26 Capital and Investment Strategy
- Appendix 12 - 2025-26 Treasury Management Strategy
- Appendix 13 - 2025-26 Minimum Revenue Provision Policy Statement

Background Paper

- Section 25 Statement of the Chief Finance Officer

Our medium-term financial plan for 2025-2026 to 2027-2028: Revenue and capital plan

Draft for consultation

Newcastle City Council

Contents

Foreword

Introduction by the Leader of the Council

This Medium Term Financial Plan is important to everyone in Newcastle.

It sets out how we will deliver a balanced budget that enables our city to run sustainably whilst delivering our ambition for everyone to live happy, healthy lives.

Our financial approach is key to delivering our Council Plan, providing the context and parameters that we are working in, and enabling sound decisions to be made that place residents at the heart of our services.

Government has made a good start in tackling inequalities by announcing increased investment in health, schools, social and affordable housing, roads, minimum wage, social care and children with special educational needs in its Autumn Budget. It also committed to a targeted approach to funding settlements for local government in future, which will impact our financial planning.

Developing this Medium Term Financial Plan is a continuous process, involving every part of our organisation to fully understand our dynamic financial environment and identify ways to modernise and improve our services, reduce costs and generate income for our city. Our recent Local Government Association (LGA) Corporate Peer Challenge praised our sound financial management and impressive track record of delivering savings to maintain stability against a challenging financial context. This Plan continues to build on its recommendations by aligning our capital and revenue resources to our Council Plan priorities for greatest impact.

This Plan is a strategic response that looks forward and ensures Council resilience, enabling us to consider long term impacts, withstand economic shocks and remain vigilant to risk. It is also accounts for our funding gaps – the difference between changes in the core funding we expect to receive and the cost of delivering services. Explaining this transparently is crucial to maintaining the trust of citizens in the Council; funding gaps due to demand for our services, inflation and other financial pressures mean that we have to think about our investment differently, looking at earlier and wider interventions that we can provide for people to prevent their need escalating to crisis point.

Like all local authorities, we continue to operate in a challenging economic climate. The local picture in Newcastle reflects a national one: Our population is growing, and people are generally living longer, often with increased and more complex need. The constraints to our core funding and the limitations on local authorities' ability to raise local funding for social care services through council tax increases are recognised in this Plan, and I will continue to make representations to government on Newcastle's behalf about the real impacts of this policy experienced by people in our city.

We are a robust Council with dedicated employees whose expertise brings together hundreds of public services under a common purpose to deliver public good. To meet the challenges ahead, we must continue to work as one city, growing our networks of collaboration and developing key partnerships to secure and maximise our collective income streams for the benefit of residents.

I am proud of the hard work that we have undertaken to present this Medium Term Financial Plan, and I thank colleagues for their continued determination to deliver for the people of Newcastle.

Cllr Karen Kilgour

Introduction

The council spends in the region of £1.2 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 £130 million of this is ring-fenced to schools, and £140 million is ring-fenced to services for council tenants. £760 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 £150 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

Between 2010 and 2024, the council has had to achieve savings of £381 million due 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 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.
- Assessment of future resources and cost pressures in line with a mid-case scenario rather than a worst-case or best-case scenario – with 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 fees and charges to fully recover the costs of providing discretionary services except when a specific decision has been made to subsidise these services in line with the council's 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 and capital 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	2025-26	2026-27	2027-28
Revenue Support Grant	33.8	33.8	33.8
Business rates (incl. grants)	109.5	111.7	113.9
Council Tax	149.7	155.7	162.0
Net revenue budget	**293.0**	**301.2**	**309.7**

As can be seen from Table 1, the net revenue budget is expected to be £293.0 million in 2025-26 and to increase to £309.7 million in 2027-28. However, as can be seen from Table 2 below, significant savings are required in all years due mainly to cost pressures; further details of 2025-26 savings are set out later in this document and in Appendix 1 – summary of 2025-26 savings proposals.

Table 2 – annual budget changes

All figures in £ million	2025-26	2026-27	2027-28
Previous year's net revenue budget	281.2	293.0	301.2
Cost pressures	30.2	29.7	24.5
Choice	3.0	2.0	2.0
Annual savings required	(21.3)	(23.5)	(18.0)
This year's net revenue budget	**293.0**	**301.2**	**309.7**

Table 2 shows how the proposed change in the budget for each year is broken down by cost pressures, choice and savings required.

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 £381 million (equivalent to £2,629.01 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 are £62.8 million. The savings required to off-set unfunded cost pressures over the next three years have been built into Chart 1.

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

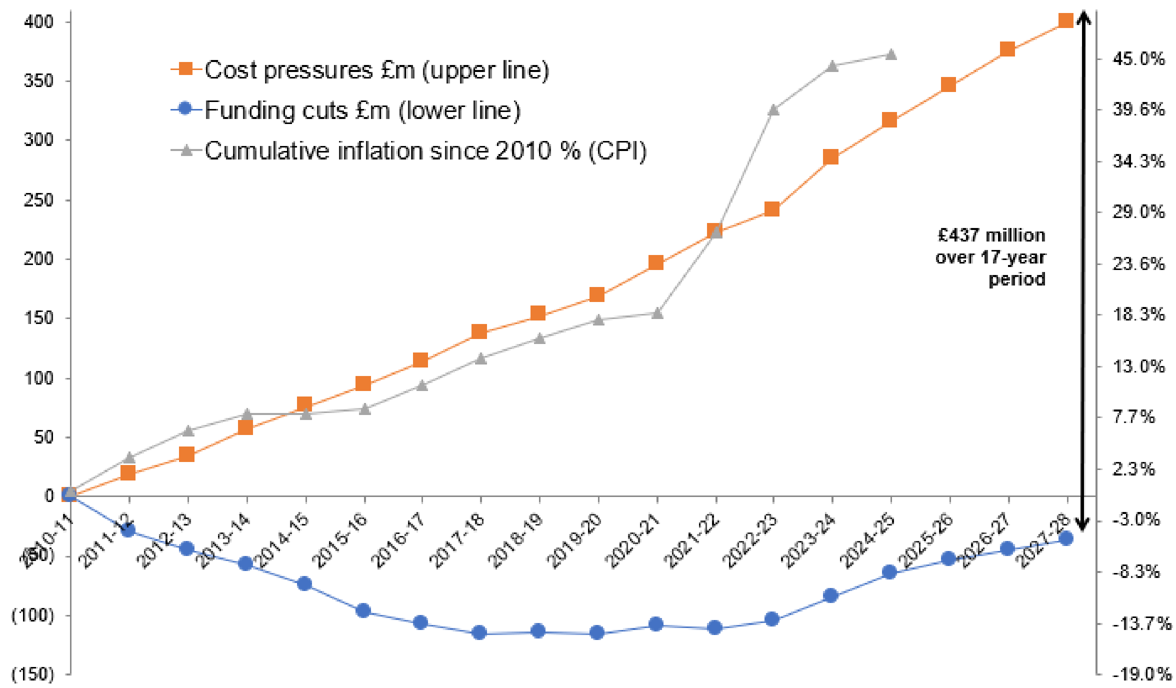


Chart 1 shows the total reduction in funding since 2010-11 (lower line with circle shaped markers). Including the projected funding position to 2027-28, this means that the council has received a reduction in funding of £37 million. The chart also shows the cost pressures faced by the council over the same timeframe (upper line with square shaped markers). Including the projected cost pressures to 2027-28, this means that expenditure has increased by £400 million over the same period. The gap between the cost pressures and the funding is therefore £437 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.

Chart 1 also shows the cumulative inflation over the same period (line with triangle shaped markers), which has had a significant impact on our budget particularly in recent years as the rate of inflation has increased.

Projected outturn for 2024-25

The savings required over the next three years should be viewed in the context of the latest projected outturn position for 2024-25.

As affirmed by the 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 Council is currently projecting a potential pressure of £1.0 million on its General Fund budget at this stage of the year. Managers will continue to seek to improve the financial performance of their services and specific options will be developed 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 then this will be funded from the unearmarked General Fund 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 2024

The Autumn Statement was announced on the 30 October 2024. Whilst we have not received specific information relating to the council's grant funding at this point, we have assessed the announcements made and we have summarised the key relevant points below.

The estimated impact of these announcements has been incorporated into the position presented within this report. However, we will need to wait for the provisional 2025-26 local government finance settlement in late-December 2024 to find out what this will specifically mean for the council when any distributional changes are also taken into account.

£1.3 billion of new grant funding was announced for local government, £600 million of which is for social care and, and £700 million to support general pressures. Whilst we have not received details on our specific share of this funding, we have included estimates in this report that are based on prior allocation methodologies. It should be noted that the budget included an announcement that the distribution of grant funding will be amended to take greater account of needs and deprivation within the formula. This should be to the benefit of Local Authorities with a higher level of deprivation - such as Newcastle - although the potential impact of this cannot be estimated until further information is released.

Whilst the increase in the 'Core Spending Power' is higher than previously assumed, a number of increased cost pressures arise from the budget, and it is unclear whether any additional funding will be available to meet these pressures. We therefore need to be cautious with the assumptions made in relation to this additional funding. Further clarification is not likely to be provided until the publication of the Local Government Provisional Financial Settlement, which is due in December 2024.

The budget included an announcement of an increase in the rate of National Insurance Contributions (NICs) that employers are due to make from 13.8% to 15%. The threshold at which these payments need to be made has decreased from salaries over £9,100 to salaries over £5,000. The combination of these changes will significantly increase the amount of NICs that are payable and an estimate of this increase has been bult into the figures presented in this report. We have also assumed that we will receive grant funding to compensate for this increase, as announced at the Autumn Budget.

It is considered unlikely at this stage that we will receive further funding for the indirect impact of the increase in Employers NICs, which will increase the costs of employing staff for our suppliers and commissioned services.

No confirmation of the referendum limit for Council Tax was provided within the Autumn Budget, although clarification has subsequently been received through the answer to a question in Parliament. These limits were set at 2.99% for core Council Tax and 2% for the Adult Social Care Precept in 2024-25 and confirmation has been given that these will remain at the same level in 2025-26.

The implementation of the Extended Producer Responsibility for Packaging Scheme was announced in the Autumn Budget and this is anticipated to generate £1.1bn nationally. It was also announced that this fee income would be guaranteed by the Treasury for 2025-26 only. We have not yet received information on the operation of the scheme and the additional costs and revenues associated with this. It was also unclear at this stage whether any net increase in funding from this scheme will provide a boost to our base budget, or if the income would represent a one-off benefit.

The Autumn Budget included confirmation that the settlement for 2026-27 onwards will be made on a multi-year basis, and that this would again take greater account of needs and deprivation within the formula. Further reforms were also flagged in relation to the Business Rates systems and high needs funding for education services. Further information on this was expected to be published in a 'local government financial policy statement' in November 2024.

The following changes to Business Rates were announced, alongside proposals to reform the system in future years:

- Retail, Hospitality and Leisure Relief will continue into 2025-26, although this will be at a reduced rate of relief of 40% (reduced form the current 75% relief).
- The small business multiplier will be frozen for the fifth consecutive year, and the standard multiplier will be increased in line with September CPI at 1.7%. Government confirmed that Local Authorities will again be compensated for the loss of revenue in relation to the freezing of the multiplier.
- Removal of the 80% mandatory charitable rate relief for Private Schools in England.

The Autumn Budget included a number of announcements that will impact on the Housing Revenue Account (HRA). The Chancellor announced a consultation on a new social housing rent policy, which proposes that social housing providers be allowed to increase rents by up to consumer price inflation (CPI) plus 1% annually for the period between 2026/27 and 2030/31. The HRA has suffered from the impact of imposed rent freezes in recent years, for which no compensation has been received. Right to buy discounts will also be reviewed and councils will be able to keep the full receipts from Right to Buy sales, which is intended to drive increased investment in social housing.

The Household Support Fund was also extended to March 2025, although no assurances were provided on the future of the scheme in subsequent years.

Local government financial policy statement for 2025-26

The local government financial policy statement for 2025-26 was published on the 28 November 2024 and set out some additional information on the overall financial settlement position for local government in England. The individual funding allocations for local authorities will not be released until the provisional local government finance settlement, which is due in December 2024.

The key announcements in relation to local government funding are summarised below.

It is estimated that there will be grant increases of £1.530 billion across three priority grants within the settlement:

- £600 million available nationally through the Recovery Grant, which will be distributed to those authorities with the highest needs. The indication is that this will take into account both the level of deprivation of each local authority and the ability to raise income locally through taxation. Newcastle has a relatively high level of deprivation and a low ability to raise council tax due to a council tax base where properties in bands A to C make up a large proportion of this base. This would therefore indicate that we should be within the scope of those authorities that this grant is targeted towards.
- £680 million in Social Care Grant, to be distributed to local authorities with social care responsibilities.
- £250 million in Children’s Services Preventative Grant. This is to be distributed using a new children’s social care formula, allocated according to need for children’s social care services.

These three grants are to be funded from the £1.3 billion in additional funding that was previously announced in the Autumn Budget, plus the abolition of the Rural Services Delivery Grant (currently worth £110 million) and the Service Grant (currently worth £87 million), plus the scaling back of the minimum funding guarantee.

Clarification of the funding for the National Insurance Contribution changes was provided, and this confirmed our understanding that additional funding would be limited to the impact on directly employed staff only. There will therefore be no additional funding available to offset any potential increase in commissioning or other costs arising from this change.

New Homes Bonus will continue for 2025-26 as the final year of the scheme and there will be no change in the methodology used to distribute this grant.

The policy statement also provided confirmation that the referendum limits for Council Tax remain unchanged, and that the Adult Social Care Precept will continue at 2% for a further year. It was also confirmed that we will receive compensation for the impact of the freeze of the small business rates multiplier.

The policy statement was also followed closely by the release of further information on the Extended Producer Responsibility for Packaging Scheme, although final allocations are yet to be confirmed. This scheme is intended to place the financial burden of the collection and disposal of packaging waste onto the producers of this waste. An estimated allocation has been included within the proposed budget.

Provisional local government finance settlement for 2025-26

The provisional local government finance settlement for 2025-26 is not due to be announced until late-December 2024, well after the draft 2025-26 budget is agreed for consultation by Cabinet. If the government do propose any changes to grant funding, or the assumptions in relation to Council Tax and business rates, then the council's budget for 2025-26 and future years will need to be amended.

Other external factors

The medium-term financial plan in recent years has been developed in the context of significant economic disruption, with high inflation which is a key contributing factor to the current cost of living crisis. The rate of increase in inflation rates has subsequently slowed, although this means that prices are rising more slowly, not falling. The Bank of England has previously increased interest rates in response, although there are signs of improvement, with rates starting to fall in recent months.

These factors continue to have 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 inflation and pay. The savings proposed have been developed within the context of the council's overarching priorities of an inclusive economy, reducing poverty and achieving the council's Net Zero ambitions. This hasn't been easy given the finite resources the council has at its disposal (and these resources are now worth less in real terms due to inflation).

The trend in inflation is illustrated in Chart 2 below, which shows the Consumer Price Index (CPI) at March of each year shown, with the exception of 2024-25 where the latest figures are used at September 2024. The percentage change at each year on the chart reflects the increase in cost of a specified basket of goods and services when compared to the cost 12 months earlier.

Chart 2 – Changes in the Consumer Price Index (CPI)

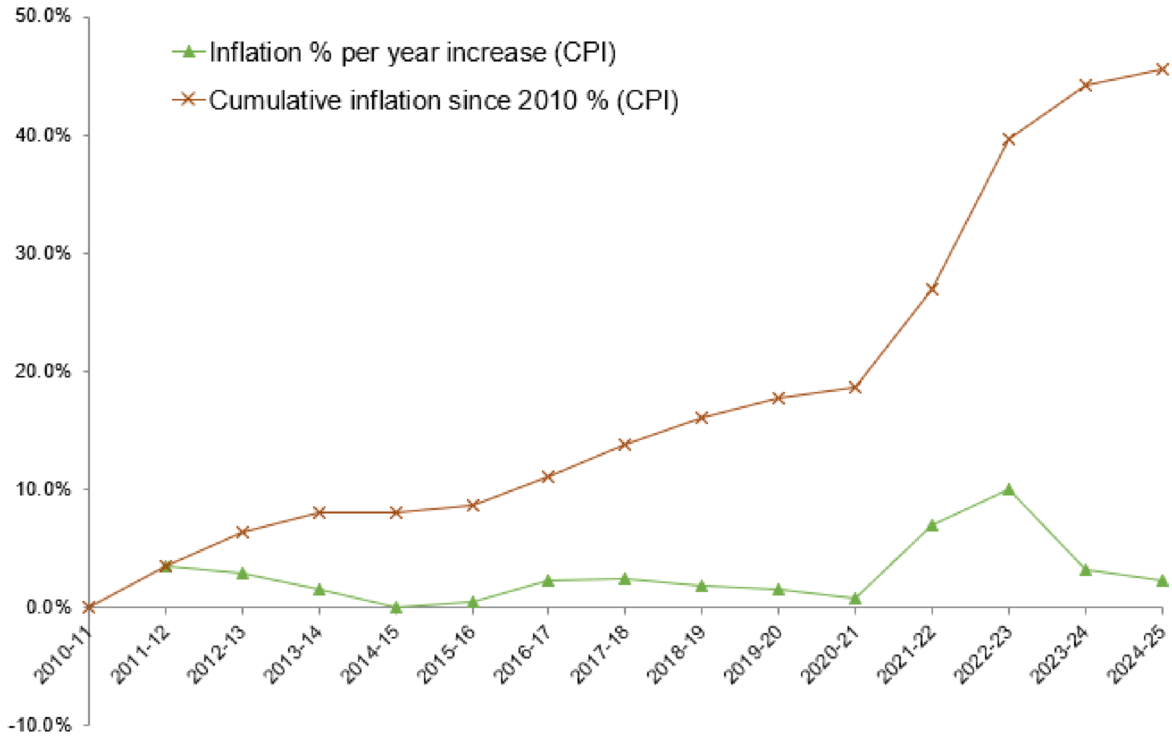


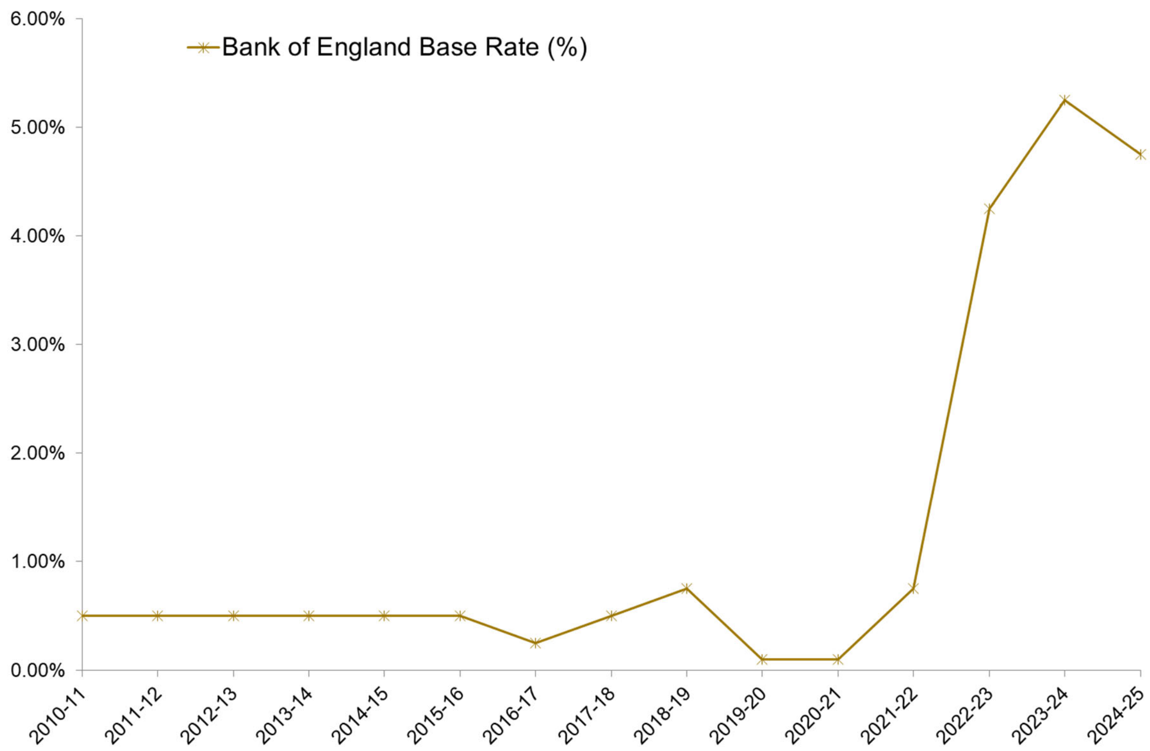
Chart 2 shows inflation since 2010. The year-on-year change is illustrated by the green line with triangular markers and shows the increase at March each year when compared to the index 12 months earlier. The overall change over this period is illustrated by the upper line with cross shaped markers.

Chart 2 shows that CPI was below 4% between 2011-12 and 2020-21, falling to 0.7% in March 2021. Since this date, inflation has increased significantly, peaking at 11.1% in October 2022. Inflation has fallen since this peak but remained above the long-term average at the end of 2023-24. The rate has decreased in 2024-25 and is currently at 2.3%. This spike in inflation in recent years has placed a considerable burden on the city council's budget.

The upper line in Chart 2 shows the overall cumulative impact of inflation on the council since 2010, with overall inflation over this period at just over 45%. Whilst specific costs will have increased at variable rates, this does demonstrate the impact of rising prices and in particular the high rate of increase in recent years.

The Bank of England Base Interest Rate has also increased substantially in recent years. The interest rate has been below 1% for most of the period since 2010 and was increased to 1.25% in June 2022. This has subsequently been increased throughout the period since and peaked at 5.25%. The rate has fallen slightly to 4.75% at the time of drafting this report (November 2024), although this remains significantly higher that the long-term average. This trend is shown in Chart 3 below.

Chart 3 – Changes in the Bank of England Base Rate



Low interest rates between 2010 and 2021 meant that the council could borrow long-term at a relatively low and fixed rate of interest, and therefore the council's cost of borrowing was relatively low. However, the amount of interest receivable on the cash balances was also low during this period.

The interest rate rises in recent years have made new borrowing more expensive, which has had an impact on the council's ability to fund capital investment through borrowing as the cost of financing has increased. However, the council does benefit from higher interest receivable on its cash balances.

The rise in interest rates places an increased financial burden on many residents as mortgage rates have also risen in recent years. This also impacts many residents who are in the private rented sector due to the indirect impact on rents.

2025-26 budget assumptions

Resources

The General Fund net revenue budget is assumed to increase by £11.8 million in 2025-26 as shown in Table 3 with the majority of the projected increase due to Council Tax income, which is raised locally.

Table 3 – change in net revenue budget

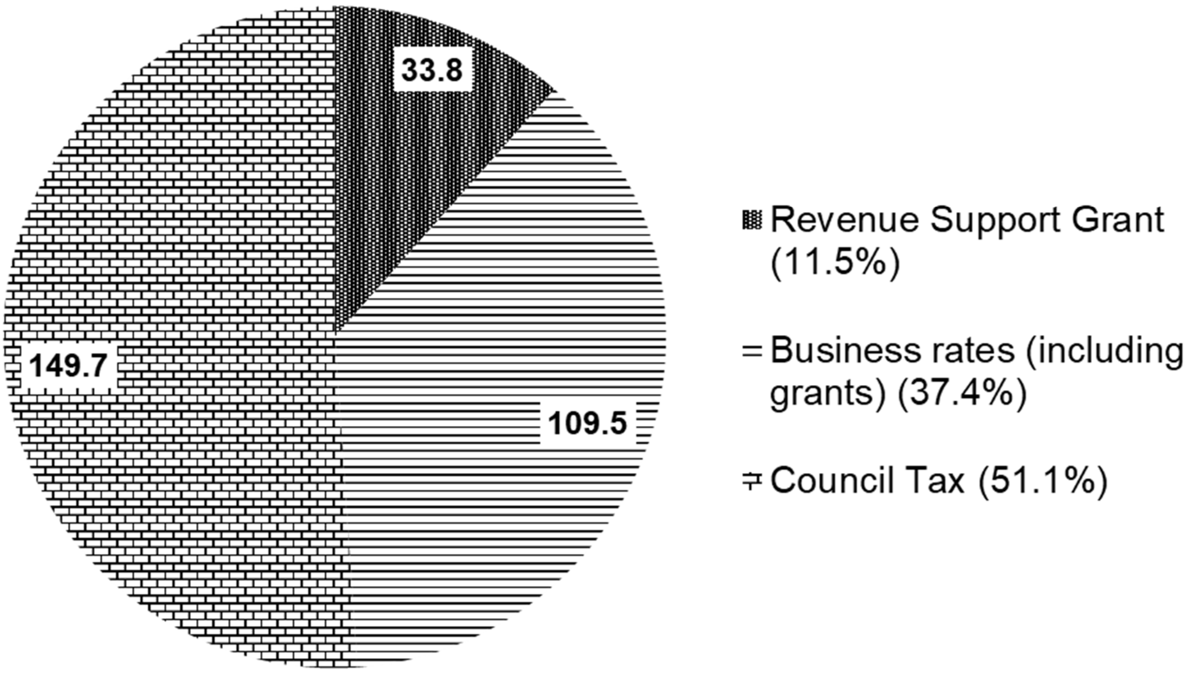
All figures in £ million	2024-25	2025-26	Change
Revenue Support Grant	33.2	33.8	0.6
Business rates (including grants)	107.5	109.5	2.0
Council Tax	140.5	149.7	9.2
Net revenue budget	**281.2**	**293.0**	**11.8**

The above figures are based on:

- A £2.0 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 projected 0.3% increase in the size of the business rates base across the city, a 1.7% increase in the business rates multiplier and a 1.7% increase in the Business Rates Top-Up Grant.
- An increase of £9.2 million in the amount of Council Tax income receivable. This is due to a projected 1.5% increase in the size of the Council Tax base, a government-assumed general increase of 2.99%, a government-assumed application of the 2.0% adult social care precept and the proposed introduction of the second homes premium charge.
- An estimated £0.6 million increase in the amount of Revenue Support Grant income receivable. This is based on an estimate of the announced national increase and will be further refined when the provisional local government finance settlement is published.

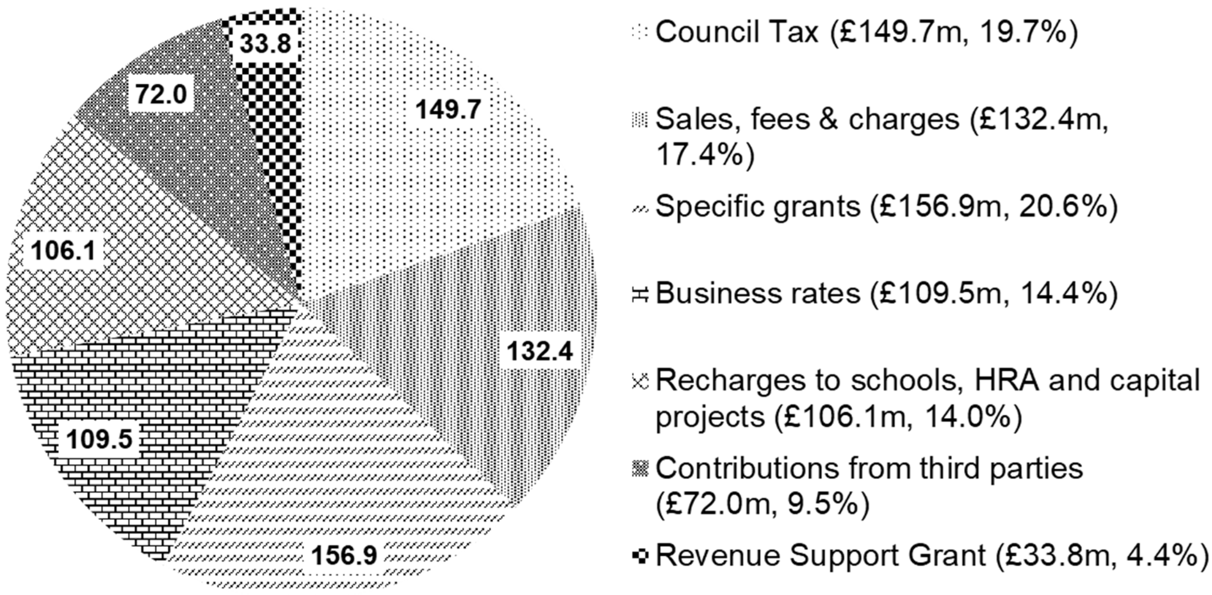
Business rates and Revenue Support Grant constitute the total of un-ringfenced government funding we expect to receive in 2025-26. Together they will fund an estimated £143.3 million or 48.9% of our net revenue budget next year compared with 50% this year. Council Tax will fund the other £149.7 million or 51.1% of the 2025-26 net revenue budget as shown in Chart 4 below compared with 50.0% this year.

Chart 4 – breakdown between estimated government funding (including business rates and Revenue Support Grant) and Council Tax in 2025-26



When viewed as a percentage of total General Fund income excluding schools and housing benefits, Council Tax will decrease from 20.6% to 19.7% of total income as shown in Chart 5.

Chart 5 – breakdown of total estimated General Fund income in 2025-26 (figures are in £ million)



Council Tax

The council is proposing to increase core Council Tax by 2.99% in 2025-26 in line with the government's Core Spending Power assumption. We will also apply the government assumed 2.0% adult social care Council Tax precept. Together with 1.5% growth in the Council Tax base due to new properties and a proposed introduction of the second homes premium charge, this will generate increased income totalling £9.2m 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 2025-26

	£ million
Previous year's Council Tax income	140.5
Core Council Tax increase	4.3
Increase in adult social care precept	2.9
Change in Council Tax base	2.0
Next year's Council Tax income	**149.7**

We perform well at collecting Council Tax. In 2023-24 we collected 97.1% of Council Tax due, which was the highest amongst Core Cities and North East local authorities, and our longer term collection rate is approximately 98.6%.

Council Tax support and hardship

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 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.

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 2025-26 by 2.7% in line with September RPI as set out in Table 5.

Table 5 – proposed income bands for 2025-26 Council Tax Support scheme

Discount		Single	Couple	Family with 1 Child	Family with 2 or more Children
Band 1	100%	0.00 to 105.00	0.00 to 155.00	0.00 to 245.00	0.00 to 335.00
Band 2	90%	105.01 to 155.00	155.01 to 210.00	245.01 to 290.00	335.01 to 355.00
Band 3	85%	155.01 to 205.00	210.01 to 265.00	290.01 to 365.00	355.01 to 405.00
Band 4	50%	205.01 to 315.00	265.01 to 365.00	365.01 to 445.00	405.01 to 495.00
Band 5	25%	315.01 to 405.00	365.01 to 465.00	445.01 to 545.00	495.01 to 605.00

Council Tax premium on second homes

The Levelling up and Regeneration Act 2023, which amends the Local Government Finance Act 1992, contains a provision to introduce a council tax premium for second home dwellings.

The definition of a second home for council tax purposes is a dwelling that meets the following conditions:

- there is no one living in the property as their sole or main residence, and;
- the dwelling is “substantially furnished”.

This was considered as part of the January 2024 Council Tax and Business Rates Base report with the intention that it would be brought in with effect from 1 April 2025.

The change means that a 100% council tax premium is applied and payable in addition to the standard council tax liability in respect of ‘Second Home’ dwellings.

From 1 April 2025, unless an exception applies, owners of second homes will therefore be subject to a 200% charge, which is up to 2 times the normal Council Tax charge.

The assumptions within this medium-term financial plan have been updated to reflect this change, with the estimated change included within the change in council tax base in Table 4.

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 1.7% in the business rates multiplier next year. We have assumed the same 1.7% 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 0.3% in the underlying business rates base. Taken together these changes will generate increased income totalling £2.0 million as set out in Table 6.

Table 6 – change in business rates income in 2025-26

	£ million
Previous year's business rates income	107.5
Increase in business rates multiplier	1.4
Increase in Business Rates Top-Up Grant	0.4
Change in business rates base	0.2
TOTAL	**109.5**

Revenue Support Grant

As set out in Table 1, Revenue Support Grant is expected to increase to £33.8 million in 2025-26. This represents a projected increase of £0.6 million and reflects our current estimate of the share of additional grant funding announced in the Autumn Budget.

Cost pressures / choice

Our need to achieve savings in 2025-26 is driven mainly by cost pressures. As can be seen in Table 7 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 7 – breakdown of 2025-26 savings required

	£ million
Cost pressures	30.2
Choice	3.0
Increase in net funding	(11.8)
Savings required	**21.3**

Cost pressures have arisen for several reasons including:

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

Table 8 shows the total cost pressures identified under each of the above headings.

Table 8 – breakdown of 2025-26 cost pressures

	£ million
Inflationary changes (pay and prices)	27.8
Increasing demand for services	19.1
Other (including grant changes)	(16.7)
TOTAL	**30.2**

Further details of individual cost pressures are set out in Appendix 2.

The council has also identified the following areas of choice it wishes to factor into its 2025-26 budget and these are set out below:

- Real Living Wage – the council's commitment to being a Real Living Wage (RLW) employer requires that organisations that we enter into contracts with are required to pay at least the RLW. The council has previously implemented this for employees of the council, and this choice item recognises the anticipated increase in contract costs arising from this change, which will be phased in over a number of years. The estimated budget requirement is £2 million in 2025-26.

- A proposed investment of £0.375 million to enable the continuation of the 'Empowering People in Communities' scheme, which was previously funded from time-limited resources.
- Additional funding of £0.286 million to enable the continued operation of the Bedeburn short break and respite facility.
- A proposed investment of £0.142 million to increase grass cutting capacity to deal with the increased demand on the service resulting from climate change.
- A proposed investment of £0.165 million to enable the continuation of the work to tackle the blight of chewing gum on our streets. This scheme was previously funded as a trial from time-limited resources.

Savings

As shown in Table 9, estimated savings of £21.3 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 1 sets out a detailed breakdown of individual savings by theme, some of which have an associated integrated impact assessment.

Table 9 – summary of proposed 2025-26 savings

Theme	£ million	FTEs
Organisational efficiency and effectiveness	9.3	38.5
Promoting independence and community resilience	8.3	0.0
Generating additional income	3.7	0.0
Reduction to services	0.1	2.4
TOTAL	**21.3**	**40.9**

The impact of the savings and other changes set out in this report is shown in Table 10 in summary form and in Appendix 3 and 4 in more detail.

It should be noted that income proposals made in relation to increases in Fees and Charges are made in line with our policy on fees and charges (available at Appendix 5). These charges are for discretionary services where we have the power to charge in order to recover the full cost of providing these services.

Table 10 – net revenue budget by directorate

All figures in £ million	2024-25	2025-26
Adult Social Care and Prevention	109.0	114.5
CFO Directorate	5.6	7.3
Children and Families	65.8	72.3
City Ops, Neighbourhoods and Reg Services	32.9	39.5
Deputy Chief Executive	3.4	4.9
Housing and Communities	4.7	(0.8)
Investment & Growth	15.5	15.8
Public Health Service	(0.5)	(0.9)
Workforce and Development	2.4	3.8
Net directorate expenditure	**238.8**	**256.4**
JTC levy	18.9	19.6
Corporate items and reserves	23.5	17.0
Net revenue budget	**281.2**	**293.0**

Appendix 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.

Further detail of the directorate budgets and the impact of the changes proposed within this report can be found in Appendix 6.

Medium-term financial position

Estimated budget gap

The report so far has focused mainly on the 2025-26 financial year. In this section we focus on the medium-term forecasts of resources and cost pressures, and the approach to be developed to meeting the estimated budget gaps in future years.

As set out in Table 1, the council's net revenue budget is projected to increase from £281.2 million in 2024-25 to £309.7 million in 2027-28 due to the assumed increases in revenue support grant, business rates and Council Tax set out in Table 11.

Table 11 – medium-term financial plan assumptions for business rates and Council Tax

	2025-26	2026-27	2027-28
Business rates:			
annual inflationary increase	1.7%	2.0%	2.0%
growth in base	0.3%	0.0%	0.0%
Council Tax:			
annual inflationary increase (including adult social care precept)	5.0%	3.0%	3.0%
growth in base	1.5%	1.0%	1.0%

The Revenue Support Grant has been projected to increase by £0.6 million over the period of the medium-term financial plan, in line with the projected share of the national increase as outlined in the Autumn budget.

Unfortunately the £28.5 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 12.

Table 12 – medium-term financial plan estimate of cost pressures

All figures in £ million	2025-26	2026-27	2027-28	TOTAL
Inflationary changes (pay and prices)	27.8	14.0	13.6	**55.4**
Increasing demand for services	19.1	6.8	7.2	**33.1**
Other	(16.7)	5.9	0.7	**(10.1)**
*Headroom	0.0	3.0	3.0	**6.0**
TOTAL	**30.2**	**29.7**	**24.5**	**84.3**

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

Inflationary changes (pay and process) include both salary related cost increases as well as non-pay items such as energy costs and contractual inflation. This includes the estimated cost of the increase in Members Allowances as recommended to City Council in November 2024 in the report of the Independent Remuneration Panel.

Increased demand for services includes an estimate of the impact of an increase in demand levels across many of our services, including the impact of increasing numbers of service users and the increasing cost of meeting the needs of service users with complex needs.

Other changes include anticipated changes in grant funding such as the New Homes Bonus and social care grant funding, as well as assumptions of the replacement of reserves currently used to support the budget.

As set out in Table 13, when combined with an estimate of choice, or additional investment in priority areas, then the budget gap over the next three years is £62.8 million.

Table 13 – medium-term financial plan budget gap

All figures in £ million	2025-26	2026-27	2027-28	TOTAL
Cost pressures	30.2	29.7	24.5	**84.3**
Growth	3.0	2.0	2.0	**7.0**
Net funding increase	(11.8)	(8.2)	(8.5)	**(28.5)**
Annual savings required	**21.3**	**23.5**	**18.0**	**62.8**

Approach for years two and three

Our ability to carry out detailed medium-term financial planning continues to be impacted by the challenging nature of short-term, single year funding settlements and a lack of clarity over future funding. This is being seen across local government, with most councils only able to produce one-year budgets. We welcome the announcement in the Autumn Budget that the next comprehensive spending review will take a multi-year approach, which should aid our forward planning.

Last year we set out a range of themes and workstreams to form the basis of the rolling medium-term financial plan. An update on progress towards these was reported to Cabinet in September 2024, with the work informing many of the proposals set out in this report for 2025-26. This includes those to help reduce cost pressures in adult social care and children's social care, inflationary increases to fees and charges, and the procurement of goods, works and services.

However, due to the financial pressures facing us, we have again needed to focus on the immediate challenge of meeting our legal duty to set a balanced budget for the coming financial year. Balancing the budget for 2025-26 is a significant challenge, especially on top of the £381 million saved since 2010. Therefore, we have not set out detailed proposals for 2026-27 or 2027-28 at this stage.

The council has identified a number of themes and workstreams which form part of the Medium-Term Financial Plan. These are in line with the council's three overarching priorities (these are the inclusive economy, anti-poverty and carbon zero) and the 'getting the basics right' programme. The scope of the medium-term financial plan will, over time, be developed further and be supplemented by other workstreams. The initial set of themes were:

- Efficient council;
- Service optimisation;
- Policy, prioritisation and growth; and
- Building resilience and independence in our communities.

Activity related to the workstreams has continued throughout the year, beyond the proposals to achieve savings for 2024-25. For example, to try to mitigate the significant growing pressures and costs associated with SEND transport, we have worked with schools, parents and carers and children to offer alternatives to high-cost use of taxis. The take up of Personal Travel Budgets and equipping young people with the confidence to travel independently are both increasing. We also changed how we commission taxis by moving to a dynamic purchasing system. This has increased competition with more providers and reduced cost, despite the number of eligible children increasing.

We are also undertaking a deep dive into our car parking estate and charges. This includes understanding the impact of the restoration of the Tyne Bridge and encouraging people to travel into the city via public transport and implementation of the Clean Air Zone. We also need to ensure alignment with our wider policies and strategies, including our overarching priority to achieve net zero carbon emissions and the development of our new Movement Strategy and how we can help improve travel and transport by 2045. A part of this we will also review our car parking estate to ensure it continues to be modern, effective and efficient.

We have always been clear that the medium-term financial plan workstreams would evolve – to develop our on-going medium-term plan, we must now expand this work to look at all services and expenditure. Like many other local authorities, we are having to look again at everything we do and what we spend, why we do it, how we do it and how well, and how we can best maximise the resources available to us. This will result in a range of deeper service analysis and redesign.

This work has been reflected within the service specific proposals presented within this draft budget. It has also informed our refreshed broad range of cross-cutting opportunities which include:

- Corporate policy and strategic work already underway, e.g. devolution, delivery of overarching priorities – understanding what this means for medium-term plans and resources.
- Corporate projects / activity already underway or being initiated, e.g. asset management, digital projects – understanding opportunities for medium-term plans and resources.
- Principles that need to be consistently applied or strengthen practice, e.g. fees and charges, procurement.
- Continued focus on addressing most significant cost pressures, e.g. children's placements, SEN transport, adult social care.
- Specific projects to explore synergies across common functions, e.g. financial assessments, financial inclusion, community engagement.
- Specific projects to explore novel proposals.

Our refreshed list includes former, pre-existing "workstreams" and new areas we have identified and are exploring further:

- Asset management including commercial assets, office accommodation, our role as a corporate landlord and reducing energy costs across our estate.
- Fees and charges, ensuring we review these consistently and in a proportionate way, including internal recharges and developing plans to remove subsidies for services.
- Procurement, ensuring we achieve VFM through our spend, including our end-to-end procurement process, contract monitoring, implementing the requirements of the new Procurement Act, and maximising all social value opportunities.
- Continuing to focus on our significant cost pressures, taking cross-council action to address those in adult social care, children's social care and SEND transport.
- Taking action now to minimise projected increased in annual deficits in the DSG-funded High Needs Block.
- Exploring opportunities to better align common functions within the council and those carried out with partners, this includes financial inclusion and bringing services closer to communities, how we procure and manage ICT solutions, enforcement activity across a range of services, how we undertake

financial assessments and collect fees for these services and how we engage with and involve our communities.
- Specific service reviews following the transfer of our housing functions, ensuring full integration and benefits realisation.

Detailed scoping is taking place now for new strands, taking a collaborative, cross-council approach.

We are formally establishing our corporate change programme, reflecting that our approach to medium-term planning is not solely about our financial resilience and making savings – it is also about continuing to be a resident focused and sustainable organisation.

To achieve this, we must improve the foundations of our essential and fundamental operational infrastructure to:

- Improve our knowledge and insight about residents and their needs.
- Improve customer standards and therefore customer and resident experience of accessing our services.
- Improve the efficiency and delivery of our operations, better enabling modern, effective and joined up response.
- Ensure our resources are targeted in the best way possible of services that matter to residents and reducing expenditure on processes and systems where possible.
- Therefore, improving resident satisfaction and outcomes.

The initial focus of our new corporate change programme will be on three interlinked projects:

- **Customer contact**: developing a customer contact blueprint to ensure consistent, more effective and timely contact and issue resolution, supported by customer journeys based on need and complexity – improving customer experience and regulatory compliance, and enabling insight.
- **Back-office systems**: our core finance, HR, payroll and procurement processes are currently supported by various old or "end of life" systems. Having been implemented in the late 1990's and early 2000's, many are costly to maintain, are not integrated, require high levels of manual handling and are supported by third parties, some of whom are small with unknown futures. Doing nothing would lead to continued increased costs to maintain the systems and operate core business functions and increased risk of not being legally, statutorily or security compliant. This would make us vulnerable to data loss and breaches, not being able to collect income, pay invoices or salaries – leading to intervention and failure to deliver the frontline services upon which residents rely.
- **Data maturity**: developing corporate data technology and capability to maximise and deepen insights about resident need and service delivery, streamline processing and ensure accurate and quality data, better enable performance reporting, service delivery and improvement.

We are developing detailed delivery plans for these, each of which will include what they mean for residents and customers – and how we'll monitor and know when those benefits have been realised.

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, containing 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.

To ensure the long-term viability of the HRA, a 30-year business plan is maintained. This is updated at annually to ensure rent and service charge decisions do not result in the HRA becoming financially unsustainable and the necessary long-term investment to maintain our social housing stock is affordable.

Appendix 7 sets out details of the 2025-26 HRA revenue budget. This reflects the maximum rent increase based on CPI plus 1%. The HRA revenue budget is facing similar financial challenges as the General Fund with significant pay and non-pay inflationary cost pressures, and the revenue costs associated with the HRA's capital programme.

As can be seen from Appendix 7, the HRA has a budgeted deficit of £1.2 million in 2025-26. Whilst bringing YHN back into the council and aligning all housing-related services together has facilitated the achievement of initial savings totalling at least £0.9 million, further savings will be required in future years to address the ongoing pressures facing the HRA. The deficit budget in 2025-26 will require the utilisation of ringfenced HRA reserves. These reserves will need to be replenished in future years.

Capital investment programme

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 actions to reduce carbon emissions over the next decade. The two main areas targeted are:

- Energy use in homes and non-domestic properties, which accounts for 64% of the city's emissions; and
- Transport, which accounts for just under 30% of the city's emissions.

A smaller but still significant emission profile relating to waste was estimated 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.

However, it's clear that significant funding will need to be provided by government if the council is to achieve its Net Zero ambitions by 2030.

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.

Our capital investment programme has been developed with a strong focus on the delivery of our priorities. In addition, 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. Recent proposals such as the improvements to the Civic Centre, which improved the asset as well as generating additional income and delivering savings through reduced running costs and energy efficiency, as well as repaying the loan that was used to pay for the works.

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:

- 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 has changed its lending terms to prevent local authorities from investing in purely commercial assets. This restriction is not causing an issue for the council – although we seek to negotiate commercial terms on many of our capital investment projects, where this is 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 within 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 25 years).
The Enterprise Zone (EZ) allows the North East Combined Authority (NECA) to retain 100% of the growth in business rates income in several specific areas across the NECA area. Our sites within the EZ include the North Bank of the Tyne and the 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 up to 2037-38 for the North Bank of the Tyne and 2040-41 for the Airport Business Park.

The devolution deal and the establishment of the North East Combined Authority (NECA) means unlocking an estimated £4.2 billion of investment over 30 years, and has seen powers transferred from Whitehall to local people. The arrangement is expected to create 24,000 extra jobs, create 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment.

As part of this devolution deal, a number of investment zones will be established. The proposed site within Newcastle City Council boundary is at the North Bank of the Tyne, and the proposed approach would focus on the creation of jobs within the green and renewable energy sector.

The following tables set out the breakdown of the 2024-25 to 2027-28 planned capital investment programme between the General Fund and HRA (Table 14), between our service directorates (Table 15), between HRA programme streams (Table 16) and by sources of funding (Table 17).

Table 14 – planned capital investment

All figures in £ million	2024-25	2025-26	2026-27	2027-28
General Fund	89.1	102.1	80.0	80.0
HRA	75.0	51.2	50.0	50.0
TOTAL	**164.1**	**153.4**	**130.0**	**130.0**

Table 15 – General Fund planned capital investment by directorate

All figures in £ million	2024-25	2025-26	2026-27	2027-28
Adult Social Care and Prevention	0.3	0.0	0.0	0.0
Children and Families	10.5	7.2	2.2	0.0
City Operations, Neighbourhoods and Reg Services	8.6	10.2	6.5	0.0
Corporate Services	4.5	7.3	0.0	0.0
Housing and Communities	11.6	15.4	0.0	0.0
Investment and Growth	52.2	62.0	12.3	0.0
Public Health	0.1	0.1	0.0	0.0
Loans	1.3	0.0	0.0	0.0
Pipeline	0.0	0.0	59.0	80.0
TOTAL	**89.1**	**102.1**	**80.0**	**80.0**

Table 16 – HRA planned capital investment by programme

All figures in £ million	2024-25	2025-26	2026-27	2027-28
Communal areas	4.1	4.7	0.0	0.0
Environmental works	1.9	1.7	0.0	0.0
Voids	5.2	0.0	0.0	0.0
Lifecycle replacements	41.6	41.0	0.0	0.0
New build and acquisitions	15.0	0.4	0.0	0.0
Regeneration	3.3	0.7	0.0	0.0
Standard housing investment	3.8	2.7	0.0	0.0
Pipeline	0.0	0.0	50.0	50.0
TOTAL	**75.0**	**51.2**	**50.0**	**50.0**

Table 17 – planned capital investment by source of finance

All figures in £ million	2024-25	2025-26	2026-27	2027-28
Grants and contributions (mainly General Fund)	74.7	74.7	6.6	0.0
Capital receipts (mainly General Fund)	4.1	3.8	0.0	0.0
Borrowing (mainly General Fund)	30.8	25.7	10.5	0.0
Revenue (mainly HRA)	54.6	49.2	3.9	0.0
Pipeline (no funding approved yet)	0.0	0.0	109.0	130.0
TOTAL	**164.1**	**153.4**	**130.0**	**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 therefore 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 within 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:

- Northumberland St Improvements (£19.8 million)
- Bus Service Improvement Plan (£17.0 million)
- Walker Quay (£15.5 million)
- West Denton Leisure Centre (£15.2 million)
- Transforming Cities Fund - various sites (£11.3 million)
- Tyne Bridge Restoration (£11.1 million)
- Eldon Square Investment (£10.2 million)
- Vehicle Replacement Programme (£9.1 million)
- Newcastle Furniture Service (£9.0 million)
- Clean Air Zone (£8.6 million)
- Grainger Market (£7.5 million)
- North East Community Forest (£5.3 million)
- Elswick Road – Active Travel Fund (£3.8 million)
- Pilgrim Street Southern Block (£2.9 million)
- ICT Investment (£3.7 million)
- Road & Footpath Maintenance (£6.5 million)
- A186 Safer Roads Fund (£3.5 million)
- Disabled facilities Grant (£3.0 million)
- Goforth Central Middle (£2.6 million)

- Parklife (£2.6 million)
- Callerton and Great Park Academy (£2.8 million)
- Deleval Road Land Remediation (£1.8 million)
- Home Upgrade Grant 2 (£4.0 million)
- Northern Access - Cowhill to Osborne Road (£2.0 million)
- Queen Victoria Road (£1.6 million)
- Scotswood Housing Development (£1.5 million)
- Gosforth Park First-Expansion (£1.5 million)
- River Tyne Regeneration (£1.4 million)
- Stockbridge House Acquisition (£1.5 million)
- Loans and Equity Shares (£1.3 million)
- Slatyford Lane CH Refurbishment (£1.2 million)
- Pattern Shop (£1.0 million)

Reserves

The council's medium-term financial plan is based on the following principles in relation to reserves:

- 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.

As at 31 March 2024, the unearmarked General Fund reserve totalled £17.6 million.

At Q2 there is a projected overspend of £1.0 million. If this is the position at the end of the financial year then this pressure would need to be funded from the unearmarked General Fund reserve thus potentially reducing the balance from £17.6 million to £16.6 million as at 31 March 2025.

In Appendix 8, the council has assessed the financial risks it faces and sought to quantify these in terms of potential impact and likelihood, and this amounts to £17.6 million. Given the level of the unearmarked General Fund reserve is now expected to be less than this, the council will need to develop options to increase the level of the unearmarked General Fund reserve back up to £17.6 million as part of the 2024-25 outturn.

Our earmarked reserves are set aside for specific purposes. The main earmarked reserves are set out in Appendix 9 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. **Euro 2028 reserve** - holds funding to meet financial commitments in relation to our responsibility as a host city.
12. **Financial risk and resilience reserve** – holds funding to mitigate risk of unexpected cost pressures in services.
13. **Insurance reserve** – holds funding to mitigate risk of cost pressures in relation to our insurance liabilities.
14. **Interim Capital Funding Reserve** – to fund cash outflows arising in the early years of projects, which will be repaid from developer contributions due in future years.
15. **Local Plan reserve** – holds funding to meet the costs of developing the next Local Plan.
16. **Major developments reserve** – to fund cash outflows arising in the early years of specific development projects.
17. **One-off funding reserve** – holds one-off funds from a range of sources that have been earmarked for specific priorities.
18. **Parks Trust subsidy reserve** – holds funding that has been used to pay the subsidy to Urban Green Newcastle.
19. **Pension reserve** – holds funding to mitigate risk of cost pressures in relation to our pension liabilities.
20. **PFI reserve** – holds funding to meet future payments under our PFI / Building Schools for the Future (BSF) contracts.
21. **Public Health Grant reserve** – holds unspent public health grant funding to be used to meet future financial commitments.
22. **Repairs & Construction Service reserve** – holds funding in relation to the timing of construction activity.
23. **Revenue grants to be applied reserve** – holds unspent grant funding to be used to meet future financial commitments.
24. **Ring-fenced balances reserve** – holds funding that may only be spent on specific statutory activities.
25. **Risk management reserve** – holds funding to mitigate risks not specified in other reserves.
26. **School kitchens reserve** – holds funding to replace or refurbish school kitchens used by our colleagues to provide school meals to children.

27. **Strategic reserve** – holds funding to support our medium-term financial plan.
28. **Transformation reserve** – holds funding set aside for future transformation and public sector reform work.
29. **Treasury management reserve** – holds funding to mitigate risk of third-party loans not being repaid.

As set out in Table 18, the level of earmarked reserves is expected to reduce from £142.6 million as at 31 March 2024 to £127.9 million as at 31 March 2025 in line with the purposes for which the individual reserves were established.

Table 18 – profile of General Fund earmarked reserves

All figures in £ million	31 March 2024 (actual)	31 March 2025 (estimate)	31 March 2026 (estimate)
Contractual commitments	(3.6)	(3.4)	(3.1)
Unspent government grants	(32.8)	(30.2)	(29.0)
Planned future spending	(58.5)	(50.0)	(40.7)
Specific risks	(34.1)	(35.6)	(36.0)
Budget stabilisation	(11.5)	(6.8)	(3.7)
Other	(2.1)	(2.0)	(1.9)
TOTAL	**(142.6)**	**(127.9)**	**(114.4)**

There is modest planned use of reserves to support the General Fund net revenue budget (£2.5 million in 2025-26) but this is planned to be phased out over the next two years, as relying on reserves to fund on-going revenue expenditure is not financially prudent or sustainable.

Treasury management and investment strategies

The following draft strategies and statements have been published alongside this report:

2025-26 Draft Capital and Investment Strategy

The 2025-26 Draft Capital and Investment Strategy is published as Appendix 11 to this report.

The CIPFA Prudential Code includes a requirement for local authorities to produce a capital strategy that gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) Guidance on Local Authority Investments requires us to approve an investment strategy before the start of each financial year. This appendix fulfils both of these requirements.

This capital strategy sets out the main drivers for capital investment across the city, and how the available resources will be used to meet the Council's key priorities. It sets out the planned use of borrowing, including treasury management activity, how the capital investment programme is governed and managed, and how capital risks are monitored and controlled. It has been prepared having regard to CIPFA's Prudential Code and Treasury Management Code.

2025-26 Draft Treasury Management Strategy

The 2025-26 Draft Treasury Management Strategy is published as Appendix 12 to this report.

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 (the Code) requires us to approve a treasury management strategy before the start of each financial year. In addition, the Ministry for Housing, Communities and Local government (MHCLG) Guidance on Local Authority Investments requires us to approve an investment strategy before the start of each financial year.

This report fulfils our legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance. We have borrowed and invested substantial sums of money and are therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to our treasury management strategy.

2025-26 Draft Minimum Revenue Provision Policy Statement

The 2025-26 Minimum Revenue Provision Policy Statement is published as Appendix 13 to this report.

Where we finance capital expenditure by debt, we must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires us to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires us to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

Risk assessment of assumptions and adequacy of reserves

An assessment of the estimates contained within this report and the adequacy of reserves is set out in detail in the Section 25 Statement which accompanies this report. The conclusion is set out below:

Based on the results of the risk assessment described in the Section 25 Statement, the Chief Finance Officer has concluded that the estimates included in the 2025-26 budget are sufficiently robust for the purposes of the Council Tax requirement calculations.

Based on the factors set out in the Section 25 Statement, the Chief Finance Officer has concluded that the level of reserves held by the council is adequate in the context of the financial risks we are facing.

Appendix 1 – Summary of 2025-26 savings proposals

Purpose of this document

This document provides an overview of our service proposals to set a balanced budget for 2025-26.

Details include:

- Proposals and projected net savings or income.
- Estimated workforce reductions as a result of the proposals. These are shown as estimated full time equivalent posts (FTE). We can only quantify the impact on the workforce we employ. We recognise that these proposals could also potentially impact on the workforce of partners and commissioned service providers.

We have carried out an Integrated Impact Assessment (IIA) on proposals that will mean changes to a service or policy in 2025 to 2026. IIAs include more details of the current service, the proposed changes, evidence to support this, engagement and consultation involved in developing the proposal and potential impacts on different groups. IIAs have been carried out on the following proposals:

- Council Tax.
- School Meals.
- Promoting independence through the expansion of our reablement service.

We will also carry out a cumulative impact assessment. This will look at the potential impacts across the whole city as a result of our draft proposals and the wider context for the city. We will publish in February following the consultation period. We will use it to inform decision making.

We have not completed IIAs where there won't be a change to services because of the proposals. If proposals for future years could impact on the way we deliver services we will complete IIAs as part of the process for setting a balanced budget for that year.

This summary document should be read with our medium-term financial plan for 2025 - 2026 to 2027 - 2028 which includes information about our ongoing financial challenges and how we'll invest the resources we have. Details of our full net budget, including costs not related to services, are included in Appendices 2 to 13 and draft detailed budgets for all services on our website: www.newcastle.gov.uk/budget

Theme	Portfolio	Ref	Proposal	Saving	FTE
Promoting independence and community resilience	Adult Social Care, Health and Prevention	1	**Promoting independence through use of equipment, assistive technology, and digital.** We are looking to change our reablement offer. It has three main strands; 1. Reablement is mostly referred to as a short-term service (usually domiciliary care). Our position is that all delivery of social care should be reablement based, looking to work with people to consistently be re-assessing the person's ability to regain or gain new skills for independence. This would involve redesigning and potentially growing reablement to ensure all people who have an existing package of support are actively managed. 2. Crisis - when people present in a crisis we need to ensure any additional support is time limited and purposeful, or that, at the point of identification, we do not default to formal support but look for community-based alternatives. 3. New diagnosis - we believe that how a person is helped can determine the degree to which they can maintain their independence and mitigate future commissioned spend. This is where an improved digital offer could mitigate spend.	£2,375,000	0
Promoting independence and community resilience	Adult Social Care, Health and Prevention	2	**Mainstream the community connector model.** We will broaden out the community connector model, building on the learning from Learning Disability and Autism, focusing on people for who have existing packages of care.	£515,000	0

Theme	Portfolio	Ref	Proposal	Saving	FTE
Promoting independence and community resilience	Adult Social Care, Health and Prevention	3	**Taking a preventative approach to all interactions with people with care and support needs, to promote independence, and ensure the most appropriate, cost effective and least restrictive care.** We are applying an Multi-Disciplinary Team (MDT) approach to expand reablement into the provider market to optimise reablement opportunities, support people to return home or perhaps avoid residential settings and reduce the need for 2:1 and 1:1 support in the community by applying an MDT approach to maximise people's independence.	£2,375,000	0
Promoting independence and community resilience	Adult Social Care, Health and Prevention	4	**Promoting independence in supported living.** We are creating an In-House Enablement team to enhance the skill set and independence of people with complex needs to reduce care costs before transferring onto alternative provision. Recruitment of more Shared Lives Carers for provision of long term and short breaks as an alternative to more costly packages of care. Consideration of the night time support offer for adults with learning disability and autism living in their own properties.	£2,000,000	0
Promoting independence and community resilience	Adult Social Care, Health and Prevention	5	**Direct Payment reviews** Building on our previous direct payment audit work, we will review direct payment packages to ensure a strength-based approach is being applied, and ensuring Direct Payments reflect current need.	£1,000,000	0

Theme	Portfolio	Ref	Proposal	Saving	FTE
Income	Neighbourhood Services	6	**Garden Waste Charges £2 increase.** We will increase the charges for our garden waste collection service by £2 in 2025/26 and £1 annually thereafter to ensure the service is fully sustainable.	£46,000	0
Income	Children and Families	7	**School Meal price - charge a fixed price per meal regardless of school type, or whether it is free or paid.** We will move to standard price of £3 per meal from 2025/26, with a further 10p increase in each of the following 2 years, to move to full cost recovery by 2027/28 to ensure the service is fully sustainable.	£621,000	0
Income	Climate and Transport	8	**We will apply price increase to season ticket permits, city centre permits, and resident permits.** Season ticket permits will be increased in 2024/25 in line with current tariffs (current permit price is based on the 22/23 all day tariff). Resident, visitor, business and charity permits will be increased by £5 (or relevant proportion based on current permit price) in 2025/26 only.	£177,000	0

Theme	Portfolio	Ref	Proposal	Saving	FTE
Income	All	9	**We will increase fees and charges by inflation to make sure we recover the full costs of providing services. We will also increase income by winning new contracts and selling our services to third parties in the following areas:** Adult Social Care and Prevention Audit, Risk and Insurance Building Cleaning Service Children's Social Care and Early Help Energy Services Facilities and Civic Management Finance ICT Local Services and Waste Management Parking Procurement Registrars Transport	£2,025,690	0
Income	All	10	**We will secure additional funding to ensure full recovery of costs in the following areas:** Children's Social Care and Early Help Education Employee Services Facilities and Civic Management Procurement Revenues and Benefits Transport	£805,270	0

Theme	Portfolio	Ref	Proposal	Saving	FTE
Organisational efficiency and effectiveness	Children and Families	11	**Children's Social Care placements.** We will reduce spend on expensive external residential placements by creating more in house options and maximising our earlier support to avoid the need for these places. This saving has been modelled using existing packages as a starting point and assuming some are able to be placed in our own provision of care. The model assumes that new placements will be needed but that through greater in house provision and the effectiveness of our earlier support, the number of new admissions to external residential care will reduce.	£3,300,000	0
Organisational efficiency and effectiveness	All	12	**We will delete vacant posts without any service impact in the following areas:** Audit, Risk and Insurance Business Management Communications and Engagement Community Support Finance ICT Revenues and Benefits Transport	£1,375,370	33.5

Theme	Portfolio	Ref	Proposal	Saving	FTE
Organisational efficiency and effectiveness	All	13	**We will be more efficient and agile at delivering services through continuous improvement and aligning our resources effectively in the following key areas:** Adult Social Care, Health and Prevention Children and Families Housing and Communities ICT Local Services and Waste Management Operations - Construction Services Policy and Performance Public Health	£4,644,430	5.0
Service reduction	Arts, Music and Culture	14	**We will close the City Library at 2pm on Saturdays.** The City Library is currently open until 4pm on a Saturday afternoon. There are 20 staff working in the City Library on a Saturday, on varying grades. The proposal is to close 2 hours earlier, which is in line with Saturday opening hours of other library branches. Footfall on a Saturday afternoon averages 25 people.	£42,000	0.81
Service reduction	Climate and Transport	15	**Bikeability** - we will fully withdraw from provision and look to provide via a third party.	£41,000	1.6

Appendix 2 – breakdown of cost pressures

All figures in £ million	2025-26	2026-27	2027-28
Inflationary changes (pay and prices)			
- Pay inflation	11.0	5.8	4.7
- Non-pay inflation	0.8	0.9	1.0
- Social care inflation	15.1	6.1	6.3
- PFI contractual inflation	(0.5)	0.5	0.6
- Highways maintenance materials cost inflation	0.5	0.1	0.1
- ICT Tech Refresh	0.0	0.0	0.3
- Waste management inflation	0.9	0.6	0.6
Increasing demand for services			
- Social care future increased demand	3.2	3.4	3.6
- Service historic budget pressure	9.1	0.0	0.0
- Children with disabilities turning 18	1.1	1.2	1.2
- SEN transport increasing demand	2.8	1.8	2.0
- Educational Psychology increasing demand	0.8	0.2	0.2
- Waste management increasing demand	2.1	0.2	0.2
Other			
- External grant changes	(21.3)	1.7	0.0
- JTC levy increase	0.7	0.7	0.7
- Mainstreaming use of reserves	1.7	3.1	0.0
- Children and Families Newcastle funding	0.7	0.4	0.0
- Parks and allotments	1.5	0.0	0.0
Headroom	0.0	3.0	3.0
TOTAL	**30.2**	**29.7**	**24.5**

Description (initial estimate)	Pay inflation (£11.0 million in 2025-26)
How have the above amounts been calculated?	The cost pressure is an estimate based on the cost of previous years' pay awards – the actual cost will be determined by the pay award agreed as part of the national pay agreement process. The cost pressure also includes an estimate of the impact of the change to Employer's National Insurance Contributions as announced in the Autumn Budget.
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 2025-26.
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 2025-26 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 (£0.8 million in 2025-26)
How have the above amounts been calculated?	This cost pressure is an estimate based on assumed inflationary increases in 2025-26 across a range of areas including 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. This cost pressure includes the estimated cost of the increase in Members Allowances as recommended to City Council in November 2024 in the report of the Independent Remuneration Panel.
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 2025-26. We will not know the specific inflation factors to be applied until early 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 2025-26.
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 2025-26 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Social care inflation (£15.1 million in 2025-26)
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.
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.
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.
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 2025-26 savings required.
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 (£-0.5 million in 2025-26)
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 the projected change in 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 (£0.5 million in 2025-26)
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 (£0.9 million in 2025-26)
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 on waste disposal 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?	The cost pressure is linked to a contractual arrangement and there is therefore limited scope to influence this. The service will continue with education programmes that seek to influence behaviour, to reduce the amount of general waste and increase the amount of recyclable waste.
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 arising 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)	Social care future increased demand (£3.2 million in 2025-26)
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 and 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 and an increasing demand for more intensive support arrangements.
If the cost pressure is due to increased demand, what evidence exists to support this?	Estimated growth in service users in 2025-26.
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 2025-26 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Service historic budget pressure (£9.1 million in 2025-26)
How have the above amounts been calculated?	Based on the current cost pressures within the 2024-25 monitoring, including pressures on adult and 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)?	Both Adult and Children's Social Care have seen an increase in projected demand pressure in the 2024-25 budget monitoring. Other service areas are also reporting pressures against the current budget.
If the cost pressure is due to increased demand, what evidence exists to support this?	Increased budget pressures reported through the 2024-25 in-year monitoring.
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, a large proportion of the pressure is on social care activity, which 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 a number of underspends within the current budget that are either one-off in nature, or are due to efficiencies that are proposed as savings in the draft 2025-26 budget. These offsetting items will therefore not be available at the same level to mitigate the pressures in future years.
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 (£1.1 million in 2025-26)
How have the above amounts been calculated?	This cost pressure is based on specific children who will turn 18 during 2025-26 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 (£2.8 million in 2025-26)
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. The measures proposed to address this pressure into future years are set out in the budget proposals within this report.
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)	**Increased demand for Educational Psychology services (£0.8 million in 2025-26)**
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)?	There is an increase in demand for assessments for Education, Health and Care Plans (EHCPs).
If the cost pressure is due to increased demand, what evidence exists to support this?	The number of requests for EHCP assessments has increased in recent years.
What, if anything, can be done to mitigate the cost pressure?	There is no immediate mitigation as this is a statutory function.
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, this is a statutory function.
Is there scope to fund this cost pressure from existing resources?	No – as a statutory responsibility this cannot be funded from the Dedicated Schools Grant.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Waste management demand (£2.1 million in 2025-26)
How have the above amounts been calculated?	Assumed increase in waste disposal volumes.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	An increase in the volume of waste generated in the city and an estimate of the increase in costs arising from the Extended Producer Responsibility for Packaging scheme. We are due to receive a new funding stream resulting from the requirement for the producers of packaging waste to pay towards the collection and disposal of that waste. There is an indication that we will be required to incur additional costs in order to meet the funding requirements.
If the cost pressure is due to increased demand, what evidence exists to support this?	Increase in the number of properties within the city result in an increase in the volume of waste generated.
What, if anything, can be done to mitigate the cost pressure?	The service will continue with education programmes that seek to influence behaviour, to reduce the amount of general waste and increase the amount of recyclable waste.
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, disposal of domestic waste arising 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. The government have announced a new Extended Producer Responsibility scheme, which is intended to recover costs from the producers of packaging waste. This should result in a flow of funding into local authorities, although further detail is still to be provided on the operation of the scheme and confirmation of applicable costs. It is anticipated that we will need to incur additional costs to meet our obligations under the scheme and this cost pressure includes an estimate of these costs.

More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget and may face penalties if we fail to deliver the requirements of the new Extended Producer Responsibility for Packaging scheme.

Description (initial estimate)	External grant changes (-£21.3 million in 2025-26)
How have the above amounts been calculated?	This is based on the announcements made in the Budget on 30 October 20204 and the MHCLG Policy Statement published on 28 November 2024. The allocations included in the draft budget are provisional and are based on the best estimates at this time. Actual balances will be confirmed in the Local Government Finance Settlement.
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 (£0.7 million in 2025-26)
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)?	Population changes and increased costs mean that our contribution to the levy has increased.
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 2025-26 savings required.
More generally, what is the impact of not agreeing funding for the cost pressure?	We will overspend our budget.

Description (initial estimate)	Mainstreaming use of reserves (£1.7 million in 2025-26)
How have the above amounts been calculated?	Funding from reserves has been built into the budget in 2024-25 and is required to be funded from mainstream budgets on a sustainable basis.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Reserve balances used to support the budget in 2024-25, which were required to support the budget position as services recovered from the Covid-19 pandemic.
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, the use of reserves was included on a temporary basis and permanent funding solutions are required.
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 2025-26 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 and Families Newcastle funding (£0.7 million in 2025-26)
How have the above amounts been calculated?	Based on an assessment of the funding for this service.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	This activity has been funded through a combination of grant and other temporary sources in recent years. This pressure reflects the anticipated reduction in these funding sources.
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?	Expenditure could be reduced in this service area but this would present significant risks due to the early intervention activities undertaken. Reducing spend is likely to lead to a significant increase in costs in social care placements in later years.
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, this is a non-statutory function although reducing expenditure is likely to lead to increased social care costs in future years.
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 incur additional social care costs in future years as this would present a risk of increased number of children and families requiring significantly more expensive intervention in future years.

Description (initial estimate)	Parks and allotments (£1.5 million in 2025-26)
How have the above amounts been calculated?	£1.5 million initial estimate of level of annual funding needed to support day to day management of parks estate following transfer to NCC.
What is the source of the cost pressure (for example, increased demand, fall-out of external funding, contractual or other price increases)?	Cabinet decision to bring management of parks and allotments back into NCC control in response to insolvency of parks trust operator Urban Green Newcastle.
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?	Provision and maintenance of parks is a non-statutory function.
Is there scope to fund this cost pressure from existing resources?	No, there has been no budget for parks management since the service transferred to UGN in 2019-20.
More generally, what is the impact of not agreeing funding for the cost pressure?	Inability to maintain parks and allotments land, buildings and facilities for public use.

This page is intentionally left blank

Appendix 3 – net expenditure budgets by directorate

All figures in £ million	2024-25 Gross Exp	2024-25 Gross Inc	2024-25 Net Exp	2025-26 Gross Exp	2025-26 Gross Inc	2025-26 Net Exp
Adult Social Care and Prevention	209.720	(100.688)	109.032	224.280	(109.750)	114.530
CFO Directorate	12.670	(7.069)	5.601	14.758	(7.497)	7.261
Children and Families	247.981	(182.174)	65.807	259.788	(187.531)	72.257
City Ops, Neighbourhoods and Reg Services	170.758	(137.888)	32.870	192.761	(153.230)	39.531
Deputy Chief Executive	11.325	(7.897)	3.428	13.116	(8.220)	4.896
Housing and Communities	8.025	(3.319)	4.706	24.047	(24.826)	(0.779)
Investment and Growth	43.487	(27.960)	15.527	44.271	(28.437)	15.834
Public Health Service	20.793	(21.272)	(0.479)	20.084	(21.000)	(0.916)
Workforce and Development	4.610	(2.234)	2.376	6.988	(3.224)	3.764
Net Directorate Expenditure	**729.369**	**(490.501)**	**238.868**	**800.093**	**(543.715)**	**256.378**
JTC Levy			18.937			19.589
Net Service Expenditure			**257.805**			**275.967**
Corporate Items			27.466			19.494

All figures in £ million	2024-25 Gross Exp	2024-25 Gross Inc	2024-25 Net Exp	2025-26 Gross Exp	2025-26 Gross Inc	2025-26 Net Exp
Transfers to or (from) Reserves			(4.076)			(2.463)
Net Revenue Budget			**281.195**			**292.998**
Less: Revenue Support Grant			(33.243)			(33.798)
Less: Business Rates			(107.473)			(109.518)
Council Tax Requirement			**140.479**			**149.682**

Appendix 4 – net expenditure budgets by service

All figures in £ million	2024-25	2025-26
Adult Social Care and Prevention		
Care and Support	5.322	5.500
Community Support	97.573	99.711
Prevention	2.867	5.201
Quality, Strategy and Innovation	3.270	4.118
CFO Directorate		
Audit, Risk and Insurance	0.555	0.865
Chief Executive	0.316	0.331
Chief Finance Officer	0.121	0.149
Finance	2.298	3.544
Procurement	(0.129)	(0.166)
Property Services	0.353	0.438
Revenues and Benefits	2.086	2.099
Children and Families		
Children's Social Care	52.835	54.687
Director of Children and Families	0.121	0.142
Early Help and Family Support	3.074	4.062
Education	8.552	11.864
Education Schools / Dedicated Schools Grant	-	-
Strategy and Commissioning Unit	1.225	1.502
City Operations, Neighbourhoods and Regulatory Services		
Business Management	8.195	7.986
Democratic Services	2.168	2.290
Facilities Services and Civic Management	6.337	3.449
ICT	6.353	9.807
Local Services	25.965	30.813
Operations	(3.543)	(1.973)
Operations Management	0.197	0.188

All figures in £ million	2024-25	2025-26
City Operations, Neighbourhoods and Regulatory Services (cont'd)		
Parking	(13.253)	(13.561)
Public Safety Regulations	0.451	0.530
Deputy Chief Executive		
Climate Change Strategy	0.034	0.600
Communication Services	0.261	0.788
Communities Team	0.562	0.588
Deputy Chief Executive	0.144	0.171
Education and Skills Services	(0.179)	(0.181)
HDRC Project	-	-
Inclusive Employment	0.153	0.256
Informatic and Insight	0.680	0.654
Legal Services	1.460	1.582
Policy and Performance	0.313	0.437
Housing and Communities		
Director Housing and Communities	-	0.171
Fairer Housing Unit	(0.083)	(0.007)
Head of Housing Services	-	(1.914)
Home Ownership Team	-	(0.060)
Housing Capital Programme Manager	-	(2.568)
Regeneration Housing	-	0.685
Support Services Active Inclusion	4.789	2.914
Investment & Growth		
Development Management	0.969	1.123
Director of Investment and Growth	0.085	0.089
Capital Investment and Growth	0.615	0.581
Museums, Arts and Culture	1.782	1.785
Transport	12.075	12.255

All figures in £ million	2024-25	2025-26
Public Health Service		
Public Health	(0.479)	(0.916)
Workforce and Development		
Employability Team	-	0.086
Employee Services	0.492	0.553
Health and Safety	0.411	0.471
Operational HR	0.516	1.544
Organisational Development	0.791	0.739
People and Policy	-	0.427
Training Schemes	0.167	(0.055)
Net Directorate Expenditure	**238.867**	**256.376**

This page is intentionally left blank

Appendix 5 – Fees and Charges Policy

1. Introduction

1.1 Fees and charges provide a very important source of income to the council which enables key services to be provided in line with the council's objectives. Pressure on the council's budgets means that without this income it is likely that non-statutory services would be drastically reduced or cease.

1.2 The purpose of this policy is to establish a framework for agreeing, reviewing, and monitoring fees and charges which are levied by the council. This policy aims to ensure that:

a) Existing fees and charges are reviewed annually to confirm they are fit for purpose.

b) Service managers are aware of the factors which should be considered when reviewing and setting charges.

c) Charges are fair, provide value, and there is a consistent and sensible approach taken when applying concessions or discounts to charges.

d) There is a defined decision-making process for approving new charges and amendments to existing charges.

1.3 The decision on whether to charge is not always within the control of the council and some charges are set nationally by legislation. The council must ensure that charges are set appropriately at a level which maximises cost recovery to sustain service delivery unless it would conflict with the council's priorities, other policies, or the law.

1.4 Where charges are at the discretion of the council, this policy will enable the council to have a properly considered, consistent and informed approach so that the implications of charging can be fully understood, and rational decisions can be made.

1.5 This policy will be reviewed at least every three years or as required following legislative changes.

Legislative background

1.6 The relevant legislation which governs the setting fees and charges in local authorities mainly consists of the Local Government Act 2003 (LGA 2003) and the Localism Act 2011.

1.7 The LGA 2003 significantly increased the abilities of local authorities to charge for services by granting them power to charge for any service provided on a discretionary basis. Discretionary services are those that councils have the power to provide but don't have a duty to provide by law.

Additions or enhancements to mandatory services above the minimum required standard may be considered discretionary.

1.8 Under the Localism Act 2011 there is a general power of competence which explicitly gives councils the power to do anything which is not prohibited by other legislation. This includes the ability to undertake activities for commercial purposes, generally referred to as trading (i.e. to generate efficiencies, surpluses, and profits).

1.9 The powers granted under the above acts cannot be used when the following applies:

a) There is other legislation prohibiting charging for the service and states that the service should be free at the point of use (e.g. education or housing advice).

b) There is other legislation which states that charges must be levied based on ability to pay (e.g. adult social care).

c) There is other specific legislation which prescribes a charging regime (e.g. planning fees).

1.10 Service managers are expected to be aware of specific legislation that applies to their area of responsibility and to seek advice as required from Legal Services.

Charging policy

1.11 As charges in councils may be levied for a variety of reasons it is necessary for service managers to consider the purpose of the charge when approaching charge setting. Charges set for commercial activities will be set to generate a profit but the LGA 2003 states that when charging for discretionary services, councils need to ensure that when taking one year with another, the income from charges for that service does not exceed the costs of provision.

1.12 Taking one year with another establishes the idea of balancing the books over a longer period (not less than one year and no more than three years). In practical terms this means that charges which result in a surplus in one period should be addressed when setting its charges for future periods so that over time income equates to costs and there is not any over or under recovery.

1.13 Services may opt to subsidise charges depending on how the services align to the council's objectives. Proper consideration should also be given to the wider equalities implications and the impact this could have on service users. The term service user refers generally to any individuals, companies or organisations accessing a service.

1.14 The LGA 2003 and its accompanying guidance states that charges may be set differentially (i.e. different groups of services users are charged varying fees). However, it is not intended that this leads to some service users cross subsidising provision for others. The cost of subsidising fees should be met by the council rather than the other users of the service. This cost should be considered when setting concessions or promoting the use of a service by specific user groups.

1.15 Where there is not a legislated charging regime in existence, individual services may determine the appropriate charging policy for each charge levied in line with the following methodologies:

a) **Full cost recovery** – this is the expected position for discretionary services. This applies where the council wishes to make the service generally available but there is no policy rationale for providing a subsidy from the taxpayers. The total cost of service delivery is calculated (i.e. employee and other direct costs), and a proportion of overheads (directorate and corporate) will be charged to the service user. Further guidance on calculating full cost recovery is included in Annex A. Regular review is required to ensure income generated does not exceed the costs of service provision.

b) **Subsidised** – this applies where the council wishes to promote wide use of a service and therefore provides a subsidy from general taxation. Although service users are expected to make some contribution to the costs of the service, the council may opt to deliver a minimum standard of service for free which is subsidised by the taxpayer but may also offer higher levels of standards of services for a scalable fee.

c) **Free** – this applies when there are discretionary services which the council do not wish levy a charge against, such as when the service helps achieve the council's objectives. The cost of service provision is met entirely by the taxpayer.

d) **Demand management** – this applies where charges are levied above cost to meet a council objective (e.g. reduce carbon emissions) or to reduce or manage demand for non-statutory services.

e) **Full cost plus a profit margin** – this applies when the council enters commercial endeavours under the general power of competence granted by the Localism Act 2011. The charges are set to create a surplus which will subsidise services. It is important that the council respects competition law when pursuing commercial endeavours and there is not a distortion of fair operation of the market especially when the council is in a dominant position. If the general power is used for a commercial purpose, then it must be done through a company. Statutory duties may not be operated as a commercial endeavour.

Consultation, governance, and decision-making

4.1) This section of the policy sets out a list of principles intended to guide the setting of fees and charges:

i. The method selected for setting charges should be communicated as part of the charge setting process and be transparent and justified.

ii. Concessions and subsidies for services should follow a logical pattern and the rationale for subsidies should be made clear as part of the charge setting process.

iii. Any subsidy provided by taxpayers to service users should be transparent.

iv. Benchmarking should be undertaken with neighbouring authorities providing similar services to ensure the fees and charges are broadly aligned and represent value for money for the user.

v. Fees and charges should reflect key commitments and corporate priorities.

vi. Charging methodologies selected by services should fit with the council's Medium-Term Financial Plan (MTFP).

vii. Charges must be reviewed on an annual basis to ensure they are appropriate and fit for purpose, and the new charges should be implemented on 1 April unless a specific decision is made to implement on a different date. The scale of the review should be proportional to the level of income generated.

viii. As a minimum, inflation should be applied to all fees and charges annually in line with the previous September's RPI unless a specific decision is made to either not increase fees and charges or to increase them by an amount greater than inflation.

ix. Service managers should ensure that the correct treatment of VAT is applied to the charges they are responsible for. The proposed treatment should be agreed with the Senior Accountant for VAT.

x. Reasonable notice should be given to service users where the council intends to introduce a new fee or there is an above inflation increase to an existing fee.

xi. New fees and charges and significant amendments to existing fees and charges should be subject to an Integrated Impact Assessment (IIA) to consider the impact of the charging regime on groups with protected characteristics.

xii. Fees and charges should be collected in advance of service provision as far as possible. Where this is not possible then the reasons for this should be documented.

xiii. Customers must be charged in line with the charging scheme agreed. The customer must be notified prior to receiving the service if the charge differs from the charging scheme and the rationale for non-standard charging must be explained (e.g. the service required exceeds the standard of service covered by the fee).

xiv. The annual review of fees and charges should be documented using the proforma in Annex B and will be subject to review by Internal Audit as part of their annual audit plan.

4.2) Generally setting fees and charges for discretionary services are non-executive functions and therefore need to be approved by Cabinet. The Local Government Act 2000 provides for individual Cabinet members and officers to make decisions on behalf of the council. A scheme of delegation has been introduced to make the decision-making process more efficient.

4.3) Amendments to existing charges and the introduction of new charges must be agreed through the council's delegated decision process prior to the new charging scheme becoming operational. As part of the delegated decision process, the environmental impact of fees and charges will be assessed.

4.4) Income from fees and charges should be coded to the correct sub-code. Services are expected to monitor income generated through fees and charges through normal budget monitoring processes. The information gained from monitoring should be used to inform the annual review of fee and charge setting.

4.5) In cases of underachievement of income from fees and charges there should be a clear escalation route for reporting and addressing the shortfall against target. Where there is an overachievement of income for discretionary services this should be considered by the service when setting future charges to ensure that total cost recovery is achieved but not exceeded.

2. Annex A – Guidance on full cost recovery

Full cost recovery means that the total cost of delivery (including an apportionment of department and corporate overheads) is calculated and charged to the service user in line with the selected charging methodology. All stages of the providing a service should be factored into the calculation which should include costs such as:

Employment costs	• Cost of staff involved in service delivery • Staff costs should include employer nat insurance, pension costs and apprenticeship levy costs
Department costs	• Costs incurred by the department to deliver the service e.g repairs and maintenance, travel, equipment and software costs, third party providers
Corporate costs and overheads	• Accommodation and utilities costs • Cost of central support services such as Finance, Procurement, HR, Legal, ICT, Democratic Services and Business Management
Financial	• Prudential borrowing • Bad debt write-off or provisions

Most cost information required for the service can be obtained directly from the general ledger. Corporate, financial costs, and overheads are often not visible where budget has been centralised. It is still important to include these costs, this should be done in line with internal guidance provided by your finance contact.

Annex B – Annual Review Proforma

This proforma needs to be completed on MS Forms annually for all fees and charges (not subject to a statutory charging regime) within each service area by the responsible budget holder. If you need assistance completing the form, please contact your finance contact.

Service Area	
Budget Holder	
Description of chargeable service	
Reason for service provision	
What is the cost of service and how has it been calculated?	
What is the charging methodology used and rationale for it? - How does this align with council objectives and priorities or the Medium- Term Financial Plan?	
Have any other alternative charging structures been considered?	
Has the impact of inflation on cost of service delivery been factored into the charge?	
Has there been any investment in the service or increase in overheads that require an increase in charges?	
Are charges subsided? If so, what is the level of subsidy?	
How is subsidy targeted?	
How will the effectiveness of subsidisation be assessed?	
Has benchmarking been undertaken with nearest neighbours or competitors?	
How sensitive is the price to demand for the service? Could an increase in price deter customers?	
Is an Integrated Impact Assessment (IIA) required for	

amendments to fees and charges? Has reasonable notice been given to service users?	
Does the VAT treatment need to be amended?	
Has a delegated decision been completed to agree fees and charges?	
How will fees and charges be monitored for the following year?	

Appendix 6 – Summary of directorate budgets

Introduction

This document provides more details about the proposed financial plans for each of our directorates:

- Adult Social Care and Prevention.
- Chief Finance Officer.
- Children and Families.
- City Operations, Neighbourhoods and Regulatory Services.
- Deputy Chief Executives.
- Housing and Communities
- Investment and Growth.
- Public Health.
- Workforce and Development.

It summarises the services we deliver, factors influencing our proposed directorate budgets including risks and cost pressures and proposed service savings This should be read alongside:

- Appendix 1 – Summary of service proposals.
- Appendix 2 – Breakdown of cost pressures.
- Appendix 3 – Net expenditure budgets by directorate.
- Appendix 4 – Net expenditure by service.

Integrated Impact Assessments (IIA's) are also published for those proposals which will impact services or policies.

Adult Social Care and Prevention directorate

Service context

The Adult Social Care and Prevention directorate delivers against a wide range of statutory duties, most of which are set out in the Care Act 2014. These include:

- Information and advice for people about adult social care and support, including information about how to stay well and independent for as long as possible.
- The city's social work assessment and review functions.
- Care and support for adults with social care needs, including support for those with physical care needs, mental health support needs, and those with learning disabilities or autism. We provide some of these services directly, while others are delivered on our behalf by third party organisations.
- Care and support for unpaid carers.
- Financial assessment and charging relating to social care and support.
- Safeguarding adults at risk of abuse and neglect.

- Preventing, reducing, and delaying the need for care and support.
- Promoting wellbeing.

The picture remains difficult for adult social care as a sector. Funding pressures, like inflation, are growing alongside increased demand and greater complexity of need. Access to timely health care remains a challenge across the country, meaning more people rely on adult social care support to live the lives they want to live.

Long term national underfunding of adult social care has created an extremely challenging environment for adult social care to operate.

This has required us to develop proposals which are challenging but will enable us to protect the vital care and support that people in our city rely on. In doing so, we have ensured we continue to discharge our statutory duties of promoting wellbeing, reducing, delaying and preventing need, and keeping people safe.

In developing our proposals, we have been mindful of the following principles:

- Protecting support for people who are at a vulnerable point in their lives.
- Protecting statutory provision to ensure we continue to fulfil our core duties.
- Continuing to transform while managing demand.
- Minimising the negative impacts of service reductions on local people.

Despite the scale of the challenge, we have sought to develop proposals that see no employment impacts or reductions to service provision.

We continue to be innovative and ambitious in finding new ways to support people to live the lives they want. From building thriving community assets and the strengths of people using our services, to deepening our strong local partnerships, our work will remain focused on making a positive difference in people's lives.

Risks

While mitigation plans are in place to prevent the likelihood and impact of any risks occurring, there are some significant financial risks for adult social care that are outside of the direct control of the authority:

- Demand on adult social care continues to be a significant pressure as the city grows and ages, and statutory partners continue to change the way they work. This, alongside people presenting with more complex needs, and high inflationary pressures, creates an ongoing cost pressure on adult social care resources (not just budgets but staffing capacity too).
- Large scale reform of health and social care. The new government has committed to a 10-year plan for healthcare, the creation of a National Care Service and a 'fair pay agreement' for the adult social care workforce. The detail of these plans and whether commensurate increases in local government funding to deliver are yet to be outlined.
- Increased population growth. There has been a 7% increase in the city population and a 15% increase in the 65+ population in the last 10 years.

- Increasing complexity of need as NHS services also struggle to keep up with demand and to take preventative approaches to supporting people in their own homes.
- Lack of workforce availability continues to be an issue, and it remains difficult to recruit and retain skilled workers in the sector. We continue to develop our workforce plan and work with colleagues through the Care Academy, and local Colleges and Universities to attract more people into the sector.
- Lack of sustainable funding for adult social care continues to be a major concern and is the key risk reported on a regular basis to Audit Committee. The sector continues to be propped up by short-term funding pots which are tightly ringfenced and do not allow planning beyond a 12-24 month period. Lack of a fair settlement in the mid-long term for adult social care will weaken the strength of the health and social care system in the city and the broader Integrated Care System. We continue to lobby for a fair and sustainable settlement.

Proposed budget.

The proposed net revenue budget in 2025-26 for the Adult Social Care and Prevention directorate is £114.5 million.

Cost pressures specific to this directorate:

- A provision of £14.3 million is included for the estimated cost of the increase in the national living wage and contractual inflation to commissioned services and voluntary and community sector providers.
- A provision of £1.9 million is included to reflect the demand and demographic pressures forecast for care package costs.
- A provision of £1.1 million is included to reflect the pressures forecast from children with disabilities turning 18 and transitioning into adult social care.

The directorate has set out savings proposals totalling £9.1 million under the following themes:

- Demand management: £8.3 million.
- Income: £0.2 million.
- Organisational efficiency and effectiveness: £0.6m million.

Proposals relating to demand management include promoting strength based approaches, promoting independence through the use of equipment, assistive technology and digital, and promoting independence in supported living. We will also mainstream the community connector model, continue completing dynamic reviews across Learning, Disability and Autism, and review direct payments.

Proposals relating to income include inflationary increases, reviewing s256 agreements we have in place with the NHS, and increasing the customer base within the Ostara service.

Organisational efficiency and effectiveness proposals include the removal of an employee budget relating to a position which has been deleted.

Chief Finance Officer directorate

Service context

The Chief Finance Officer directorate ensures the Council remains a financially sustainable and resilient organisation, which can deliver services and achieve its goals whilst operating within its means and providing value for money for residents.

The Directorate is responsible for providing the following corporate and enabling services:

- Audit, Risk and Insurance, which operates on an independent basis to provide objective opinions on our system of internal control and governance arrangements. This service also oversees our risk management activities, handles insurance claims and is responsible for ensuring we have adequate external insurance cover in place.
- Finance, which has responsibility for supporting the management of our finances, working with budget holders across the organisation. The service also has responsibility for financial returns, the annual statutory accounts, treasury management and for ensuring the efficient and effective operation of our financial systems and processes.
- Procurement and Payments, which has responsibility for supporting managers to source non-social care works, goods and services, working with the suppliers to ensure value for money is achieved. This service is also responsible for paying suppliers in line with our payment terms, and leads on the Supplier Incentive Programme, which seeks to negotiate reduced invoice payment times for a discount.
- Revenues and Benefits, which has responsibility for the administration of housing benefits and the collection of Council Tax (including the administration of the Council Tax support scheme that provides a reduction in Council Tax to those eligible for support), business rates and sundry income. This service also administers the Household Support Fund and discretionary housing payments to residents.
- Property Services, which manages the commercial property portfolio, carries out asset valuations, prepares and oversees the strategic asset management strategy, and manages school and library PFI assets.

The directorate is principally funded through the base budget, although a number of service areas generate income which offsets gross expenditure. The main source of income is through charges for services provided, such as payment services to academies, and property services to both internal and external tenants.

The primary factor influencing the directorate budget is inflation, which presents largely as a cost pressure on pay costs.

Risks

The main financial risks affecting the Chief Finance Officer directorate are:

- Inflationary pressures, mainly in the form of pay inflation as the vast majority of the budget is made up of staffing costs. However, we also face the risk of increases in costs for other goods and services such as ICT services. We have proposed increases to fees charged where appropriate to ensure that we recover this increase in the cost of providing services.
- There is a risk associated with grant funding provided by the government to fund the cost of providing services, but these will not be announced until later in the year. Further reductions may be required if this funding is reduced.
- There are recruitment and retention issues, particularly due to competition between local authorities and private sector organisations.

Proposed budget

The proposed net revenue budget in 2025-26 for the Chief Finance Officer directorate is £7.3 million.

The directorate has set out savings proposals totalling £0.6 million under the following themes:

- Income: £0.2 million.
- Organisational efficiency and effectiveness: £0.4 million.

Proposals relating to income include, where appropriate, ensuring that we recover the cost of providing services, as well as reflecting new income from the Supplier Incentive Programme in the budget.

We have also proposed a range of savings to ensure our services continue to be provided in an efficient manner. This includes the deletion of vacant posts in three service areas, which presents minimal delivery risk as these posts have been vacant for some time whilst performance has remained at a satisfactory level.

Children and Families directorate

Service context

There are 75,872 children and young people in Newcastle aged between 0-19. Partners, including the Children and Families Directorate work hard to ensure children and young people in Newcastle feel happy and healthy, safe and ready for their next steps.

The Children and Families directorate is responsible for providing the following services:

- Early intervention and prevention services which includes drop-in activities and group work in our family hubs as well as support for families and early help advice to partners.
- Early years sector support which includes workforce development and training and the administration of the statutory funded childcare offer.
- Education, delivering our statutory responsibilities for mainstream and specialist education.
- Statutory children's social care which includes assessment and work with children, young people and families on child in need or child protection plans as well as support to our children in care and care leavers.
- Voice, influence and youth services which includes how we hear what matters to children and young people in the city and how we work with them to make positive change. We are also responsible for ensuring sufficiency of youth services and support to the sector which includes the Newcastle Youth Fund.
- Commissioning and procurement of services for children, young people and families which includes how we work together with health partners.
- Support to partnerships including the Children and Young People's Strategic Partnership and statutory partnerships including the Newcastle Safeguarding Children's Partnership, the Special Educational Needs and Disabilities (SEND) Executive Board and the Youth Justice Partnership.

Children and young people tell us that overall Newcastle is a good place to live and to grow up. Despite this we know that there are some significant challenges facing our younger residents and their families. These include, unacceptably high levels of poverty, a national mental health crisis and concerns about their future prospects. Importantly we know that these issues are not felt equally across the city. In addition, as a directorate we know that the number of children and young people with an assessed special educational need and/or a disability (SEND) continues to rise. Rising numbers of children and young people with SEND and an as yet unreformed children's social care market places significant financial challenges on the directorate and the Council.

In addition, whilst the number of children and young people in care has reduced in the last year we, and other councils across the country, have experienced an increase in the number of complex and high cost care and education placements. Specific challenges include autism and learning disabilities, challenging behaviours and increasing numbers at risk from exploitation. This increase in complexity has coincided with a national placement crisis, where supply of placements is outstripped by demand. In Newcastle, as nationally, this has led to significantly increased placement costs.

Finally, whilst we have successfully secured additional external funding in recent years it is not yet clear whether Government intend to continue to fund these much needed services. Without continued funding the financial pressure facing the directorate and the Council will increase.

Risks

The directorate continues to face a number of risks which are broadly defined as:

- Recruitment and retention of social workers: Having enough suitably qualified social workers is key to how we work with children, young people and families to make positive change. They are fundamental to the stability of the service. We know that nationally fewer students are considering social work careers. In addition, fierce regional competition especially for experienced staff creates retention challenges. In response we have prioritised growing our own social workers and have been successful in programmes including social work apprenticeships, frontline and in providing the support and training for staff as they progress their careers.
- Placements for children in care: In Newcastle approximately 80% of our children in care benefit from a caring foster placement. This is better than many other Councils. However, a small number of our children require a placement in a children's home. Whilst we always aim to use our own children's homes that are judged to be good or better, this isn't always possible. The national placement crisis (see the Competition and Market Authority) has led to a lack of reasonably priced residential placements is a significant risk to the directorate and the Council's budget.
- Special educational needs and or disabilities: The timeliness of the completion of SEND statutory assessments is still significantly below the recommended 20 weeks. Finding local good quality provision for a growing number of children and young people with extreme needs is also proving challenging in a competitive market with a limited number of appropriate providers. As well as being hard to find, such placements are often very expensive which puts further pressure on the directorate and Council budget.
- Costs of transport for children with SEND has rapidly increased due to rising numbers and providers costs
- Attendance and exclusion: Overall attendance and exclusion from school, particularly of secondary-aged young people, continues to be of concern. This is especially so for some vulnerable groups of children and young people such as those with SEND and those receiving support from other agencies such as children's social care. Identification of appropriate and meaningful educational provision for small number of young people with significant needs is proving more and more difficult in a small marketplace of providers.

Proposed budget

The proposed net revenue budget in 2025-26 for the Children and Families Directorate is £72.3 million.

Cost pressures specific to this directorate are:

- A provision of £1.3 million for the expected increase in demand for children's social care.
- A provision of £0.7 million for funding pressures in Children and Families Newcastle.
- A provision of £0.8 million for the estimated cost of inflation for commissioned services.
- A provision of £2.8 million for the estimated cost of inflation for SEND and mainstream transport.
- A provision of £0.8 million to replace lost DSG funding of the Educational Psychology Service.

The directorate has set out savings proposals totalling £4.4 million under the following themes:

- Income: £0.3 million.
- Organisational efficiency and effectiveness: £4.1 million.

City Operations, Neighbourhoods and Regulatory Services directorate

Service context

The City Operations, Neighbourhoods and Regulatory Services directorate is responsible for providing the following services:

- Facility Services and Civic Management, including traded services such as school meals, building cleaning, welfare catering and caretaking, as well as civic building management and hospitality, security services, registrars and bereavement services and community hubs and libraries.
- Local Services and Waste Management, including waste collection and disposal, cleansing, grounds and open space maintenance and arboriculture works.
- Operations and Parking, including fleet transport, building control, estate management, energy, resilience and community safety.
- Public Safety and Regulation, including food health and safety, environmental and public protection and licensing.
- ICT and Digital Transformation.
- Democratic Services.
- Business Management, including the Coroner's service.
- The following services have recently transferred into the directorate from YHN:
    - Construction Services and Repairs and Voids
    - ICT services and the Customer Contact Centre
    - Caretaking and Gardening Services
    - ABRI traded services including the Newcastle Furniture Service (NFS) and Palatine.

Approximately one-fifth of directorate expenditure is funded from cash limit budget, with the majority funded from income. The main source of income is external fees and charges income for traded services, including ringfenced licensing income. A significant proportion of income is received from schools and academies for services to schools, plus external income in relation to PFI contracts.

The directorate's budgets have been significantly impacted by high levels of inflation in recent years particularly in relation to waste and food.

The main waste disposal contract is linked to RPI resulting in significant cost increases, waste market commodities such as bins and caddies continue to increase in price. As our city continues to grow in households, demand for refuse collection services is approximately 1,600 properties each year until 2030 when the city will reach 150,000 households. Implications of the Environment Act 2021 are still being worked through.

Changes in legislation also impact on the services delivered by the directorate, for example, The Building Safety Act 2022 and changes to the Building Act 1984 and Building Regulations 2010 impact on the future delivery of building control services. A new national framework setting out the operation of the Building Safety Levy is yet to be finalised; however, it has been confirmed that local authority building control will be tasked as administrators of the Levy.

Local authorities are also accountable to the new Building Safety Regulator (BSR) which is challenging at a time of working through an economic downturn impacting on building control income as these new processes are embedded.

The directorate supports a number of portfolios to deliver the Council's priorities to reduce poverty, mitigate the impact of the cost of living crisis, deliver net zero carbon emissions and getting the basics right.

In preparing this budget, the directorate has had to make tough but necessary decisions to protect frontline services, get the basics right for residents and businesses and continue to support our priorities to reduce poverty, mitigate the cost of living crisis and deliver net zero. Given the scale of the challenge it has not been possible in all our proposals to prevent reductions to service provision and employment impact.

Risks

The directorate continues to face a number of risks which are broadly:

- Recruitment and retention: The directorate is experiencing recruitment and retention issues, particularly in relation to qualified staff such as environmental health officers and ICT/Digital posts. Competition between local authorities and private sector organisations to recruit to particular posts could potentially push salaries up, further adding to budget pressures.
- Competition: The implementation of the real living wage could impact on traded services, such as school meals, building cleaning and ICT and digital transformation, and ensuring we remain competitively priced to maintain existing income levels to safeguard jobs. Most of these services are provided to schools, and so there is the added risk of the increasing number of multi-academy trusts taking their business elsewhere. There are also new crematoria opening in the region, impacting upon bereavement service income.
- Legislative changes:
    - In the Environment Act 2021, government have amended Consistency in Recycling to be 'Simpler Recycling'. This may still mean more containers for residents and businesses to optimise recycling, but it may not be mandated, instead being determined owing to local need. Food waste collection mandated as a minimum and garden waste collection may need to be offered to all households. Funding for new burdens is unclear and the price for waste commodities such as bins and caddies is increasing.
    - Changes to Electoral registration detailed in the Elections Act 2022, could result in additional costs relating to producing and processing voter authorisation documents and implementing other aspects of the act in respect of postal voters, EU citizens and overseas electors.

- Demand: Projected household growth and demand for refuse collection services is approximately 1,600 properties each year until 2030, where the city will reach 150,000 households.
- Recovery from a downturn in the economy: The impact of the cost of living crisis continues to impact on income streams to the directorate, including car parking income where there is increased working from home across the city, changing retail and hospitality preferences and a reduction in car park use. Similarly, building control income is reducing due to a reduction in the number of building applications.
- Capital: The directorate is expecting to incur significant costs in the medium term in relation to structural improvements for car parks and bereavement services infrastructure. The services are establishing sinking funds to prepare for these future costs.
- Inflation: The high levels of inflation experienced in recent years continue to put pressure on the directorate’s budgets, particularly in areas such as Waste Disposal and Libraries PFI buildings where inflationary uplifts to contracts are based on RPI. Although inflation has stabilised, the school meals service now has significant food and staffing costs due to previous years’ inflation levels – we continue to work closely with procurement colleagues and North East Procurement Organisation (NEPO) to ensure we are receiving the best prices with suppliers, as well as reviewing the school meals offer and pricing levels. Significant increases in fuel costs have also impacted on the cost of delivering waste services.
- Damp & Disrepair: There has been an increase in reported issues in housing stock due to an increased public awareness, and disrepair claims from solicitors. Awaabs Law now requires the Council to fix damp and mould issues within strict time limits. In addition, the upcoming stock condition surveys are likely to highlight further works required, which will need to be managed within the fixed price SLA with the HRA.
- Services transferred from YHN:
    - ICT and Contact Centre - there are cost pressures arising within the Tech Refresh budget due to a lack of sufficient funds for tech refresh activity, for example, replacement of ICT hardware (laptops, desktops) and the identification of unfunded core infrastructure. In addition, significant resource capacity is also being consumed in understanding ICT contracts and arrangements put in place by YHN. Within the Contact Centre and the ICT budget there are savings and income targets proposed which lack appropriate detail and are subject to ongoing discussion and investigation.
- Palatine Beds, Newcastle Furniture Services, Caretaking and Gardening services transferred into FSCM - work is currently being undertaken on contract profitability and viability and the future direction of the services.

Proposed budget

The proposed net revenue budget in 2025-26 for the Operations and Regulatory Services directorate is £39.5 million.

Cost pressures specific to this directorate:

- A provision of £3.0 million to reflect the pressures from inflation increases to waste management contract and increasing demand.

The directorate has set out savings proposals totalling £4.2 million under the following themes:

- Income: £2.2 million.
- Organisational efficiency and effectiveness: £1.9 million.
- Service reduction: less than £0.1 million.

Proposals relating to income include inflationary increases and, where appropriate, ensuring we recover the cost of providing services across facilities services, including reducing the subsidy for school catering. Organisational efficiency and effectiveness proposals include engaging with residents to recycle more and increase the efficiency of our waste disposal methods, reviewing the level of business support provided across the council, reducing our telephony costs and consolidation of software applications. Finally, we will review library opening hours at the City Library.

Deputy Chief Executive’s directorate

Service context

The Deputy Chief Executive directorate provides a number of corporate enabling services to the organisation, as well as working closely with city partners on strategy and policy. The directorate is composed of the following service areas:

• Communication Services.
• Policy and Performance.
• Communities Team.
• Climate Change Strategy.
• Informatics and Insights.
• Legal Services
• Newcastle City Learning
• Inclusive Employment
• Health Determinant Research Collaboration (HDRC) Project.

The directorate is principally funded through the base budget, although several service areas generate income which offsets the gross position. Service areas including Newcastle City Learning, Inclusive Employment, Climate Change Strategy and the HDRC attract significant external funding from national and regional bodies including the Skills Funding Agency, the North East Combined Authority, and the National Institute of Health and Social Care Research to support the delivery of our priorities and increase our capacity to deliver.

The primary factor influencing the directorate budget is inflation which presents largely as a cost pressure on pay costs.

The directorate undertakes regular reviews of services delivered to ensure we are working efficiently, and identifying possible areas for innovation in service design, to meet the needs of our residents.

Risks

Additional to pay inflation, the other risks which have the potential to impact on the directorate financial position relate to external funding. This is particularly a risk in terms of climate change activity, where we have seen Government make significant changes to grant funding criteria over time. The council and other bodies including the Local Government Association are lobbying Government to reflect on this approach.

Proposed budget

The proposed net revenue budget in 2025-26 for the Deputy Chief Executive’s directorate is £4.9 million.

The directorate has set out savings proposals totalling £0.3 million under the following themes:

• Income: £0.1 million.
• Organisational efficiency and effectiveness: £0.2 million.

Proposals relating to income include recharging for the time utilised of an in-house designer to reduce reliance on more costly external commissions and ensure the consistency of corporate branding. It is anticipated that this recharging would be primarily linked to externally funded projects. Organisational efficiency and effectiveness proposals relate to service re-designs of the Communications and Engagement and Informatics and Data Insight teams.

Housing and Communities directorate

Service context

The Housing and Communities Directorate has 3 services areas which are:

- Fairer Housing Unit
- Homelessness and Active Newcastle
- Housing Services

These service areas are responsible for the delivery of the following activities:

Housing Services

- Manage council housing
- Manage void programme
- Manage estate related to council housing
- Provide income advice and collect income
- Provie Tenancy Services, including engagement and enforcement
- Manage the allocation scheme
- Deal with complaints and anti-social behaviour
- Manage home ownership options including Shared Ownership, Rent to Buy and Right to Buy
- Manage leaseholds
- Oversee compliance and building safety

Support Services

- Provide statutory homelessness functions: advice, assessment, review and strategy development
- Support people out of rough-sleeping
- Support people into a home
- Support people to maximise income and reduce expenditure
- Support asylum seekers and refugees
- Provide safeguarding services
- Assess support needs
- Manage Housing Plus
- Engage partners
- Support for young people
- Jointly manage complex case panels
- Manage Disability Facilities Grants
- Oversee Care and Repair Newcastle

Policy and Commissioning

- Lead the strategic landlord function

- Lead housing policy and commissioning
- Manage housing partnerships
- Commission housing, support and neighbourhood services
- Ensure regulatory compliance
- Engage and advise landlords and tenants in the private rented sector
- Facilitate and support Tenant Voice and Scrutiny Involvement for Tenants
- Assess current and future housing needs
- Complete government statistical returns
- Respond to sector consultations
- Jointly manage complex case panels*

Investment

- Manage asset and investment programme
- Manage the Housing Revenue Account
- Manage programme to decarbonise council housing
- Oversee the new build and affordable homes programmes
- Oversee the stock condition survey
- Co-ordinate void programme

Risks

The fundamental risks for the Directorate are:

- Failure to deliver the Council's vision for council housing and its commitments as set out in the Council's Housing Strategy could result in the Council's long-term plans to deliver safe, quality, sustainable housing and services to residents being compromised, with regulatory and financial obligations not being met.
- The Directorate came into existence on the 1st July 2024 and as such, a review of systems, processes and procedures is required. Failure to do so may result in the Directorate failing to meet corporate compliance.

Proposed budget

The proposed net revenue budget in 2025-26 for the Housing and Communities directorate is a surplus of (£0.8 million).

The newly established directorate is undergoing a review of services and budgets to ensure we can continue to demonstrate Value for Money for customers and identify ways to make the optimum use of limited resources.

The directorate has set out savings proposals totalling £1.3 million under the following themes:

• Income: £0.01 million.

• Organisational efficiency and effectiveness: £1.29 million.

Investment and Growth directorate

Service context

The Investment and Growth directorate are shaping a more economically productive, inclusive and sustainable city that provides more and better jobs, greater opportunities, and a high quality of life for all.

Through collaborative placemaking we are helping to deliver enhanced regeneration that offers a better living standard, energy efficient building, and better connected walking and cycling routes to make Newcastle a clean, green, and connected city.

The directorate also plays a central role in making Newcastle a more attractive place for residents and visitors through cultural initiatives as well and developing a Culture and Heritage strategy for the city.

These commitments are challenging due to macro-economic factors such as legislative changes and energy, pay and other inflationary increases.

To deliver on our statutory duties and our priorities, the directorate provides the following services:

- Planning including development management, planning enforcement, Local Plan and planning policy, urban design, conservation and archaeology, landscape design and trees, ecology and the North-East Community Forest. The teams administer the legislative requirements of the Town and Country Planning Act 1990, Listed Building and Conservation Areas Act 1990, Planning and Compulsory Purchase Act 2004, Wildlife and Countryside Act 1981 and the Localism Act 2011.
- Transport fulfils our statutory duties as the Highway Authority and ensures effective delivery of our network management, asset management, traffic management, public rights of way responsibilities as well as being the Lead Local Flood Authority. The team are also responsible for the city's transport policy and strategy, highway public realm design and construction, road safety, highway and structures maintenance and manage the traffic signals operation and the Urban Traffic Management Control (UTMC) services on behalf of the region.
- Capital Investment and Growth division (previously the Capital Investment and Major Projects team and the Economic Development team) leads on the organisation of the council's capital investment programme, identifies and secures funding and establishes and operates Special Purpose Vehicles (SPV's). The team also support the economic development of the city, connecting communities with opportunities and supporting place based regeneration and growth initiatives.
- Arts and Culture are responsible for the development of city's cultural events and arts development programmes as well as the development

of the council's cultural policy and strategy.

Risks

The key risks in the 2025-26 budget for the Investment and Growth directorate are:

- Reduced ability to deliver projects or services could lead to reputational damage, which may influence future external funding bids.
- Changes in government policy and legislation may impact the availability of external funding.
- Income from planning fees and capital programmes can be affected by changes in both local and national economic conditions.
- There are inflationary impacts on aspects such as pay and energy which create a pressure on expenditure budgets.
- The directorate is experiencing recruitment and retention issues, particularly in relation to competition between local authorities and private sector organisations.

Proposed budget

The proposed net revenue budget in 2025-26 for the Investment and Growth directorate is £15.8 million

We have made a provision of £0.5 million for inflationary price increases and a high number of defects related to highway maintenance (ad-hoc and Winter) materials, however we are also forecasting a significant reduction in the cost of energy for streetlighting which fully offsets these inflationary pressures.

The directorate has set out savings proposals totalling £0.20 million under the following themes:

- Income: £0.11 million.
- Organisational efficiency and effectiveness: £0.05 million
- Service Reduction: £0.04 million

Proposals relating to income include inflationary increases and, where appropriate, ensuring we recover the cost of providing services.

Organisational efficiency and effectiveness proposals include removing budget for a vacant post and allocating additional time to capital funded activities.

The service reduction proposal relates to ceasing Council provision of a non-statutory service within Transport.

Public Health directorate

Service context

Public Health is solely funded by the ring- fenced public health grant which has itself faced real-term cuts to the grant in recent years. The team has played a key role in supporting the response to the cost-of-living crisis and development of the anti-poverty strategy. This is alongside our statutory health improvement, health protection and healthcare public health duties which are focussed on improving the health of our population in a city where we recognition the challenge of many of our residents continuing to live in poverty and experiencing poor health.

Where appropriate, the grant has been allocated to service areas to support the delivery of legitimate public health outcomes whilst easing some pressure on the revenue budget in other parts of the organisation. The team also commission a range of providers to deliver public health services, such as sexual health and drugs and alcohol services, and provide the following services:

- Epidemiology and intelligence.
- Fair and healthy childhoods.
- Quality Healthcare and Health Protection
- Harm reduction and social inclusion.
- Public health literacy.
- Wider determinants and wellbeing.
- Director of Public Health.

Risks

The risks and mitigations affecting the directorate and the proposed savings are:

- Inflationary pressures on the directorate which are mainly pay inflation (particularly for those contracts which are subject to the NHS pay uplift.
- We have proposed a small number of efficiency savings to ensure that our services continue to be provided in an efficient manner. These savings present minimal delivery risk as we have clear plans to deliver these efficiencies and will monitor progress against these targets.
- The savings proposed to be delivered through support from the public health grant will need to demonstrate they meet the requirements of the grant and contribute to health outcomes.
- Public Health pay inflation is covered wholly by grant, and we are aware of the provisional funding amount for next year. This is therefore deemed low risk given we're aware of the available budget and have built this into budget planning for next year.
- Lack of sustainability of additional grant funding, which ends 31 March 2025 – this includes Fair and Health Childhood projects (Start for life, HAF – total approx. £2 million) and allocation within the Harm Reduction and Social Inclusion portfolio (various drug and alcohol grants - approx. £4 million). If the grants are not continued, this withdrawal of funding will

present a number of risk areas which are being considered by Public Health.

Proposed budget

The proposed net revenue budget in 2025-26 for Public Health is (£0.9 million).

The directorate has set out savings proposals totalling £0.1 million under the following themes:

- Organisational efficiency and effectiveness: £0.1 million

The Public Health saving shown above is not a true cost reduction saving and instead will be used to support savings in other council services where a legitimate public health benefit exists supported by evidence of the link to health outcomes.

Workforce and Development directorate

Service context

The Workforce and Directorate delivers a range of professional enabling services, including:

- Human Resources.
- Health and Safety.
- Occupational Health.
- Organisational Development.
- People and Policy
- Employability.

These services are delivered to internal colleagues and through competitive service level agreements with schools and other external organisations in the city with the purpose of attracting, retaining and developing the respective workforces. All our traded services achieve full cost recovery with inflationary increases applied to our charges.

Our focus is also on ensuring we are a good employer which supports the wellbeing and safety of our colleagues and that we comply with all relevant employment and health and safety legislation and act as exemplars to others. We are actively engaged in service transformation and budget proposals implementation activity across the organisation and are focussed on improving the diversity of our organisation by reaching out into under-served communities to support them into employment with the council or other employers in the city.

Risks

The risks and mitigations affecting the directorate and the proposed savings are:

- Inflationary pressures on the directorate which are mainly pay inflation.
- We have proposed a small number of directorate and corporate efficiency savings to ensure that our services continue to be provided in an efficient manner. These savings present minimal delivery risk as we have clear plans to deliver these efficiencies and will monitor progress against these targets.
- Increased income reflects the application of inflationary increases in costs that are charged to clients for our services, where this is appropriate, and rebasing some safety charges to more actively reflect higher market rates for a specific service.

Proposed budget

The proposed net revenue budget in 2025-26 for the Workforce and Development directorate is £3.8million.

The directorate has set out savings proposals totalling £0.176 under the following themes:

- Income: £0.048 million.
- Organisational efficiency and effectiveness: £0.128 million.

The enabling services element of the savings are delivered through inflationary increases to our service level agreements and efficiencies through reduction in non-staffing budgets.

The directorate's additional proposals will deliver a further £0.2 million of corporate savings predominantly through organisational efficiency and effectiveness savings.

Appendix 7 – Housing Revenue Account budget

All figures in £ million	2024-25	2025-26
Rent income	115.6	116.7
Other income	17.9	17.9
Management fee	(28.0)	(28.9)
Repairs and maintenance	(28.3)	(29.8)
Other running costs (for example utilities, supplies and services)	(21.8)	(21.7)
Bad debt provision	(1.8)	(1.8)
External interest payable	(15.0)	(15.7)
Operating surplus	**38.6**	**36.8**
Debt repayment or contribution to capital	(38.6)	(38.0)
Increase or (decrease) in HRA reserves	**0.0**	**(1.2)**

This page is intentionally left blank

Appendix 8 – 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	9.1	50%	4.550
Shortfall in City Operations, Neighbourhoods and Regulatory Services directorate income	12.0	25%	3.000
Shortfall in Adult Social Care and Prevention directorate income	8.9	25%	2.225
Cost pressure on children's social care placement budget	2.7	75%	2.025
Shortfall in property rental income	2.5	50%	1.250
Electricity / gas - higher than expected costs	2.5	50%	1.250
Shortfall in Investment & Growth directorate income	2.5	25%	0.625
Cost pressure on SEND transport budget	1.2	50%	0.600
Costs associated with extreme weather (e.g. flooding, snow etc.)	1.2	50%	0.600
Slippage in budget savings proposals	2.2	25%	0.550
Cost pressure on waste management budget (price and/or demand)	1.5	25%	0.375
Shortfall in other directorate income	1.1	25%	0.275
Revenue impact of General Fund capital programme overspend	1.0	25%	0.250

TOTAL = 17.575

This page is intentionally left blank

Appendix 9 – projected trend in General Fund earmarked reserves

Ref	All figures in £ million	31 March 2022 (actual)	31 March 2023 (actual)	31 March 2024 (actual)	31 March 2025 (estimate)	31 March 2026 (estimate)	31 March 2027 (estimate)
1	ADZ reserve	2.4	2.7	1.7	0.4	(0.9)	(2.1)
2	Asset management reserve	5.3	0.6	0.0	0.0	0.0	0.0
3	Budget stabilisation reserve	(17.4)	(13.3)	(11.5)	(6.8)	(3.7)	(3.7)
4	Capital projects development reserve	(0.9)	(1.7)	(1.4)	(1.2)	(1.0)	(0.8)
5	Collection Fund reserve	(15.0)	(13.2)	(10.2)	(11.7)	(12.1)	(12.6)
6	Developers contributions reserve	(1.2)	(1.1)	(1.2)	(1.1)	(1.0)	(0.9)
7	Digital screen reserve	(0.8)	(1.0)	(1.1)	(1.3)	(0.1)	0.0
8	Directorate commitments reserve	(1.3)	(7.1)	(4.0)	(3.8)	(3.5)	(3.3)
9	Elections reserve	(0.6)	(0.4)	0.1	0.0	0.0	0.0
10	Estate Management Fund reserve	(2.5)	(3.8)	(4.5)	(3.5)	(2.5)	(1.5)
11	Euro 2028 Reserve	0.0	0.0	(4.3)	(3.8)	(3.3)	(2.8)
12	Financial risk & resilience reserve	(7.0)	(7.0)	0.0	0.0	0.0	0.0
13	Insurance reserve	(3.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
14	Interim capital funding reserve	0.0	2.9	1.8	0.0	0.0	0.0
15	Local Plan reserve	(3.5)	(3.4)	(3.2)	(2.6)	(2.0)	(1.4)

Ref	All figures in £ million	31 March 2022 (actual)	31 March 2023 (actual)	31 March 2024 (actual)	31 March 2025 (estimate)	31 March 2026 (estimate)	31 March 2027 (estimate)
16	Major developments reserve	3.3	5.1	3.0	2.3	1.5	0.8
17	One-off funding reserve	(10.0)	(7.9)	(5.4)	(4.4)	(3.4)	(2.4)
18	Parks trust subsidy reserve	(2.2)	(1.0)	0.0	0.0	0.0	0.0
19	Pension reserve	(2.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
20	PFI reserve	(3.9)	(3.3)	(3.6)	(3.4)	(3.1)	(2.9)
21	Public Health Grant reserve	(4.0)	(3.4)	(4.0)	(3.5)	(3.0)	(2.5)
22	Repairs & Construction Service reserve	0.0	2.2	1.7	0.0	0.0	0.0
23	Revenue grants to be applied reserve	(45.3)	(37.1)	(32.8)	(30.2)	(29.0)	(27.1)
24	Ring-fenced balances reserve	(17.6)	(18.6)	(23.2)	(19.6)	(18.9)	(18.2)
25	Risk management reserve	0.0	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)
26	School kitchens reserve	(0.8)	(0.9)	(0.8)	(0.7)	(0.6)	(0.5)
27	Strategic reserve	(6.7)	(3.6)	0.0	0.0	0.0	0.0
28	Transformation reserve	(10.1)	(14.7)	(13.7)	(7.2)	(2.0)	0.0
29	Treasury management reserve	(19.0)	(24.4)	(22.2)	(22.2)	(22.2)	(22.2)
n/a	Other reserves (all under £0.5 million)	(1.4)	(1.0)	(2.1)	(1.9)	(1.9)	(1.4)
	TOTAL	**(165.7)**	**(156.3)**	**(142.6)**	**(127.9)**	**(114.4)**	**(107.5)**

Newcastle City Council

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

Appendix 10

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

Introduction

This plan sets out what we intend to do to communicate and consult about our Medium-Term Financial Plan 2025-26. It sets out:

- How we will communicate
- How we will collect the views of people and organisations we are consulting with
- Timeline for communication and consultation
- Guiding principles

How we will communicate

These are our communication channels, the routes through which we will reach our stakeholders with information about our proposals and listen to their views.

Communication channel	Description	Goals
Citylife magazine	We are producing a special edition of Citylife which will be distributed digitally, available via our website. Printed versions will be in libraries, and available on request.	To seek understanding of the budget challenge, proposals and how people can have their say
Community noticeboards	Over 90 noticeboards located across Newcastle. Noticeboards are updated on the first Tuesday of the month via Member Services. Poster size needed is A4.	Provide different ways for residents to find out about the consultation, both digital and non-digital
Community champions	The Community Champions network is made up of a wide range of volunteers from across the city, helping everyone to stay up to date with public health messages and campaigns. Monthly newsletter goes out on the first Friday of the month.	Enable us to reach a range of groups of people; individuals and their families, friends, and broader networks.

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

Communication channel	Description	Goals
Connected Voice bulletin	Connected Voice Bulletin – a fortnightly email bulletin	Provides a route to update the voluntary and community sector (VCS) in Newcastle (Also covers Gateshead.)
Council website	Details of our proposals and how people can have their say along with relevant background papers. Staff in Communications and Engagement have provided guidance to staff writing budget proposals on producing accessible document and will work with them to support this.	To promote understanding of the budget challenge and ensure people have access to relevant information.
Member bulletin	Article about the budget consultation and how people can take part in it, to be included in the regular email sent out to elected members at Newcastle City Council by Democratic Services.	Ensure that elected members are aware of how we are doing and how they can support people and organisations in their wards to take part.
Newcastle City Council social media channels – Facebook, Twitter, LinkedIn, Instagram	A social media campaign to highlight how the public can take part in the consultation and also to share videos on the challenge and process Specifically, this will include 'explainer' content on key terms around the budget process in video and infographic form, which can be translated into other languages. Alongside this we will continue to provide information about the role of local government in Newcastle and the hundreds of roles and responsibilities the council undertakes.	To improve public understanding of the budget challenge and process, including how people can give us their views

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

Communication channel	Description	Goals
Partners' communication channels, such as websites, social media, and email	We will ask our partners, such as Connected Voice, Chamber of Commerce, Elders Council and others to share our budget information via these channels.	To ensure information about the budget reaches as many different audiences across the Newcastle area as possible.
Press releases	A press release on the launch of the consultation, on our proposals.	To seek understanding of the budget challenge and process with the public by engaging proactively with journalists.
Regional and local professional associations (such as the Chamber for Commerce)	As in previous years, we will attend meetings of professional associations to provide them with information about our budget consultation	To ensure information about the budget reaches as many different audiences across the Newcastle area as possible and seek key stakeholders' views.
Schools communications	Direct emails to headteachers, governors, and other educational establishments such as nurseries and colleges. Information on the Services for Schools Portal (all Newcastle school staff have access to this).	Encourage participation in online events to gather their feedback about the budget proposals.

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

Communication channel	Description	Goals
Staff briefing	Email to all staff advising that draft proposals have been published. Briefings for those service areas with FTE impacts. Ensure that staff are aware of plans to engage with residents and stakeholders, and able to signpost them to how they can take part in consultation.	Ensure staff are fully aware of our draft proposals and how they may be affected by them.
Trade unions	Meeting with trade unions to discuss proposals.	Ensure trade unions are aware of our draft proposals and how staff may be affected by them.
Voluntary and community sector organisations	Promote meetings and consultations in Connected Voice and Information Now fortnightly ebulletin, website and social media. Can also use mailing lists held by Communities and Communications & Engagement teams.	Providing relevant information to voluntary and community sector organisations, which can also be shared with their service users, members and customers

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

How we will collect the views of people and organisations we are consulting with

These are the routes through which we will listen to the views of our stakeholders and residents, have conversations with them, and collect their views on our proposals.

Channel	Description	Goals
Community and voluntary sector organisations	MTFP (Medium-Term Financial Plan – our financial plan for the next three years) briefings for community and voluntary sector organisations hosted by Connected Voice and Haref. Connected Voice is the organisation which supports community and voluntary sector organisations in Newcastle. Haref supports community and voluntary sector organisations which provide health services to ethnically minoritised communities.	Provides relevant information to community and voluntary sector organisations that support people that use council services and may be affected by proposals. Also provides relevant information to community and voluntary sector organisations that themselves use or provide council services.
Directorate engagement activities with people using services	Staff in directorates will use their knowledge of their service users to engage with them and gather their feedback. Staff in Communications and Engagement will work with staff in directorates to support engagement and gathering feedback.	Gather feedback on specific proposals, in particular, about the impacts of changes to services upon those currently using these services, also those who might use them in future, and people such as friends and family who support service users.

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Channel	Description	Goals
Engagement events and meetings for communities of identity	Specific meetings or events with groups, or targeted contact, can be made, linked to specific proposals where appropriate. We will use our list of key external stakeholders to maximise our reach. We commonly engage with the Elders Council, children and young people, learning disabled people, and others.	Engage with groups such as people with learning disabilities, sensory impairments, and other communities who have particular communication needs which we must meet to ensure that they can engage with us.
Offline – telephone and post	People can contact us via our contact centre or at FREEPOST Letstalk.	Enable people who are digitally excluded and / or find these methods easier to use to give us their feedback.
Online – Let's talk Newcastle Online	Online surveys on both our specific proposals and our medium-term plan as a whole	Online surveys designed to gather feedback on: 1) specific proposals – the IIAs 2) our financial proposals in general and their cumulative impact
Online – email	People can email feedback to us at our letstalk@newcastle.gov.uk email address	Enable people to send feedback via email about: 1) specific proposals – the IIAs 2) our financial proposals in general and their cumulative impact Some people prefer using email to completing an online form.

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Channel	Description	Goals
Online – People's Budget – online and community engagement	An online budget simulator asking participants: "How will you balance the city's budget?" and asking how they would meet the budget gap We will also consider the best way for people who cannot easily take part in the People's Budget online (for example, people who are digitally excluded) to be able to give us their answers for these questions – for example, at discussions with people using our services.	Increase awareness of the challenges we face Understand more about what residents and stakeholders' broad priorities for the city are.

Newcastle City Council

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Timeline for Communication and Consultation

Action	Deadline	Done?
Planning and Preparation – 2 September – 11 December 2024		
1. **Integrated Impact Assessments**: Review the Integrated Impact Assessment template and guidance provided to officers to ensure they are explicit about how their proposals have been developed, what evidence has been used and who they have consulted in developing them and plan to consult, including any targeted consultation with stakeholders directly affected by the proposals.	11 November 2024	☒
2. **Trade Union Engagement**: Internal meeting with trade unions to discuss proposals.	12 November 2024	☒
3. **Communications and Consultation Plan**: Finalise the communication and consultation plan, to go public when we publish our next medium-term financial plan for consultation in November.	29 November 2024	☐
4. **Publish Proposals**: Publication of budget savings proposals, draft budget report, and communications & consultation plan	29 November 2024	☐
5. **Cabinet sign-off – Budget Savings Proposals**: Run through budget savings proposals, draft budget report, and communications & consultation plan.	10 December 2024	☐
6. **Stakeholder Mapping** – All staff involved in budget communication and consultation process to review and update stakeholder list and consult with Connected Voice to identify and fill any gaps.	10 December 2024	☐
7. **Staff briefings**: Ensure all relevant officers are fully briefed on the reviewed approach and their role within it, including targeted, service- or proposal- specific consultation where appropriate.	10 December 2024	☐

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Action	Deadline	Done?
Ongoing Consultation and Engagement: 11 December 2024 – 15 January 2025		
8. **Let's talk Newcastle Online**: Online consultation on proposals and the medium-term plan as a whole to go live.	11 December 2024	☐
9. **People's Budget**: Launch the People's Budget.	11 December 2024	☐
10. **Communications**: Ongoing communication through the channels identified in the table above.	11 December 2024 – 14 January 2025	☐
11. **Voluntary and Community Sector Engagement including Connected Voice**: Voluntary Sector Liaison Group meeting. We will also promote meetings and consultations in the Connected Voice fortnightly ebulletin, website and social media.	11 December 2024 – 14 January 2025	☐
12. **Ward councillors**: Information about the products and tools for budget consultation to be shared with ward councillors via a briefing.	TBC December 2024	☐
13. **Ethnically minoritised communities**: We will work with Connected Voice HAREF to engage with ethnically minoritised communities (HAREF = Health And Race Equality Forum – the voluntary sector organisation working to tackle health inequality among local ethnic minority communities)	11 December 2024 – 14 January 2025	☐
14. **Directorate Engagement**: Staff in directorates will use their knowledge of their service users to engage with them and gather their feedback. We will use our list of key external stakeholders to maximise our reach.	11 December 2024 – 14 January 2025	☐

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Newcastle City Council

Action	Deadline	Done?
Reporting Consultation and Engagement Findings: 16 January-March 2025		
15. **Reporting**: Analyse and report on findings from consultation.	20 January 2025 (preliminary findings), 27 January 2025 (first full draft report)	☐
16. **Written Responses**: Continue to provide written responses where it is practical and proportionate to do so, for example, to written stakeholder representations.	Ongoing in February 2025	☐
17. **Feedback on changes**: Ensure it is explicit within the post-consultation documentation about what has changed since the draft proposals were published – both as a result of consultation responses and government announcements that impact upon our financial position.	7 February 2025	☐
18. **Publicising post-consultation plan**: Promote the publication of the post-consultation medium-term financial plan to using all communication and engagement channels used throughout the consultation period.	7 February 2025	☐

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Newcastle City Council

Planned Engagement as of November 2024

This is what we currently have planned for communications, engagement and consultation activity. It will be updated throughout the consultation as a record of what we have done and who we have engaged with.

Who (who was communicated to or engaged with?)	**When (what date this is scheduled to take place)**	**What (what the communication or engagement covered)**	**Why (purpose of the communication or engagement)**	**How (methods used)**
Connected Voice / HAREF	8 January 2025	Discussion	Encourage VCS organisations to give feedback on proposal.	Presentation / meeting.
North East Chamber of Commerce	9 December 2024	Budget proposals 2025 / 2026	To allow for the Chamber to provide formal feedback on the proposals. Encourage businesses to give feedback on proposal.	Meeting via Teams
General public	11 December 2024	Launch the **People's Budget** enabling people to have a go at setting their own budget for the council	Raise awareness of complexity and get views on how people would allocate resources	Press release, social media, People's Budget tool going live, explainer video

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Newcastle City Council

Who (who was communicated to or engaged with?)	When (what date this is scheduled to take place)	What (what the communication or engagement covered)	Why (purpose of the communication or engagement)	How (methods used)
Press and general public	11 December 2024	**Publicising** that we have **published our draft proposals**, summarise what they are, encourage people to have their say, provide details of how to take part	Engage local media	Press release, explainer video on social media
General public	11 December 2024	Launch **Let's talk Newcastle Online surveys**	Gather feedback on both individual proposals, and the cumulative impact of the budget as a whole	Press release, social media posts, Let's talk Newcastle online surveys going live
Lets talk Newcastle Online members invitation to take part	11 December 2024	Invitation to give views via the **Let's talk Newcastle Online** surveys	Gather feedback on individual proposals, and on the cumulative impact of the budget as a whole	Email sent out via the LTN portal
General public	11 December 2024	Introduction to the budget challenges we face as a council by Cllr Paul Frew	Raise awareness of the consultation and encourage people to take part	Social media – video

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Newcastle City Council

Who (who was communicated to or engaged with?)	**When (what date this is scheduled to take place)**	**What (what the communication or engagement covered)**	**Why (purpose of the communication or engagement)**	**How (methods used)**
Key stakeholders	11 December 2024	Advising that we had published our draft proposals, encourage them to have their say and provide details of how to do this.	To raise awareness and encourage people to have their say	Email to contacts list from the Let's Talk account.
Newcastle City Council Staff	11 December 2024, and throughout the fieldwork period	Article in the Council's Corporate Communications newsletter, also information sent to the Contact Centre	Inform staff about the budget consultation so that they can answer queries about it from members of the public / service users	Newsletter article
Connected Voice Bulletin to members	**TBC** December 2024	Article in Connected Voice member e-newsletter	Encourage local VCS organisations to give feedback on proposal.	Newsletter article
General public	**TBC** December 2024	Animated introduction to the People's Budget tool	Encourage people to take part in the People's Budget	Social media – Facebook: Twitter:

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Who (who was communicated to or engaged with?)	**When (what date this is scheduled to take place)**	**What (what the communication or engagement covered)**	**Why (purpose of the communication or engagement)**	**How (methods used)**
InformationNOW and InfoNOW News	**TBC** December 2024	Communicating budget consultation and engagement work to people who live and work in Newcastle, including the voluntary and community sector	Encourage people and VCS organisations to give feedback on the proposal	Article included in weekly e-newsletter Information on website
General public including BSL users / D/deaf people	**TBC** December 2024	**BSL VERSION Publicising** that we have **published our draft proposals**, summarise what they are, encourage people to have their say, provide details of how to take part	Encourage people to give feedback on proposals and support BSL users / D/deaf people to take part	Explainer video on social media with BSL interpretation Facebook: Twitter:
General public	w/c 16 December 2024	Explainer video about IIA1	Encourage people to give feedback on proposal.	Social media: Facebook: Twitter:
General public	w/c 16 December 2024	Explainer video about IIA2	Encourage people to give feedback on proposal.	Social media: Facebook: Twitter:

Medium-Term Financial Plan 2025-26
Communications and Consultation Plan

Newcastle City Council

Who (who was communicated to or engaged with?)	When (what date this is scheduled to take place)	What (what the communication or engagement covered)	Why (purpose of the communication or engagement)	How (methods used)
General public	w/c 23 December 2024	Explainer video about IIA3	Encourage people to give feedback on proposal.	Social media: Facebook: Twitter:
Newcastle Advisory Group	TBC	Discussion with Newcastle Advisory Group	Gather views on savings proposals and identify any specific impact or considerations for people who have a learning disability, autism or both.	Face-to-face meeting at Skills for People
Elders Council and Healthwatch	TBC	Discussion	Encourage older people to give feedback on proposal.	Meeting at Civic Centre
General public	w/c 6 January 2025	‘Last chance to have your say’	Encourage people to take part in the budget consultation	Social media – Facebook and Twitter
General public	w/c 6 January 2025	Last call for the People’s Budget!	Encourage people to take part in the People’s Budget.	Social media: Facebook: Twitter:

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

Guiding Principles

These are the guiding principles behind our budget consultation for the 2025-2026 financial year. They are based upon the recommendations of the Council's Budget Consultation Scrutiny Task and Finish Group in October 2021, and updated using what we have learned from consultees' feedback on previous years' consultations.

What we will do	How we will deliver on this
1. **Diversity of engagement channels**: making sure we communicate and engage with people in a range of different ways so that everyone has the best possible chance we can give them to give us their views.	We will use a variety of engagement channels, including the People's Budget simulator, attendance at voluntary and community sector group meetings, online surveys and meetings, social media, emails, letters and petitions to communicate with people and gather their views.
2. **Promote inclusive information-sharing**: working to ensure that everyone can access the same information about what we propose in a format that means their needs.	Staff in Communications and Engagement team will work closely with staff in services developing budget proposals to support them to identify what formats best meet the needs of those being consulted and deliver information in these formats.
3. **Publish the objectives of the consultation process publicly and in advance**: we are publishing this plan so that it is clear to everyone what we are asking, what we want to achieve, and how we will do it.	This plan will be published alongside the full set of Newcastle City Council draft budget papers in December 2024.

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

What we will do	How we will deliver on this
4. **Use language that promotes engagement**: we will emphasise what we can achieve for residents and highlight opportunities and possibilities; however, alongside this we will be realistic about the impact of local government funding pressures.	The IIA (Integrated Impact Assessment) template for specific service proposals contains guidance to staff on using accessible language, and we will clearly communicate to residents throughout this process about what we can and cannot offer – also, that we want to hear their views on what matters to them, and their ideas about how things could be done differently. (An IIA is an assessment of an action the Council is considering taking which looks at how the service is delivered, what changes are proposed and why, possible impacts on different groups of people in Newcastle, and how we will consult on this.)
5. **Highlight the impact of the consultation process in any final documentation**: When we report on our final proposals, we will make sure that details of any changes or alterations to them as a result of feedback received is prominent and easy to find.	We have included guidance about this in the IIA templates and will also work to highlight this in the final budget consultation report and associated communications.
6. **Provide engagement opportunities for everyone**: We will consider how we can ensure everyone has the opportunity to engage in our consultations on our financial proposals. In particular, we will use and build on our existing partnerships with the voluntary and community sector to reach and consult with groups within our local area who have not always engaged with us in the past.	Staff in the Communications and Engagement team will work closely with staff in services developing budget proposals to support them to identify people who may be affected.

Medium-Term Financial Plan 2025-26 Communications and Consultation Plan

What we will do	How we will deliver on this
7. **Return to neighbourhood conversations – local conversations**: The Cabinet (the elected members, including the Leader and Deputy Leader, who make the Council's strategic decisions) has set out a clear intention that we must put residents at the heart of what we do and ensure our services work better for all our neighbourhoods. This includes reviewing how we increase our service engagement within neighbourhoods, and how we listen better to and hear more from communities.	We are building on learning from the previous budget consultation in 2023-2024 and other large consultations in 2023, such as the Housing Review and North East Devolution Consultation, to identify challenges people face to taking part. We are also updating our list of stakeholder groups within the city who need to be contacted to invite them to give us their views.
8. **Create a multi-stage process with continuous conversations**: Our annual consultation on our proposals in winter each year is only one part of the ongoing process of developing our strategic priorities and the medium-term financial plan which supports it. We will ensure that we explicitly state how our proposals are developed, the evidence they are based upon, including feedback from engagement activities, and how we continue to develop them over the medium-term.	This will be a constant message in our IIAs, consultation reports and other communications. Since the previous year's consultation, we have created the Consultation Dashboard to make it easier for staff to locate earlier consultation and engagement activities and their findings, which can be used to inform development of our proposals. The Consultation Lead Officer and other communications and engagement staff have set up the Cross-Council Consultation and Engagement Working Group, so that staff can share good practice and seek advice on carrying out consultation and engagement work.

This page is intentionally left blank

Appendix 11 – 2025-26 Capital and Investment Strategy

Introduction

The CIPFA Prudential Code includes a requirement for local authorities to produce a capital strategy that gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) Guidance on Local Authority Investments requires us to approve an investment strategy before the start of each financial year. This appendix fulfils both of these requirements.

This capital strategy sets out the main drivers for capital investment across the city, and how the available resources will be used to meet the Council's key priorities. It sets out the planned use of borrowing, including treasury management activity, how the capital investment programme is governed and managed, and how capital risks are monitored and controlled. It has been prepared having regard to CIPFA's Prudential Code and Treasury Management Code.

The national regulatory frameworks that the Council follows in developing the capital investment programme and managing its future consequences are summarised in this report.

The capital strategy covers the period 2024-25 to 2027-28. The projected outturn for 2024-25 is presented for information and the capital programme for 2025-26 is presented in detail with an indicative programme presented for the following two years.

Strategic context

The overall objective of the Council's capital programme is to ensure that capital investment supports the delivery of statutory services and the council's wider priorities, within the statutory framework for capital expenditure and financing.

The capital investment programme since 2020-21 has been impacted by COVID, and more recently problems in sourcing some construction materials and significant construction inflation. This has resulted in slippage into future years and changes to the scope of some schemes to address increases in cost.

A key driver of the capital investment programme is to provide appropriate assets to ensure the council is able to deliver against its statutory service requirements and overarching priorities of net zero, anti- poverty, and a thriving, inclusive economy.

This is achieved by:

- Maintaining, improving and increasing the size of the school estate. This estate continues to evolve rapidly under the influence of national policies and needs to respond to changing local conditions. It remains a sizeable asset portfolio, and the Council has a duty to ensure there are sufficient school places, of appropriate quality, in the right location to support population distribution across the city.

- Delivering economic regeneration and transport improvements to support Citywide future prosperity.

- Meeting the housing needs both within the Council's HRA and through private sector developers and landlords. The council also delivers specialist housing developments to support vulnerable young people and adults across the city.

- Investing in the Council's operational estate and housing stock to improve energy efficiency, reduce carbon emissions and contribute to reducing energy bills.

- Maintaining the Council's property, plant and equipment, which is included in the Council's Strategic Asset Management Plan, to ensure that Council services continue to be effective and efficient and provide value for money to our residents.

These key capital and infrastructure requirements will not be delivered by the Council on its own. Partnership working is an essential part of addressing these needs and is reflected in many of the Council's capital projects and programmes.

The programme also needs to take account of and respond to the key challenges presented by the current economic environment, including high levels of inflation and restrictions in the availability of physical and human resources.

Capital expenditure and financing

Capital expenditure is where we spend money on assets, such as property or vehicles, that will be used for more than one year. In local government, this includes spending on assets owned by other bodies and loans and grants to other bodies enabling them to buy assets. We have some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue instead.

As set out in the Medium Term Financial Plan for 2025-26, our approved capital expenditure is £89.1 million in 2024-25, £102.1 million in 2025-26, £80.0 million in 2026-27 and £80.0 million in 2027-28 within our General Fund capital programme. Spend by each directorate is shown in Table 15 in the Revenue and Capital Plan.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. As set out in the Medium Term Financial Plan for 2025-26, we are expecting to spend £75.0 million in 2024-25, £51.2 million in 2025-26, £50.0 million in 2026-27 and £50.0 million in 2027-28 within the HRA capital programme. The spend by each programme of activity is set out in Table 16 in the Revenue and Capital Plan.

Authority to incur capital expenditure is based on the inclusion of a fully funded capital budget within the capital programme. The initial capital programme for the year is approved by City Council at the start of the year and is updated by Cabinet during the year to reflect changes in the cost and phasing of capital projects and the addition of new capital projects. New projects can be added to the capital programme by Cabinet or by a Cabinet member or officer delegated decision.

All capital expenditure must be financed from external sources (i.e. government grants and other contributions), our own resources (i.e. revenue, reserves and capital receipts) or debt (i.e. borrowing, leasing and PFI). The planned financing of capital expenditure is set out in Table 17 in the Revenue and Capital Plan.

Debt is only a temporary source of finance since loans and leases must be repaid from a revenue budget via the minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to repay debt. The planned level of MRP charges is as follows:

All figures in £ million	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Housing Revenue Account	4.5	4.5	4.5	4.5
General Fund:				
- Supported borrowing	0.0	2.8	2.7	2.7
- Prudential borrowing	13.7	16.5	16.4	16.4
Total	**18.2**	**23.8**	**23.7**	**22.5**

Our MRP policy statement is set out in Appendix 13 in the Revenue and Capital Plan.

The MRP for General Fund supported borrowing will be nil until 2025-26 because of the re-profiling agreed by City Council in November 2016.

Our cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and is reduced by the annual minimum revenue provision charge and any capital receipts used to repay debt. Based on the estimated figures for expenditure and financing, our CFR will be:

All figures in £ million	**31.3.25**	**31.3.26**	**31.3.27**	**31.3.28**
Housing Revenue Account	420.4	426.8	431.7	437.7
General Fund:				
Supported borrowing	139.1	136.3	133.6	130.9
Prudential borrowing	348.1	353.0	358.0	363.0
Total	**907.6**	**916.1**	**923.3**	**931.6**

Asset management

The Council needs a robust Strategic Asset Management Plan (SAMP) to ensure that the right assets continue to provide for the long-term. The SAMP details the investment strategy for the Council's assets – identifying long-term maintenance and acquisition requirements to continue to deliver against the Councils' statutory requirements and key priorities. It also details the Council's asset disposal strategy –

identifying the process for deciding when assets are no longer needed and can be sold or transferred, and the process for reinvestment of the proceeds.

To ensure that capital assets continue to be of long-term use, we follow the approach set out below for each major type of asset:

Council dwellings: This consists of our social housing stock. The current strategy was approved by Cabinet in October 2021. Services that were being delivered by Your Homes Newcastle (YHN) were brought back in house on 1 July 2024.

The HRA asset management strategy sets out the framework for the day-to-day work of delivering the HRA capital investment programme. Although the overall level of investment is determined by the 30-year HRA financial model, the strategy directs how those funds will be invested. It shows how we will maintain and invest in our social housing stock and outlines the investment priorities and the principles of decision- making that enables us to maximise the quality, sustainability and value of housing revenue account assets.

The strategy sets out a ten-year plan for future investment. It identifies which properties are high performing and only require a level of standard investment to keep them sustainably let and those properties which need to be reviewed as to their long-term use. The strategy also highlights where we need to intervene in the next few years to replace some stock with newbuild, restructure existing buildings and change management policies. It also identifies the extent of investment required to make these changes and to achieve our net zero ambitions by 2030.

Infrastructure: This consists of carriageways, footways, street lighting, structures, traffic signals, highway green spaces and street furniture.

The Transport Asset Management Plan (TAMP) sets out our approach to maintaining highway assets strategically and efficiently. The TAMP provides information and analysis of the maintenance of highway assets, including inventory information, levels of services, life cycle plans and risk profiles, which promotes and supports informed evidence-based decision making to enable us to make best use of available resources.

The current TAMP can be found here (https://www.newcastle.gov.uk/services/roads-pavements-and-streets/management-roads-and-highways/roads-and-highways-policies-and) and consists of:

- Policy Statement.
- Strategic Management Plan.
- Data Management Plan.
- Highway Asset Management Plan.
- Skid Resistance Policy.
- Winter Services Policy.
- Network Management Plan.

Schools: Asset management in council-maintained schools is a joint responsibility between us and schools. Academies have sole responsibility for asset management for their own buildings.

All schools should have an inspection and maintenance programme based on compliance with health and safety legislation to ensure that plant, equipment, fixtures, fittings and the premises itself are maintained in a safe condition and are free from defect. We have published guidance to assist school employees directly responsible for inspection, maintenance and repairs within their school, to create a planned preventive system of inspection and maintenance based on compliance with relevant health and safety legislation.

We receive an annual grant from the Department for Education to support a programme of planned condition improvement in its maintained schools. A similar grant is made available for voluntary aided schools via their Diocesan bodies, and funding for planned condition improvement is provided to academy trusts directly by the Department for Education.

We undertake condition surveys of our maintained schools on a five-year rolling programme. The condition of each element of a school's premises is assessed using the following grades:

- Grade A – good (performing as intended and operating efficiently)
- Grade B – satisfactory (performing as intended but exhibiting minor deterioration)
- Grade C – poor (exhibiting major defects and/or not operating as intended)
- Grade D – bad (life expired and/or serious risk of imminent failure)

When the condition of a school premises has been assessed, priorities are allocated according to the seriousness of the condition. The following priority grades are used:

- Priority 1 – urgent work that will prevent immediate closure of premises and or address an immediate high risk to the health and safety of occupants and or remedy a serious breach of legislation.

- Priority 2 – essential work required within two years that will prevent serious deterioration of the fabric or services and or address a medium risk to the health and safety of occupants and or remedy a less serious breach of legislation.

- Priority 3 – desirable work required within three to five years that will prevent deterioration of the fabric or services and or address a low risk to the health and safety of occupants and or remedy a minor breach of legislation.

- Priority 4 – work required outside the five-year planning period that will prevent deterioration of the fabric or services.

Resources are then allocated to projects in line with the above priorities. In addition, alongside the condition improvement programme, where possible, additional works that support our net zero commitment are identified, particularly with regard to building fabric and energy efficiency initiatives. Further announcements are anticipated from the Department for Education regarding additional funding to address decarbonisation of the existing school estate.

Other land and buildings: Our operational property portfolio plays a significant role in delivering services. It is vital that this resource is managed and used effectively and efficiently to ensure that we derive maximum benefit from its assets in support of our strategic aims and priorities.

The portfolio consists of operational properties such as libraries, museums, office accommodation, depots, day centres, respite centres, leisure and recreational premises. The main purpose of holding these assets is to deliver front line services.

We also hold a portfolio of income generating properties, including industrial estates, shops, car parks and other land and buildings, which also support service delivery and our strategic aims and priorities but generate significant levels of income.

We also have a diverse heritage property portfolio; as Newcastle is a city steeped in history, our heritage properties play a key role in the visitor economy. By their very nature these buildings can be expensive to maintain but, in some instances, do generate income for the city and to off-set the maintenance costs.

Specific managers have day to day responsibility for ensuring these assets are managed effectively and efficiently, and they have access to revenue resources to ensure all essential repairs, maintenance and annual servicing is undertaken. Decisions to incur capital expenditure is based on a hierarchical needs assessment and must be considered alongside other capital expenditure decisions in line with our financial regulations.

Work is now underway on establishing a new full asset database including updated asset condition information, which together with strategic property intelligence, will help provide an evidence base to inform investment decisions going forward. It is also our ambition to develop corporate standards for our operational estate to ensure all these buildings are fit for the purpose they are used for.

Managers are assisted in this task by our Estate Management team, who oversee the Estate Management Fund, which provides additional resources to address essential issues regarding health and safety including:

- Making sure the building fabric is wind and watertight.
- Ensure adequate mechanical and electrical systems are in place.
- Improve fire safety measures.
- To tackle inequality by improving access to our buildings.

Further development work to be completed in 2025-26 includes:

- A new Strategic Asset Management Plan will be drafted, which will provide a framework through which our assets will be managed to promote the delivery of services and our priorities.

- Whilst we invest in our operational property portfolio, there is still a maintenance backlog, which will be addressed by the new Strategic Asset Management Plan and using Estate Management Capital to fund larger replacement schemes.

- We will undertake a programme of asset condition surveys to establish an evidence base for the planned maintenance programme and to assist in determining the future use of assets.

- Our operational assets are managed through the Estate Management team and a new Building Safety Compliance team to enhance the management of health and safety risks.

- We will continue to support the One Public Estate initiative and identify surplus assets with partner organisations before making a decision on disposal.

- When assets are deemed to be surplus to requirements and available for disposal they may be sold and used to generate capital receipts. Disposing of surplus assets will also generate revenue savings associated with the cost of maintaining empty or underused properties. Decisions to dispose of assets (subject to delegated limits) are taken by the Cabinet.

Working with Partners

Delivery of the Council's ambitions for the city involves a range of partners and stakeholders, including:

Joint Delivery Programmes

- Regenerate Newcastle: jointly delivering District Energy schemes across the city
- Helix: complimentary delivery by private sector
- East Pilgrim Street: Southern Block
- Central Station
- Walker Quay

Complimentary Delivery by the public sector

HMRC – development of significant office development in East Pilgrim Street development area for 6,000 central government staff

Governance, Decision Making and Resourcing

The key elements in the governance framework for the Capital Investment Programme include:

a) Cabinet is the key decision-making body for the Council and has the authority to approve the programme and the projects within it, and the responsibility to receive regular monitoring reports for the Capital Investment Programme. It must ensure it meets the requirements of the Council's Statutory Functions and delivers against their political priorities.

b) Capital Programme Board (CPB) – is the highest officer level group who oversee the development and delivery of the programme and ensure it is developed in line with the requirements of the Council and within the statutory financial framework and provide assurance of the delivery of the programme in line with approvals.

c) Directorate Programme Boards (DPB)- provide directorate level programme and project governance and assurance, ensuring projects meet minimum standards and that these are consistently applied. DPBs provide assurance to CPB that programmes are being delivered in line with approvals and report biannually to CPB on the progress of the programme.

Asset disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or used to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. We expect to receive £47.2 million of capital receipts in the current and next three financial years as follows: (HRA capital receipts are shown net of pooling).

All figures in £ million	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Housing Revenue Account (net)	10.5	8.7	0.0	0.0
General Fund	13.6	1.9	0.0	0.0
	24.1	10.6	0.0	0.0

Treasury management

Our treasury management activities are focused on ensuring there is enough cash available to meet our day-to-day spending needs and managing the risks involved with holding cash. Surplus cash is invested until required to avoid excessive credit balances in our main current account, and cash shortages are met by borrowing to avoid overdrafts in our main current account. These investments contribute to effective treasury management activities.

At 31 March 2024, we had £679.5 million of borrowing at an average interest rate of 3.21%, and £138.1 million of investments at an average rate of 4.67%.

Borrowing strategy

We are a net borrower due to our ambitious capital investment plans. Our main objectives when borrowing are to minimise the costs of, and risks associated with our external loans portfolio. These objectives are often conflicting, and we therefore seek to strike a balance between cheaper short-term loans that increase the level of interest rate risk we face but reduce the short-term costs we incur and more expensive long- term loans that reduce the level of interest rate risk we face but increase the short-term costs we incur.

We do not borrow to invest for the primary purpose of financial return and therefore retain full access to the Public Works Loans Board.

We are legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower ‘operational boundary’ is also set as a warning level should debt approach the authorised limit.

All figures in £ million	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Loans CFR	907.6	916.1	923.3	931.6
Other long term liabilities	189.2	181.3	173.4	165.5
Capital financing requirement	**1,096.8**	**1,097.4**	**1,096.7**	**1,097.1**
Operational boundary	1,106.8	1,107.4	1,106.7	1,107.1
Authorised limit	1,116.8	1,117.4	1,116.7	1,117.1

Statutory guidance is that our level of external borrowing should remain below the authorised limit. As can be seen from the following table, we expect to comply fully with this statutory requirement due to the on-going use of internal cash balances (from working capital and usable reserves) to fund capital expenditure – this is also known as ‘internal borrowing’.

All figures in £ million	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Authorised limit	1,116.8	1,117.4	1,116.7	1,107.1
Borrowing	(833.0)	(819.9)	(808.2)	(796.5)
Headroom	**283.8**	**297.5**	**308.5**	**320.6**

Further details on borrowing are set out in our treasury management strategy at Appendix 12 in the Revenue and Capital Plan.

Treasury management investments

Our policy on treasury management investments is to prioritise security and liquidity over yield – that is minimising risk takes precedence over maximising returns. We also aim to minimise the credit risk we face by minimising the total value of investments held by using surplus cash balances to fund capital investment. We monitor our short-term cash incomings and outgoings each day and forecast our medium-term and long-term cash requirements each month.

Positive cash balances are invested for an appropriate period (based on our cash flow forecasts) with credit-worthy organisations in line with the investment limits agreed by elected members in the annual treasury management strategy. The following table sets out our minimum level of balances to be maintained:

All figures in £ million	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Treasury management investments	10.0	10.0	10.0	10.0

The effective management and control of risk are prime objectives of our treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. Further details on treasury management investments are set out in our treasury management strategy at Appendix 12 in the Revenue and Capital Plan.

Decisions on treasury management investment and borrowing are required each day and are delegated to officers, who must act in line with the treasury management strategy approved by the City Council. Reports on treasury management activity are presented to Cabinet, Audit Committee and City Council for review and challenge. The investments contribute to our objectives through effective treasury management.

Service investments

We also invest to achieve service outcomes by making loans to and buying shares in third parties with the aim to support local public services and stimulate economic growth. Although the primary objective of these investments is service-related, we still aim for such investments to break even (as a minimum) after all costs are taken into account. Subsidy control requirements must also be adhered to in the setting of interest rates on loans. The following table sets out details of service investments (loans):

All figures in £ million	Purpose of investment	31 March 2023	31 March 2024
Leazes Homes	Housing development across the city	24.7	23.5
Individual mortgages	Purchase of properties in The Cedars	1.1	0.9
Newcastle International Airport Ltd.	Re-finance bank debt	13.7	13.7
Live Theatre	Development of Quayside office accommodation	5.7	5.6
Fusion Lifestyle	Development of City Pool	5.5	5.5
Newcastle Falcons	Development of Kingston Park stadium	5.8	5.8
Stephenson Hotel Ltd.	Construction of hotel in Stephenson Quarter	26.9	26.9
Greenwich Leisure Ltd.	Improve leisure facilities across the city	3.2	3.0
Your Homes Newcastle	Facilitate transfer of assets from HRA to YHN	6.5	6.5
Various cultural & leisure bodies	Development of cultural and leisure facilities across the city	1.6	1.6
Newcastle Eagles	Development of new Stadium	3.0	3.0
Helix District Energy Centre	Heating and power to Helix site	7.8	7.8
Helix MSCP	Multi storey car park on Helix site	7.6	7.6
New Tyne West Development Company LLP	Housing development in Scotswood	4.2	4.2
Tynexe	Housing and other developments	5.7	5.6
Total		**122.1**	**121.2**

Most of the above are deemed to be capital loans and funded from prudential borrowing except for the Newcastle Internal Airport Ltd debt, which was not treated as a capital loan and hence was not funded from borrowing.

Further loans totalling £1.3 million have been issued to date in the current year and principal repayments of £2.1 million have been received.

Accounting standards require us to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in our statement of accounts will be shown net of this loss allowance. However, we make every reasonable effort to collect the full sum lent and have appropriate credit control arrangements in place to recover overdue repayments.

It should be noted that we do not budget for the net income associated with service investments (loans) and transfers of the actual surplus on these loans to the treasury management earmarked reserve.

The following table sets out details of service investments (equity)

All figures in £ million	**Asset value at 31 March 2024**	**Outstanding borrowing at 31 March 2024**
Newcastle International Airport	14.5	0.0
Newcastle Helix (see note)	0.0	0.6
New Tyne West Development Company LLP	4.2	4.2
Total	**18.7**	**4.8**

Note: the outstanding borrowing figure for Newcastle Helix excludes amounts that are being funded from retained business rates in the Accelerated Development Zone.

The main risks related to the above service investments are:

- Planned income and expenditure profiles set out in the respective business cases may be overly optimistic and the borrower may be unable to meet interest and principal repayments (loans).
- Security may be insufficient to underwrite repayment of loan principal in the event of a credit-default (loans).
- Dividend income may not be enough to fund our interest and principal repayments (equity).

To ensure service investments remain proportionate to the size of the council, these are subject to an overall maximum borrowing limit of £235 million and contingency plans are in place to mitigate the potential risks including the following:

- Due diligence of all business cases supporting loan applications including sensitivity analysis using external advisors where necessary (loans).
- Security is professionally valued by external property surveyors (loans).
- Borrowers' annual accounts are reviewed to ensure they remain financially sustainable (loans).
- Surplus income is transferred to earmarked reserves to off-set any future credit defaults (loans).
- Council colleagues (officers or elected Members) involved at board level and able to influence company performance and direction (equity).
- Business plans setting out planned financial returns are developed to support the decision to incur the initial capital outlay (equity).

The £235 million limit is based on the principle of proportionality – at this level the interest payments at our average interest rate payable equate to approximately 2.5% of our 2025-26 General Fund net revenue budget, which does not expose us to a disproportionate level of risk. The limit will be kept under review and amended if required.

It should be noted that we do not budget for any income associated with service investments (equity) and the costs, which mainly relate to the outstanding borrowing, are met from the corporate treasury management budget. There have been no regular dividend payments from Newcastle International Airport Ltd for several years, but we have received two special dividends in recent years, and these have been used to fund a range of specific policy initiatives. The Helix development and the Scotswood housing development (i.e. New Tyne West Development Company LLP) are expected to generate dividends and capital receipts in future years and these will be used to repay the outstanding borrowing when received.

Shares are the only investment type that we have identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also our upper limits on non-specified investments. We have not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Decisions on service investments are made in accordance with our financial regulations. Expenditure on all the above service investments (except for the Newcastle International Airport Ltd investment and loan) were also included in our capital programme.

Commercial investments

With central government financial support for local public services declining, some local authorities have invested heavily in commercial property solely for financial gain. We have no such investments.

Other investments

Although not held purely or mainly for financial gain, we do hold a range of other income-generating property assets including a 40% share of Eldon Square, Partnership House and the areas of the Civic Centre that are used for rental income. As at 31 March 2024, these assets were valued at £83.6 million.

It should be noted that we do budget for the costs and income associated with other investments.

Financial impact of other investments

The following table shows the extent to which our General Fund net revenue budget is dependent on achieving the expected net income from commercial and other investments

A and B are in £ million	2023-24	2024-25	2025-26
Expected net income from other investments (A)	0.7	2.0	2.0
Expected net revenue expenditure (B)	262.2	281.2	296.4
Proportion (A / B)	**0.3%**	**0.7%**	**0.7%**

The above figures for budgeted net income take into account the revenue costs associated with any borrowing undertaken to fund the purchase of these assets and any subsequent refurbishment costs.

Should we fail to achieve the expected net income in 2025-26, our contingency plan is:

- Fund in-year shortfall from any in-year underspends across our budget (including corporate items).
- Fund in-year shortfall from the financial risk and resilience reserve.
- Fund in-year shortfall from other earmarked reserves.
- Fund in-year shortfall from General Fund unearmarked reserve.

Loan commitments and financial guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks and are included here for completeness.

The main such potential liabilities are the guarantees we give to pay the pension deficits of third parties that may be unable to fund these pension deficits themselves. We have not put aside any resources for these potential liabilities because the likelihood of these liabilities crystallising is deemed to be low and should this become necessary we would first subsume those liabilities to spread the cost over a longer period of time.

Further details on the above guarantees are set out in our latest annual accounts, which may be found here (https://www.newcastle.gov.uk/local-government/budget-and-spending/annual-report-and-accounts).

Liabilities

In addition to our external debt of £679.5 million as at 31 March 2024, we are committed to making future payments to cover PFI capital and interest repayments (estimated at £247.8 million as at 31 March 2024) and finance lease capital and interest repayments (estimated at £215.6 million as at 31 March 2024).

It should be noted that we have revenue budgets in place to meet these liabilities in full.

Finally, premiums totalling £20.7 million were held on the balance sheet as at 31 March 2024 and will be charged to the General Fund over a period commensurate with the re- structured loans they related to.

Decisions on incurring new liabilities are made in accordance with our financial regulations. The risk of liabilities crystalising and requiring payment is monitored by officers on a continuous basis and reported to Cabinet as and when necessary.

Further details on the above liabilities are set out in our latest annual accounts, which may be found here (https://www.newcastle.gov.uk/local-government/budget-and-spending/annual-report-and-accounts).

Revenue budget implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP charges are. The following table shows these revenue costs as a proportion of our net revenue budget (i.e. the amount funded from Council Tax, business rates and general government grants in relation to the General Fund and housing rents and other service income in relation to the Housing Revenue Account). It should be noted that most of these costs are funded from service income and efficiency savings.

Fund	2024-25	2025-26	2026-27	2027-28
General Fund	10.42%	10.84%	10.56%	10.28%
Housing Revenue Account	14.71%	14.99%	14.70%	13.67%

Further details on the revenue implications of capital expenditure are set out in the treasury management strategy at Appendix 12. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future.

The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable based on the following factors:

- There is enough budget held within corporate items to fund the interest payable and MRP charges associated with our supported borrowing.

- All proposals to utilise prudential borrowing are reviewed and signed-off by the Finance team and must generate enough income and or efficiency savings to repay the revenue costs associated with the borrowing.

- We currently use an internal interest rate of 4.5% to evaluate all proposals to utilise prudential borrowing, which is more than the current average borrowing rate of 3.21%. This margin provides a buffer against interest rate risk and is reviewed in the light of changes in our external loans portfolio.

- We aim to undertake a high proportion of long-term fixed rate borrowing to minimise our interest rate risk.

Knowledge and skills

We employ professionally qualified and experienced colleagues in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant with over

30 years' experience and the Director of Investment and Growth is a qualified property surveyor with over 30 years' experience. We encourage relevant colleagues to study towards professional qualifications including CIPFA, MRICS and so on.

Where colleagues do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. For example, we currently engage Link Treasury Services as treasury management advisers alongside a range of financial, legal and property consultants. This approach is more cost effective than direct employment and ensures we have access to knowledge and skills commensurate with our risk appetite.

This page is intentionally left blank

Appendix 12 – 2025-26 Treasury Management Strategy

Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 (the Code) requires us to approve a treasury management strategy before the start of each financial year. In addition, the Ministry for Housing, Communities and Local government (MHCLG) Guidance on Local Authority Investments requires us to approve an investment strategy before the start of each financial year.

This report fulfils our legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance. We have borrowed and invested substantial sums of money and are therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to our treasury management strategy.

CIPFA's Treasury Management Code

The Code requires us to comply with the following key principles:

1. Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

2. Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

3. They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The Code also requires us to include the following clauses within our treasury management strategy. This organisation will create and maintain, as the cornerstones for effective treasury management:

a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
b. Suitable treasury management practices (TMPs), setting out the way the organisation will seek to achieve those policies and objectives, and

prescribing how it will manage and control those activities and

c. Investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the Code, subject only to amendment where necessary to reflect our particular circumstances. Such amendments will not result in us deviating from the Code's key principles.

1. City Council will receive reports on our treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in our TMPs and IMPs.

2. City Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with our policy statement, TMPs and IMPs and CIPFA's Standard of Professional Practice on Treasury Management.

3. City Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and related policies.

Treasury management policy statement

1. We define our treasury management activities as:

    a. The management of borrowing, investments and cash flows, banking, money market and capital market transactions.
    b. The effective control of the risks associated with those activities.
    c. The pursuit of optimum performance consistent with those risks.

2. We regard the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of our treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for us, and any financial instruments entered into to manage these risks.

3. We acknowledge that effective treasury management will provide support towards the achievement of our business and service objectives. We are therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Treasury management practices

Our treasury management practices follow the format set out in the Code and are updated on an annual basis alongside the treasury management strategy.

Borrowing strategy

Our main objective when borrowing money is to strike an appropriate balance between minimising external interest payable and minimising interest rate risk.

Given the significant cuts to local government funding, our borrowing strategy will continue to seek to minimise long-term external interest payable. Interest rates are currently at a 16 year high but are expected to fall in the coming years and it is therefore more cost effective in the short-term to either use internal resources, or short-term loans.

Therefore, whilst we will continue to utilise internal balances and short-term loans to fund capital expenditure, we will also look carefully at opportunities to borrow cost-effectively over the longer term. This will have the effect of marginally increasing the average interest rate payable, but it will also have the significant benefit of decreasing our exposure to interest rate risk and reducing the external interest payable over the longer-term.

We have previously raised the majority of our long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; we intend to avoid this activity in order to retain access to PWLB loans.

Alternatively, we may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, we may borrow short-term loans to cover unplanned cash flow shortages.

In addition, we will limit the amount of borrowing that is due to mature in a specific financial year to a maximum of 5% of our total borrowing levels (except for borrowing due in less than two years to take advantage of lower short-term interest rates) to reduce the re-financing risk we face. As set out in the treasury management indicators below.

Sources of borrowing

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB Lending facility (formerly the Public Works Loan Board).
- UK Infrastructure Bank Ltd
- Any other UK public sector body.
- Any institution approved for investments.
- Any other bank or building society authorised to operate in the UK.
- UK public and private sector pension funds (except the Tyne and Wear Pension Fund).

- Local authority special purpose vehicles created to enable local authority bond issues (for example, the Municipal Bonds Agency).

We will consider alternatives to the above sources of debt finance on a case by case basis, such as:

- Leasing
- Hire purchase
- Private Finance Initiatives
- Sale and leaseback
- Similar asset based finance

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs: We hold £168 million of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which we have the option to either accept the new rate or to repay the loan at no additional cost. £20m of LOBO loans have had their options called in 2024/25 so far and these were repaid. A further £38m have options before 31 March 2025 with an additional £27 million which have options during 2025-26. With interest rates having risen recently, there is still a reasonable chance that lenders will exercise their options. If they do, we will take the option to repay LOBO loans to reduce refinancing risk in later years. Total borrowing via LOBO loans will be limited to £168 million.

Short-term and variable rate loans: These loans leave us exposed to the risk of short- term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling

The PWLB allows local authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also seek to negotiate premature redemption terms. We may take advantage of any debt re-structuring opportunities where this is expected to lead to an overall saving or a reduction in risk and have delegated authority to the Chief Finance Officer to complete any such transactions. The continued rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Investment and lending strategy

The Code requires us to invest our funds prudently, and to have regard to the security and liquidity of our investments before seeking the highest rate of return, or yield. Our objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. We aim to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

ESG considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and our ESG policy does not currently include ESG scoring or other real time ESG criteria at an individual investment level. When investing in banks and funds, we will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. The following table shows the different organisations we will lend cash balances to and the appropriate financial and time limits:

Type of institution or fund	**Financial limit**	**Time limit**
UK central government (irrespective of credit rating)	Unlimited (no change)	Unlimited (no change)
UK local authorities	£25 million each (no change)	1 year (no change)
UK local authorities	£20 million each (no change)	2 years (no change)
UK local authorities	£15 million each (no change)	3 years (no change)
UK banks with AAA, AA+, AA, AA-, A+ and A credit ratings	£20 million each (no change)	6 months unsecured (no change) 1 year secured (no change)
UK banks with A credit ratings	£15 million each (no change)	100 days unsecured (no change) 6 months secured (no change)
UK money market funds and similar pooled vehicles whose lowest published credit rating is AAA	Higher of £20 million or 0.5% of individual fund value (no change)	1 year (no change)
UK building societies with AAA, AA+, AA, AA-, A+ and A credit ratings	£10 million each (no change)	6 months unsecured (no change) 1 year secured (no change)
UK building societies with A- credit rating	£5 million each (no change)	100 days unsecured (no change) 6 months secured (no change)
Banks with AAA, AA+, AA, AA-, A+ and A credit ratings domiciled in AAA rated sovereign countries	£5 million each (no change)	6 months unsecured (no change) 1 year secured (no change)
Registered housing providers	£10 million each (no change)	5 years unsecured (no change)

Type of institution or fund	Financial limit	Time limit
Strategic Pooled Funds	£10 million (no change)	10 years (no change)
Real Estate Investment Trust	£10 million (no change)	10 years (no change)

Under accounting standards, the accounting for certain investments depends on our business model for managing them. We aim to achieve value from internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Banking current account: We may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £20m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of us maintaining operational continuity.

Our current account banking contract is with Lloyds Bank plc. This contract is up for renewal in 2024-25 and is expected to be extended in the short term until a new contract can be awarded. At this stage it is unknown who the new provider will be.

Credit ratings: We use long-term credit ratings from the three main rating agencies (for example Fitch, Moody’s and Standard and Poor) to assess the counterparty risk. The lowest available counterparty credit rating will be used to determine credit quality unless an investment-specific rating is available. Credit ratings are obtained and monitored by our treasury management advisors, who will notify us of any changes in ratings as they occur.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made.
- Any existing investments that can be recalled or sold at no cost will be.
- Full consideration will be given to the recall of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

We understand that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which we invest, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from our treasury management advisors. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria. In these circumstances, we will restrict investments to those organisations of higher credit quality and reduce the maximum duration of investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that an insufficient number of high credit quality organisations are available then the surplus will be deposited with the UK government, via the Debt Management Office, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Reputational aspects: We are aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave us open to criticism, valid or otherwise, that may affect our public reputation, and this risk will therefore be considered when making investment decisions.

Approved lending instruments

We may lend or invest money using any of the following instruments:

- Interest-bearing bank accounts.
- Fixed term deposits and loans.
- Callable deposits where we may demand repayment at any time.
- Callable loans where the borrower may demand repayment at any time.
- Certificates of deposit.
- Bonds, notes, bills, commercial paper and other marketable instruments.
- Shares in money market funds and other pooled funds.

Investments may be made at either a fixed rate of interest, or at a variable rate.

Liquidity management

We forecast our future cash flows to determine the maximum period for which cash balances may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of being forced to borrow on unfavourable terms to meet cash flow requirements.

Policy on use of financial derivatives

We will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks we are exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivatives may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, we will seek external advice and will consider that advice before entering into financial derivatives to ensure that we fully understand the implications.

Policy on apportioning interest to the Housing Revenue Account

Interest charged to the HRA will be fixed at an appropriate rate during the year based on the assumption made in the 30-year financial model.

Governance

City Council is responsible for agreeing the treasury management strategy and the mid- year and year-end reviews. Audit Committee will review the treasury management strategy at its March meeting, the mid-year review at its December meeting and the year-end review at its September meeting. These reports will include the following information as required by the Code:

- Annual reporting requirements before the start of the year:
- Review of the organisation's approved clauses, treasury management policy statement and practices.
- Strategy report on proposed treasury management activities for the year.
- Mid-year review:
- Treasury management activities undertaken.
- Variations (if any) from agreed policies and practices.
- Interim performance report.
- Regular monitoring.
- Monitoring of treasury management indicators for local authorities.
- Annual reporting requirements after the year-end:
- Transactions executed and their revenue effects.
- Report on risk implications of decisions taken and transactions executed.
- Compliance report on agreed policies and practices, and on statutory and regulatory requirements.
- Performance report.
- Report on compliance with CIPFA Code recommendations.

Training will be provided to Audit Committee members to ensure they are able to undertake this role effectively.

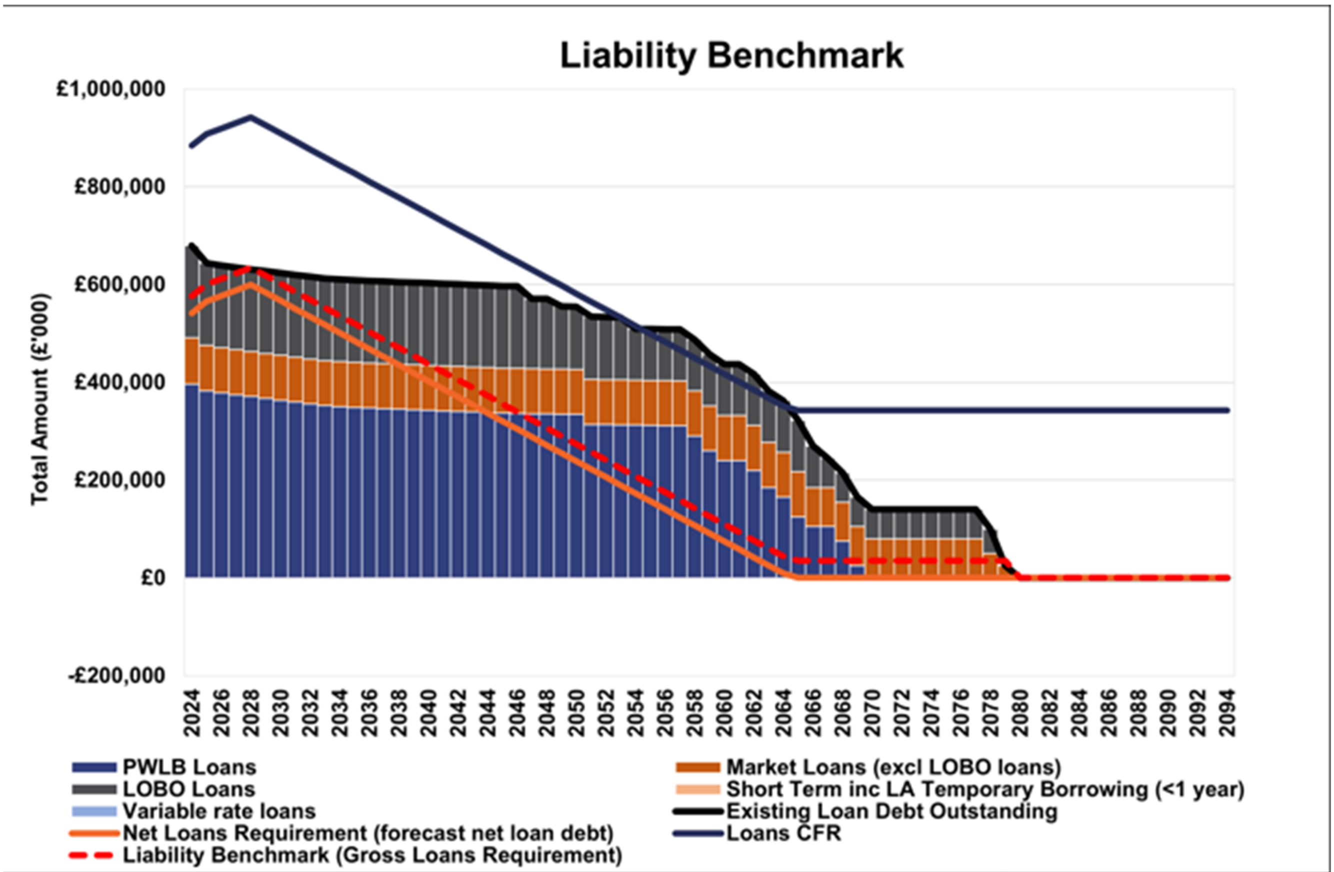
Treasury management indicators

We measure and manage our exposures to treasury management risks using a range of indicators.

Liability benchmark - To compare our actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether we are likely to be a long-term borrower or long-term investor in the future, and so shape our strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing we must hold to fund our current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

All figures in £ million	**31.3.24 actual**	**31.3.25 estimate**	**31.3.26 Estimate**	**31.3.27 estimate**	**31.3.28 estimate**
Loans CFR	883.7	907.6	916.1	923.3	931.6
Less: balance sheet resources	(343.3)	(342.4)	(342.4)	(342.4)	(342.4)
Net loans requirement	540.4	565.2	573.7	580.9	589.2
Plus: liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**5504**	**575.2**	**583.7**	**590.9**	**599.2**

Following on from the medium-term forecasts in the table above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £30 million a year. This is shown in the chart below together with the maturity profile of our existing borrowing.



Security – We have adopted a voluntary measure of our exposure to credit risk by monitoring the value-weighted average credit rating of our investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, and so on) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Security indicator	Target
Portfolio average credit rating or score	6

Liquidity – we have adopted a voluntary measure of our exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity indicator	Target
Minimum cash available over rolling 3 month period	£10 million

Interest rate risk – the purpose of this indicator is to control our exposure to interest rate risk by limiting the proportion of total debt with variable interest rates as shown below.

Interest rate risk indicator	Upper limit
Fixed rate debt as a proportion of total debt	100%
Variable rate debt as a proportion of total debt	10%

Our LOBO loans will be treated as fixed rate loans for the purpose of the above indicator but there is a risk that lenders may exercise the option to vary the interest rate. That would give us the option of repaying the loan without penalty, and potentially re- financing at the prevailing market rate.

Re-financing risk – the purpose of this indicator is to control our exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Re-financing risk indicator	Lower limit	Upper limit
Less than one year	0%	10%
Between one and two years	0%	10%
Between two and five years	0%	15%
Between five and ten years	0%	25%
Greater than ten years	50%	100%

In the above table LOBO loans are treated as maturing at the end of the loan period, however, there is a possibility that some lenders may exercise their option to increase the interest rate on these loans and at that point we will be able to repay the loan in full without any financial penalty.

Principal sums invested for periods longer than a year – the purpose of this indicator is to control our exposure to the risk of incurring losses by seeking early repayment of our investments. The limits on the long-term principal sums invested to final maturities beyond one year will be:

Price risk indicator	Target
Upper limit of principal sums invested for longer than one year	£50 million

Markets in Financial Instruments Directive

We have opted up to professional client status with providers of financial services, including advisers, banks, brokers and fund managers, allowing us access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of our treasury management activities, officers believe this is the most appropriate status.

Treasury management advisors

We have appointed Link Treasury Services (Link) as treasury management advisors and receive specific advice on investment, debt and capital finance issues.

Training

Treasury management colleagues regularly attend training courses, seminars and conferences provided by Link and CIPFA. Relevant colleagues are also encouraged to study professional qualifications from CIPFA and other appropriate organisations.

Financial implications

For the purpose of setting the budget, the average interest rate payable has been assumed to be 3.2%. The General Fund capital financing requirement (excluding PFI and leases) is estimated to decrease from £.488.9 million at 31 March 2024 to £487.3 million as at 31 March 2025. Based on the capital financing requirement, the external interest payable in 2025-26 is estimated to be £15.7 million and the minimum revenue provision is estimated to be £16.5 million. The actual cost will be less than this due to the continued use of internal funds instead of external loans, and most of this cost relates to self- financed prudential borrowing, which is funded from a range of sources.

Other options considered

The Code does not prescribe any particular treasury management strategy for local authorities to adopt. We believe that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Potential impact on income and expenditure	Potential impact on risk management
Invest in a narrower range of counterparties and or for shorter times	Interest income may be lower	Reduced likelihood of losses from credit-related defaults, but any such losses may be greater

Alternative	Potential impact on income and expenditure	Potential impact on risk management
Invest in a wider range of counterparties and/or for longer times	Interest income may be higher	Increased likelihood of losses from credit-related Defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Short-term interest costs will be higher, and this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a credit-related default, however, long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Short-term interest costs will initially be lower	Medium and long-term interest costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to lower impact in the event of default, however, long term interest costs may be less certain

Appendix 13 – 2025 to 2026 Minimum Revenue Provision Policy Statement

Where we finance capital expenditure by debt, we must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The **Local Government Act 2003** requires us to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires us to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

A proportion of the MRP relates to our **supported borrowing** approvals and will be charged at the rate of 2% reducing balance (CFR) method, calculated on the opening general fund CFR balance.

The MRP related to capital expenditure that is financed from **unsupported or prudential borrowing** will be calculated using the asset life (annuity) method of the guidance over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure. For example, capital expenditure on a new building or on the refurbishment or enhancement of a building will be repaid related to the estimated life of that building. Capital expenditure incurred during 2025-26 will not be subject to an MRP charge until 2026-27 and if appropriate an MRP holiday might be taken until such time as the asset is fully or largely operational.

The Authority will apply the asset life method for any expenditure capitalised under a **Capitalisation Direction**.

There is no requirement on the **HRA** to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

MRP in respect of assets acquired under **Finance Leases or PFI** will be charged at an amount equal to the principal element of the annual repayment.

For capital expenditure **loans to third parties** that are repaid in annual or more frequent instalments of principal, MRP will be charged at a rate in line with the life of the assets funded by the loan. However, regulations allow the MRP charge to be reduced by the value of any capital receipts arising from principal repayments received in the year.

From 7 May 2024, all new loans issued to third parties for capital expenditure will be subject to an additional MRP charge equal to any expected credit loss or impairment as required by International Financial Reporting Standards (IFRS 9).

Where prudential borrowing is used to fund the acquisition of an **equity** stake, MRP is calculated using the asset life (annuity) method over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure.

As some types of capital expenditure we incur are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP). VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

VRP estimated to be charged in 2025-26 is £5.2m.

Newcastle City Council

Integrated Impact Assessment

Contents

IIA review checklist

For internal use only

Review or approval required	Officer	Date
Lead officer	Tracey Cuthbert	01/11/2024
Business Management Partner review of IIA overall	Katherine Preston	28/11/2024
Finance Partner review of revenue and capital information	Michelle Harris	01/11/2024
Operational HR – Lead Specialist review of workforce implications		01/11/2024
DLT	CONRS	
Director	Christine Herriot	01/11/2024
Cabinet Portfolio Holder	Lesley Storey	

IIA quality assurance checklist

Quality assurance required	Officer	Date
Louise Crosby: Equality and Wellbeing	Louise Crosby	01/11/2024
Geraldine Cunningham: Economic Development	Geraldine Cunningham	05/11/2024
Joan Flood: Community Safety	Joan Flood	29/11/2024
Adrian McLoughlin: Climate Change	A.McLoughlin	29/11/2024
Louise Reeve: Consultation	Louise Reeve	06/11/2024
David Forster: Carers	David Forster	02/12/2024
Rawiyah Ahmad: Public Health	R. Ahmad	04/11/2024

Informing our approach to fairness

Proposal name

Increase in School meals prices

Date of assessment

October 2024

Lead officer

Tracey Cuthbert, Head of Facility Services and Civic Management

Assessment team

Karen Brown, Michelle Harris, Anne-Marie Jordon

Portfolio area

Children and Families

Version number
1

Planned review date

January 25

Section A: Current service

1 What does the service, policy or function do?

The school catering teams serve on average 21,473 school meals per day to 85 schools across the city including primaries, secondary and specialist schools. They provide hot, healthy and nutritious meals in line with the School Food Standards. The School Food Standards are intended to help children develop healthy eating habits and ensure they get the energy and nutrition they need across the whole school day.

60% of meals are prepared from scratch in school kitchens. Environmentally sustainable and ethical food produce are used, making eating healthy and wherever possible using seasonal produce and produce from local suppliers.

2 Who do we deliver this service, policy or function for?

Newcastle City Council's (NCC) school catering service provides meals in 84 schools of the 98 schools across the city as well as one school in North Tyneside. This includes:

- 1 Nursery School
- 65 Primary Schools
- 3 Middle School
- 12 Secondary Schools
- 4 Special / Alternative Provision Schools (across 6 sites)

They serve on average 21,473 school meals per day to those entitled to Universal Infant Free School Meals, Free School Meals, paid pupil meals and adult meals.

35% of the meals served are to paid pupils.

3 Why do we deliver this service, function or policy?

The Education Act 1996 requires maintained schools and academies (including free schools) to provide free school meals to disadvantaged pupils who are aged between 5 and 16 years old. Since September 2014, state funded schools in England have been required by law to provide free lunches to pupils in reception, year 1 and year 2, who are not otherwise entitled to benefits-related free school meals (Universal Infant Free School Meals). There is no longer a requirement on local authorities to provide school meals.

We continue to provide a school meal service to help ensure schools can meet their responsibility around provision of meals that meet the school food Standards to help ensure children have healthy, balanced diets.

4 How much do we spend on the service, function or policy?

Gross expenditure: £11,423140
Gross income: £10,791,440
Net budget: £631,700

Comments: This is the current base budget for 2025/26 and does not include any uplift for pay awards for 2024/25 and 2025/26 estimated at around £415,000, or inflation on food costs estimated at £132,000. The net cost of the service is estimated to be £1.2 million in 2025/26 (before any increase to meal prices).

5 How many people do we employ to deliver the service, function or policy?

Number of posts: 505
Number of full-time equivalent officers: 245

Comments: The 505 posts above include Catering Assistants, Assistant Chefs and Chefs. In addition to the 505, we employ five Catering Operations Managers and one Senior Operations Manager.

Section B: Proposals for the future service

6 How we are proposing to change the service, function or policy

School Meals used to be a traded service, which means the income received covered the cost of providing the service. The increased staffing costs due to the uplift for the living wage and pay awards has meant that the service is now a subsidised trading service. The biggest costs associated with the service are staffing and food costs, both of which have increased significantly in recent years.

The net cost to Newcastle City Council (council subsidy) of providing the School Meals Service in 2023/24 was £1.8m.

Following the implementation of the increase to meal prices charged for free meals in April 2024, the council subsidy is expected to reduce in 2024/25 to around £0.9m.

If we do not implement any further increases, the school meals services will cost NCC:
£1.2m in 2025/26
£1.5m in 2026/27
£1.8m in 2027/28

There will also be an overspend against budget due to the cumulative increase in food costs if this is not corporately funded as a cost pressure.

The estimated average unit cost of producing a school meal is expected to increase to **£3.03** for 2024/25, rising to **£3.10** in 2025/26.

Proposal – Move to a Standard Pricing Model

We currently charge a fixed price per meal as shown in the table below:

Meal Type	Current Price per meal
Nursery Paid	£2.10
Primary Paid	£2.20
Secondary / Special Paid	£2.30
Nursery / Primary Free	£3.00
Secondary / Special Free	£3.25

We propose to move to a standard pricing model, where one fixed price per meal is charged for all meals.

Schools would pay for each meal taken, as they do now, but would be free to decide what charge per meal is passed onto paying parents, where pupils are not eligible for free meals.

There would be an uplift each year to reflect inflationary increases in employee and food costs, and to reduce the cost to Newcastle City Council of subsidising the service.

Proposed meal prices:

2025/26 £3.00

2026/27 £3.10

2027/28 £3.20

7 What evidence did you use to inform this proposal?

We have carried out analysis of several contributing factors to inform this proposal:

Financial Analysis with Finance Partner.
Financial analysis has shown that:

- Whilst School Meals used to be a traded service, increases to staffing costs due to uplifts for the living wage and higher pay awards in recent years has meant that the service is now a subsidised trading service. Staffing costs have increased by over 25% since 2019/20.

- Food costs have increased by 40% between 2019/20 and 2023/24, with a further increase of 4% forecast for 2024/25. Estimated inflation on food costs for 2025/26 is 2.5%.
- Previous price increase proposals were not all implemented in recent years, due to the cost-of-living crisis, meaning Newcastle City Council is now subsidising the school meals service.
- Take-up levels of free meals have not increased significantly as a result of the cost-of-living crisis, nor have paid meals reduced.

If we do not implement any further increases, the school meals services will cost Newcastle City Council:
£1.2m in 2025/26
£1.5m in 2026/27
£1.8m in 2027/28

The service has implemented several actions to mitigate the increase in cost:

- Reviewed the menu offer to remove some of the very high-cost items that are no longer affordable.
- Continue to work closely with North East Procurement Organisation (NEPO) in managing the costs with suppliers.
- No longer offering for bespoke menus to individual schools to maintain a consistent offer and manage costs, with an estimated saving of c£100k per annum.
- Implementing food portion controls.
- Outsourcing the school milk provision to a third-party saving c£60k p.a. and at no detriment or additional cost to schools.

Detailed analysis of meal numbers and school meal take-up levels have also informed the required pricing point to allow a staged cost recovery over the next three-year period.

Benchmarking

Following a recent benchmarking exercise with LA7 and Core Cities, we have received the following information regarding the school meals service provided by the following authorities:

Sunderland - Direct delivery to schools via a full cost recovery model where schools are charged a fixed price for an assumed number of meals, which is inflated each year by November CPI. Current prices are Primary Schools £2.20-£2.78, Secondary Schools £2.40 for a meal deal.

Durham - Delivered via third-party (Chartwells) to Primary schools only, where schools are charged for number of meals taken at £2.81 per meal (fixed until March 2025).

North Tyneside - Provided in-house directly to schools until March 2024 when service provision ceased. Schools now commission their own contracts.

Gateshead - Direct delivery to schools where schools are charged a fixed cost per meal served. Current prices were set at £3 per meal for primary and secondary schools and £2.35 for nurseries. Prices charged to parents are set by schools.

From the responses received so far, in all instances, either the schools or the third-party contractor are responsible for setting meal prices charged to parents.

In all cases, except for Gateshead, there is no cost to the council of providing a school meals service.

North Tyneside Council have recently decided to come out of the school meals service due to financial pressures. Schools in North Tyneside therefore have to commission a private contractor to deliver the service, or the individual schools delivers in-house.

8 What are the financial impacts of the proposal?

The estimated additional income from implementing a fixed price, regardless of school or funding type, is shown in the following table (based on 2023/24 meal numbers):

Year	Proposed fixed price per meal	Additional income generated	Less Cost pressure on food costs	Estimated Net Budget Saving	Remaining NCC subsidy
2025/26	£3.00	£0.753m	£0.132m	**£0.621m**	£0.427m
2026/27	£3.10	£0.408m	£0.135m	**£0.273m**	£0.322m
2027/28	£3.20	£0.408m	£0.138m	**£0.270m**	£0.225m
3 Year Total		**£1.569m**	**£0.405m**	**£1.164m**	

Schools would pay for each meal taken, as they do now but would have autonomy to decide what charge per meal is passed onto paying parents, where pupils are not eligible for free meals.

There would be an uplift each year to reflect inflationary increases in employee and food costs.

School meal take-up levels will also be reviewed and used to inform the required pricing levels in future years.

9 What will be the impact of the proposal on employees?

Number of FTE: 0 FTE

% of workforce: 0%

Comments: There is no impact on employees because of this proposal.

Section C: Consultation

10 Engagement to help develop the proposal

Who we have engaged with to develop this proposal

We have engaged with other local authorities to carry out benchmarking; finance colleagues to model the impact and options and sound evidence as detailed in section B7. We have not carried out any specific engagement to date. Schools, however, were made aware of the increased cost pressures on the service when the menus for this academic year were circulated.

When and how we engaged

This has been ongoing over the last 6 months through email, research and meetings.

Main issues raised

None

11 Who will we engage with during the consultation?

Who will we engage with during the consultation?

Schools – Headteachers and Business Managers.

When and how we will engage

We will ask schools if they require an additional Schools Forum Contract Subgroup meeting to be held. If not, schools can take part by way of Let's Talk Newcastle Online or email.

12 Feedback from the consultation process

To be completed post consultation.

Who provided feedback during the consultation

To be completed post consultation.

When and how did we engage

To be completed post consultation.

Main issues raised

To be completed post consultation.

Section D: Impact assessment

Age

Type of impact

Potential disadvantage

Detail of impact

The proposal includes an increase to school meals which could then be passed onto parents. Parents in households with low income, but who are not eligible for free school meals, may incur additional costs for school meals disproportionately to their income levels compared to those parents from higher income families.

This will impact on families with children in KS2 (primary) and KS3 (secondary). All children in KS1 are entitled to a free school meal under the Universal Infant Free School Meal programme.

How will this be addressed or mitigated?

Schools work with parents to ensure that pupils are given the option of free school meals where they are eligible. The service continues to offer a range of options to secondary school children.

Disability

Type of impact

Potential disadvantage

Detail of impact

There may be a disproportionate impact upon households with disabled people. Generally, disabled people are significantly more likely to be in poverty than households where there are no disabled people.

How will this be addressed or mitigated?

Schools work with parents to ensure that pupils are given the option of free school meals where they are eligible. The service continues to offer a range of options to secondary school children.

Gender reassignment

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Marriage and civil partnerships

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Pregnancy and maternity

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Race and ethnicity

Type of impact

Potential Disadvantage

Detail of impact:

There may be a disproportionate impact on people from ethnic minority backgrounds due to higher unemployment rates amongst the community

How will this be addressed or mitigated?:

Schools work with parents to ensure that pupils are given the option of free school meals where they are eligible. The service continues to offer a range of options to secondary school children.

Religion or belief

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Sex

Type of impact

Potential disadvantage

Detail of impact

The proposal includes an increase to school meals which could then be passed onto parents. Parents in households with low income, but who are not eligible for free school meals, including single parent households, may incur additional costs for school meals disproportionately to their income levels compared to those parents from higher income families. This will impact on families with children in KS2 (primary) and KS3 (secondary). All children in KS1 are entitled to a free school meal under the Universal Infant Free School Meal programme. Single parent households are more likely to be headed by women so females and could be disproportionately impacted by this

How will this be addressed or mitigated?

Schools work with parents to ensure that pupils are given the option of free school meals where they are eligible. The service continues to offer a range of options to secondary school children.

Sexual orientation

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Other potential impacts

We believe that it is important to consider whether changes to our policies, services or functions could have other impacts on people that are not covered by the Equality Act.

A part of our assessments we also consider whether proposed changes could have actual or potential impacts relating to socio-economic issues, businesses, geography, community cohesion, community safety, the environment and health and wellbeing.

Carers

Type of impact

Potential disadvantage

Detail of impact

The proposal includes an increase to school meals which could then be passed onto parents. Parents in households with low income, but who are not eligible for free school meals, may incur additional costs for school meals disproportionately to their income levels compared to those parents from higher income families. This will impact on families with children in KS2 (primary) and KS3 (secondary). All children in KS1 are entitled to a free school meal under the Universal Infant Free School Meal programme.

Carers are more likely to be female, so this group will be disproportionately affected by this proposal, especially if they are single parent households.
Children living in households who cannot afford the increased cost may bring a packed lunch of poor nutritional value or bring no lunch at all.

How will this be addressed or mitigated?

Schools work with parents to ensure that pupils are given the option of free school meals where they are eligible. The service continues to offer a range of options to secondary school children.

Newcastle City Council has invested in Newcastle Carers to provide information, advice, and support to carers of all ages. This can include advice on finances and benefits.

Socio-economic impacts

Type of impact

Potential disadvantage

Detail of impact

The proposal includes an increase to school meals which could then be passed onto parents. Parents in households with low income, but who are not eligible for free school meals, may incur additional costs for school meals disproportionately to their income levels compared to those parents from higher income families. This will impact on families with children in KS2 (primary) and KS3 (secondary). All children in KS1 are entitled to a free school meal under the Universal Infant Free School Meal programme.

How will this be addressed or mitigated?

Schools work with parents to ensure that pupils are given the option of free school meals where they are eligible. The service continues to offer a range of options to secondary school children. Other potential mitigations include:

We are working with the North East Combined Authority Child Poverty Unit to provide additional support to families with low income but who do not receive free school meals.

We are also promoting the support available from the Council's Welfare Rights service and partners to maximise benefits for working families.

In addition, we are promoting the support available through Work and Thrive for people in work but on a low income to consider and secure other employment options or additional hours to increase their income.

Businesses

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Geography

Type of impact

Potential disadvantage

Detail of impact

Parents may pay different prices at different schools.

How will this be addressed or mitigated?

We will continue to work with schools to ensure that pupils are given the option of free school meals where they are eligible.

Community cohesion

Type of impact

Potential disadvantage

Detail of impact

Food insecurity is a major challenge in addressing deprivation in our communities, leading to health inequalities, impacting on life expectancy and social well-being and widening inequalities between well-off and less well-off communities in our city. The people most often impacted are the working poor as well as disabled people. This could impact on cohesion in communities due to conflicts over access to resources and views about those who are deserving and undeserving.

How will this be addressed or mitigated?

Schools work with parents to ensure that all eligible pupils are given the option of free school meals and parents encouraged to apply. Families to also be provided with information about food banks and other resources for free or low cost food within the community.

Community safety

Type of impact

Potential disadvantage

Detail of impact

Escalating hunger amongst families in poverty but who are not eligible for free school meals could lead to children and parents shoplifting and stealing food, risking a criminal record

In addition, children living in households who cannot afford the increased cost may bring a packed lunch of poor nutritional value or bring no lunch at all impacting on their ability to engage and pay attention at school, which may impact behaviour.

How will this be addressed or mitigated?

Schools work with parents to ensure that all eligible pupils are given the option of free school meals and parents encouraged to apply. Families are also provided with information about food banks and other resources for free or low-cost food within the community.

Public health

Type of impact

Potential disadvantage

Detail of impact

Some parents in low-income families may choose for their children to not have a school meal due to affordability, and so some children may not have access to a hot meal at lunchtime. Evidence suggests that packed lunches are less likely to conform to school food standards, which in turn could have an impact on a child’s ability to maintain a healthy weight and ability to concentrate.

How will this be addressed or mitigated?

We will continue to work with schools to ensure that pupils are given the option of free school meals where they are eligible.

Climate change and environment

Type of impact

None

Detail of impact

Not applicable

How will this be addressed or mitigated?

Not applicable

Newcastle City Council

Integrated Impact Assessment

Contents

IIA review checklist

For internal use only

Review or approval required	Officer	Date
Lead officer	Ellie Anderson	29/10/2024
Business Management Partner review of IIA overall	Katherine Preston	28/11/2024
Finance Partner review of revenue and capital information	Maria Brady	24/10/2024
Operational HR – Lead Specialist review of workforce implications	Helen Purdon	29/10/2024
DLT	Adult Social Care & Prevention	30/10/2024
Director	Laura Choake	28/11/2024
Cabinet Portfolio Holder	Cllr Adam Walker	

IIA quality assurance checklist

Quality assurance required	Officer	Date
Louise Crosby: Equality and Wellbeing	Louise Crosby	04/11/2024
Geraldine Cunningham: Economic Development	Geraldine Cunningham	05/11/2024
Joan Flood: Community Safety	Joan Flood	29/11/24
Adrian McLoughlin: Climate Change	Adrian McLoughlin	04/11/2024
Louise Reeve: Consultation	Louise Reeve	06/11/2024
David Forster: Carers	David Forster	20/11/2024
Zoe Foster: Public Health		

Informing our approach to fairness

Proposal name

Promoting independence through the expansion of our Reablement service.

Date of assessment

October 2024

Lead officer

Ellie Anderson, Assistant Director, Prevention

Assessment team

Daryll Alder, Ben McLaughlan, Kathryn Williams, Stacey Urwin

Portfolio area

Adult Social Care, Health, and Prevention

Version number

1

Planned review date

January 2025

Section A: Current service

1 What does the service, policy or function do?

Reablement is a preventative service which aims to address immediate care and support needs and prevent crises. It involves occupational therapists and other support to help people maintain or increase their independence in managing day-to-day tasks.

It provides a prompt, personalised, short-term service which helps people to recover and live independently at home. People may access reablement following a:

- change in social care needs
- loss of confidence at home

Reablement is part of 'Adult Social CarePoint', previously known as 'Social Care Direct'. This is our adult social care front door. In most cases, a person's first contact with adult social care in Newcastle will be with Adult Social CarePoint. This team gets to understand a person's situation and their goals, and looks at all preventative ways we can help to support them, including Reablement. If a person has ongoing care and support needs after being supported to be as independent as possible, their longer-term support is then managed by our community social work teams.

2 Who do we deliver this service, policy or function for?

The service supports adults of all ages across the city who access adult social care services, including people with care and support needs, and unpaid carers. We receive approximately 10,000 new contacts to Adult Social CarePoint every year.

3 Why do we deliver this service, function or policy?

Under the Care Act 2014, local authorities are given duties to prevent, reduce, and delay the need for care and support, and to provide certain types of information and advice.

Many of these functions are currently delivered through our Adult Social CarePoint and Information Now service.

The relevant Care Act 2014 provisions include the two sections below:
"A local authority must provide or arrange for the provision of services, facilities or resources, or take other steps, which it considers will:

a) contribute towards preventing or delaying the development by adults in its area of needs for care and support.
b) contribute towards preventing or delaying the development by carers in its area of needs for support.
c) reduce the needs for care and support of adults in its area.
d) reduce the needs for support of carers in its area."

“A local authority must establish and maintain a service for providing people in its area with information and advice relating to care and support for adults and support for carers.”

The intention of these services is to support people to remain well and to help people understand what support is available in the city and how to access it.

4 How much do we spend on the service, function or policy?

Gross expenditure: £107,240,120
Gross income: £49,183,980
Net budget: £58,056,140

Comments:
The above figures relate to per annum expenditure across adult social care commissioned services for older people, people accessing mental health support, and people with physical disabilities.

The proposal is to reduce the amount of commissioning spend by £4.75million overall by preventing, reducing, and delaying more needs at the earliest possible stage using short term intervention.

5 How many people do we employ to deliver the service, function or policy?

Number of posts: 343 posts (289 posts currently occupied)
Number of full-time equivalent officers: 253.64 FTE

Comments: The above posts are made up of colleagues across Adult Social CarePoint and Information Now. Information Now is the city’s online information and advice service.

Section B: Proposals for the future service

6 How we are proposing to change the service, function or policy

This proposal gives us the opportunity to implement a preventative approach in all our interventions with people. This will include at the first point of contact and at the point that a person's needs change, regardless of their environment. We will also use this approach when undertaking planned reviews. The proposal is to add a preventative and rehabilitative approach to every part of our interaction and assessment function and make every contact with people an opportunity to improve independence and quality of life.

This will involve expanding the coordinator role in Reablement to:

- Increase capacity to respond to all new contacts and requests for additional support. The Reablement service will work alongside Moving and Handling Coordinators and Occupational Therapists as needed. The team will consider equipment, adaptations and technology which can support people to remain independent at home for as long as possible.

- This will involve redesigning Reablement to include an enhanced therapy service, ensuring access for all individuals with existing support packages, and providing training for all practitioners on the benefits of assistive technology and other types of digital supports.

We will build on the multi-disciplinary approach developed for our Home First service, which offers short-term support for people discharged from the hospital where over a third of care packages managed by Home First enabled people to live at home with reduced need for paid support.

We will also improve our short-term response to crisis and hospital admissions ensuring any service provided during a crisis is time-limited (maximum of 2-4 weeks), purposeful, and helps the person to remain safely at home. Linked to the Reablement offer we will provide:

- Short-term preventative support, such as a temporary increase to home care, during a crisis to avoid the use of more costly emergency care home placements.

- This support offer would include overnight support when necessary.

This will be supported by the expanded Reablement role with potential consideration for a redesigned overnight offer.

Under this proposal we aim to make better use of assisted technology and digital solutions to prevent more costly and restrictive care and support interventions. We plan to increase the use of assisted technology to help keep people safe, well, and connected at home. Additionally, we will bring the Council's 24-hour assistive technology response and support service (called Ostara) and Reablement services closer together to improve our overnight offer with a combination of carer support and welfare checks, thus reducing the need for long-term support.

We will review our assisted technology offer and expand the range of products available through the Ostara service. Furthermore, we intend to create a new Digital Champion Senior Health and Social Care Officer role to lead on digital solutions that negate the need for care packages.

By implementing an expanded Reablement offer we will work alongside commissioned providers to identify ways to support people to be as independent as possible and recover from crises quickly – reducing the need for ongoing additional 1:1 or 2:1 support. The goal will be to promote people's independence, reducing their need for additional support, and where appropriate, enabling them to return home.

Moving and Handling Coordinators will be deployed to support people who are accessing additional 2:1 care by exploring less-restrictive alternative approaches, such as using hoists, equipment, and positive behavioural approaches. This ensures that requests are thoroughly reviewed by a multi-disciplinary team as quickly as possible, considering all support options available, and reducing need for long-term increases.

For people who still require additional support, timely review dates will be set to ensure the support remains appropriate to the person's needs. We aim to build on and enhance the skills of the provider workforce, ensuring that proportionate methods are applied consistently, confidently, and decisions regarding increased support are made collaboratively.

The proposal will encompass all requests for additional 1:1 or 2:1 support, addressing issues such as falls, challenging behaviour, and safeguarding risks. This approach will also apply to existing emergency or temporary placements. It aims to assist the person in returning home with the appropriate level of support needed to meet their requirements.

All the above improvements will include consideration of our assistive technology response and support service offer, and how this can support individuals in optimising their independence.

7 What evidence did you use to inform this proposal?

Front Door research undertaken by Ways to Wellness, commissioned by the Elders Council

- Research into the Torbay model showed that there is potential to prevent more people from needing social care by offering more services during their first contact with adult social care.
- Based on feedback received as part of our IIA 2024-25 'Transforming the Adult Social Care Front Door' published in November 2023, consultation feedback from the Elders Council suggested developing a well-resourced

Front Door offer that managed public contacts and provided guidance through the complexities of adult social care and other service information.
- We similarly acknowledge concerns raised in feedback as part of our IIA 2024-25 'Transforming the Adult Social Care Front Door' published in November 2023, about allocations to social workers and that this proposal would have an increased workload from people with long-term needs. However, by implementing a preventative approach in all our interventions with people as outlined within this proposal, we will ensure people with low-level, non-complex needs are supported quickly, and specialist resources will be better managed to support those most in need.

Learning from other areas:
- We have learned from the experience of other areas who have been able to further promote independence and reduce reliance on paid support by investing in their Reablement teams, including: Manchester, Sheffield, Leeds
- Learning from national pilots, including: NHS England's Intermediate Care Framework, NICE Intermediate Care guide

2021 Census
- There has been a 7% growth in the city's adult population since 2011, and a 15% increase in the number of people aged 65+.
- 7.5% of people said they were in bad or very bad health.
- 11.2% of people said their day-to-day activities were limited a little, while 9.7% of people said their day-to-day activities were limited a lot.
- 5.3% of people provide more than 19 hours of unpaid care per week.

Service Data

A **resolve pilot** was undertaken by the reablement service utilising waiting list information for people who had contacted, or been referred to, Social Care Direct and were on the resolve waiting list for social care allocation, of the 115 people considered in the remit of the initial pilot:
- 9% received a care package of support from reablement.
- 55% were signposted, or provided additional information or advice by the reablement service contact and did not require ongoing social care input; and
- 34% remained on the resolve list as requiring further social care input.

This provided evidence of the beneficial impact of a reablement approach in reducing the onwards requirement for social care input in several cases.

What are the financial impacts of the proposal?

Net revenue savings: £4.75 million
Net income: £0 million

Comments: During 2025/26, these proposals will realise net revenue savings of £4.75million against a net budget of £58 million.

The proposals are split as below:

- Promoting independence using equipment, assistive technology and digital £2.375 million
- Taking a preventative approach to all interactions with people with care and support needs, to promote independence, and ensure the most appropriate, cost effective and least restrictive care £2.375 million

8 What will be the impact of the proposal on employees?

Reduction in full-time equivalent posts: 0 FTE
% of workforce: 0%

Comments: while this proposal will reshape how we provide support at the Adult Social CarePoint, it does not relate to any workforce reductions.

Section C: Consultation

9 Engagement to help develop the proposal

Who we have engaged with to develop this proposal

Colleagues who work in adult social care, specifically those who work in Adult Social CarePoint, Adult Community, Hospital Social Work, and Information Now.

When and how we engaged

Across Spring and Summer 2024, we held a series of consultation sessions with Social Work colleagues on our Adult Social CarePoint. These were held at The Beacon, Westgate Road and attended by around 70 colleagues representing Social Care Direct, Adult Community and Hospital Social Work and Information Now.

The sessions were run in a participatory manner with an initial presentation about the proposed Adult Social CarePoint model followed by facilitated roundtable discussion. Additional discussions outside this forum also took place with Service Managers from Learning Disability and Autism, Mental Health, and Safeguarding Adults.

We have also engaged with colleagues to prototype this way of working.

Main issues raised

Colleagues viewed the proposals positively, emphasising the benefits of a multi-skilled team which would reduce and minimise hand-offs across teams. Broadening skill sets to include occupational therapy, moving and handling, and other skill sets was welcomed. Access to housing and financial support, alongside other preventative measures, was highlighted as crucial.

Continued communication and shaping the model with feedback were welcomed.

Concerns included ensuring adequate resources in adult community teams and understanding how community team offerings might evolve with the new model.

10 Who will we engage with during the consultation

Who will we engage with during the consultation – adult social care users

People who use adult social care services in Newcastle.

When and how we will engage

Between 11 December 2024 – 15 January 2025 as part of the council's budget consultation process. We will also collaborate with people to co-design elements of our expanded reablement offer beyond the budget consultation process. We will draw upon our knowledge of people using this service to ensure we engage with them in ways that work best for them – for example, ensuring consultation materials are available in large print and other formats as required, providing non-digital ways to engage, and asking local support groups (such as the Elders Council) to help us reach their customers, clients and members who use our services.

Who will we engage with during the consultation – carers

Unpaid Carers in Newcastle.

When / how: between December 2024 – January 2025 as part of the council's budget consultation process. We will also work with unpaid carers to co-design elements of our reablement offer beyond the budget consultation process. As above, we will do this using a variety of communication and engagement channels to support carers to take part.

Who will we engage with during the consultation – colleagues

Colleagues who work in adult social care, specifically those who work in Adult Social CarePoint, and Information Now.

When / how: between 11 December 2024 – 15 January 2025 as part of the council's budget consultation process. We will continue to collaborate with colleagues to co-design elements of the reablement offer beyond the budget consultation process.

Who will we engage with during the consultation – voluntary and community sector (VCS) organisations

Who we want to engage with during consultation: voluntary and community sector organisations with an interest in adult social care. This includes, but is not limited to, the Elders Council, Disability North and Newcastle Carers.

When / how: between 11 December 2024 – 15 January 2025 as part of the council's budget consultation process. We will also work with local organisations to co-design elements of the reablement offer beyond the budget consultation process.

11 Feedback from the consultation process

Who provided feedback during the consultation

To be completed post consultation

When and how did we engage

To be completed post consultation

Main issues raised

To be completed post consultation

Section D: Impact assessment

In this section you will find details of any actual or potential negative impacts and benefits we have identified for this proposal. You will also find information about actions we will take to mitigate any potential disadvantage.

We have assessed the impact of this proposal for people with characteristics protected by the Equality Act 2010 and other areas where there could be an impact

Age

Type of impact

Potential benefit

Impact

Our proposal seeks to strengthen connections between people and their neighbourhoods for adults of all ages. It is anticipated most people will benefit from a shift from reliance of paid carer support to one that gives them greater flexibility in their social care offer and inclusion in their community. People seeking adult social care support for the first time through our reablement offer are more likely to be older adults. By enhancing preventative support offer it is anticipated that more adults will be supported to remain well for longer. Enhancing the response rate and the skill set of staff providing that response can address earlier developing issues relating to, for example falls and loss of confidence this delaying the need for long term support and potentially reducing the risk for accidental injury that might result in hospital admission.

How we will remove or reduce the impact

Not Applicable

Type of impact

Potential disadvantage

Detail of impact
Change can bring about anxiety and may translate into worsening perceptions of the care and support available or provided. People have been used to receiving a traditional service and may feel that this model is not giving them what they think they should have. People with existing packages may feel they are "losing a service" by becoming more independent.

How will this be addressed or mitigated?
We will support people to understand the benefits of our new ways of working. We will provide assurance that we will continue to meet eligible care needs whilst also seeking to maximise a person's opportunities, identifying their own local support networks to highlight the strengths, capacity, and knowledge of all involved to better meet individual outcomes. We will collaborate with older people in the city, and representative forums, to co-design elements of the service and ensure considerate communication for this cohort, who may be more impacted by this perception. We will also use age-friendly principles in the design.

Disability

Type of impact

Potential benefit

Impact

People seeking adult social care support for the first time are more likely to have a disability. By enhancing the preventative support offer we anticipate that more adults will remain independent for longer. The aim is also to enable people to live in their own home for as long as possible.

How we will remove or reduce the impact

We will collaborate with disabled people in the city to co-design elements of the service. We will also use disability friendly principles in the design. All support is individualised to a person's needs.

Type of impact

Potential disadvantage

Detail of impact

Change can bring about anxiety and may translate into worsening perceptions of the care and support available or provided. People have been used to receiving a traditional service and may feel that this model is not giving them what they think they should have. People with existing packages may feel they are "losing a service" by becoming more independent.

How will this be addressed or mitigated?

We will support people to understand the benefits of our new ways of working. We will provide assurance that we will continue to meet eligible care needs whilst also seeking to maximise a person's opportunities, identifying their own local support networks to highlight the strengths, capacity, and knowledge of all involved to better meet individual outcomes.

Gender reassignment

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce the impact

Not Applicable

Marriage and civil partnerships

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Pregnancy and maternity

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Race and ethnicity

Type of impact

No impact.

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Religion or belief

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Sex

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Sexual orientation

Type of impact

No impact.

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Other potential impacts

We believe that it is important to consider whether changes to our policies, services or functions could have other impacts on people that are not covered by the Equality Act.

A part of our assessments we also consider whether proposed changes could have actual or potential impacts relating to socio-economic issues, businesses, geography, community cohesion, community safety, the environment and health and wellbeing.

Carers

Type of impact

Potential benefit

Impact
Carers of all ages are likely to contact the Adult Social CarePoint. This proposal can support and enable a more personalised preventative reablement service that better balances statutory paid support that promotes the voice of the person alongside the care and support provided by (unpaid) carers, thus enabling them to maintain/access employment, social activities within or without their chosen communities. It also offers the opportunity to provide bespoke information and advice around preventative services and support available for carers much earlier on in the process. This will promote independence for both carers and the cared for person.

How we will remove or reduce the impact

Not applicable.

Type of impact

Potential disadvantage

Detail of impact

Change and a focus building upon and developing reablement approaches may be perceived as focusing greater reliance and responsibility on the caring role. People have been used to receiving a traditional service and may feel that this model is not giving them what they think they should have. People with existing packages may feel they are "losing a service" by becoming more independent.

How will this be addressed or mitigated?

We will support people to understand the benefits of our approach, co-designing with the people that use them and their carers. We will provide assurance that we will continue to meet eligible care needs whilst also seeking to maximise a person's opportunities, identifying their own local support networks to highlight the strengths, capacity, and knowledge of all involved to better meet individual outcomes. As above we will also be able to have a much more detailed conversation with carers earlier on in their contact with Adult Social Care. We are still committed to commissioning carers support services going forwards – at the moment these are provided by Newcastle Carers and British Red Cross.

Socio-economic impacts

Type of impact

Potential benefit

Detail of impact

Our proposal seeks to strengthen connections between people, carers, and their chosen community, identifying what is strong in a person's life, how they might better connect to their communities, combine efforts, knowledge, and resources in new and innovative ways. By working together in this reablement way our aim is to reduce inequality and mitigate negative socio-economic impacts for people and their carers. Social care is means tested and chargeable, moving people to independence from formal paid care reduces expenditure for that individual.

How will this be addressed or mitigated?

Not Applicable

Businesses

Type of impact

Potential benefit

Detail of impact

Our proposal seeks to strengthen connections between people, carers, and their chosen communities, combining efforts, knowledge, and resources in new and innovative ways. We will continue to explore ways to strengthen and support people, organisations, and associations within our communities being an active partner within our collaborative partnerships to support people's opportunities within the local economy including the up skilling of people working within the local social care sector.

How will this be addressed or mitigated?

Not Applicable

Type of impact

Potential disadvantage

Detail of impact

As the aim of the proposal is to reduce net expenditure on commissioned services there may be a perception of reducing opportunity of growth for businesses operating within Newcastle for adult social care services. The model includes Authority staff working alongside people already having services from commissioned providers.

How will this be addressed or mitigated?

We will work with businesses to understand our reablement model and how this may require a change to how they will be required to respond to support people where long-term services are required following this short-term intervention. We will also work with the sector to understand where there is opportunity to offer support in the shared training or up-skilling of people working in social care service delivery. The reason our staff are working into other provision is to enhance our understanding of need through assessment and review.

Geography

Type of impact

Potential benefit

Detail of impact

Our proposal seeks to strengthen connections between people, their carers, and their chosen community that will better support people within their own neighbourhood geography and provide creative and flexible solutions to their support needs.

How will this be addressed or mitigated?

Not Applicable

Type of impact

Potential disadvantage

Detail of impact

Different areas of the city have different assets which may lead to neighbourhoods not being able to offer or respond to equality of support in their area.

How will this be addressed or mitigated?

We will support people and local communities to understand the benefits to assessing support options available, co-designing with the people that use them. We will provide assurance that we will continue to meet eligible care needs whilst also seeking to maximise a person's opportunities, identifying their own local support networks to highlight the strengths, capacity, and knowledge of all involved to better meet individual outcomes in a way that works in their chosen community. We will work with communities and community groups to develop community assets where we identify gaps in support.

Community cohesion

Type of impact

Potential benefit

Detail of impact

Our proposal seeks to strengthen connections between people and their neighbourhoods, combining efforts, knowledge, and resources in new and innovative ways. It will seek to build community capacity, support, and strengthen people's own networks and wider links and networks within their local communities.

How will this be addressed or mitigated?

Not Applicable

Community safety

Type of impact

Potential benefit

Detail of impact

Our proposal seeks to strengthen connections between people, their carers, and their neighbourhoods, combining efforts, knowledge, and resources in new and innovative ways. It will seek to consider paid support, strength in people's own networks, and wider links and networks within their local communities.

How will this be addressed or mitigated?

Not Applicable

Type of impact

Potential disadvantage

Detail of impact

Change and a focus building upon and developing 'community-centred' approaches may be perceived as creating vulnerability to areas with problems of Anti-Social Behaviour or crime which can bring about anxiety and may translate into worsening perceptions of the care and support provided.

How will this be addressed or mitigated?

We will support people, their carers, and local communities to understand the benefits of our approach to assessing support options available, co-designing with the people that use them. We will provide assurance that we will continue to meet eligible care needs whilst also seeking to maximise a person's opportunities, identifying their own local support networks to highlight the strengths, capacity, and knowledge of all involved to better meet individual outcomes in a way that works in their chosen community.

Public health

Type of impact

Potential benefit

Impact

Our proposal will adopt an approach which seeks to strengthen connections between people, their carers, and their neighbourhoods, delivering services that will better support people within their own neighbourhood and provide creative and flexible solutions in support of their health and wellbeing at an earlier stage. In so doing we will address with our communities some of those wider determinants of ill health, such as loneliness, social isolation, with the aim for people to be less reliant on formal care which may help people to remain well for longer, improving overall public health and wellbeing. Keeping people well and independent for longer improves the overall health and wellbeing of people in the city and starts to tackle health inequalities.

How we will remove or reduce the impact

Not Applicable

Climate change and environment

Type of impact

Potential benefit

Detail of impact

Our proposal seeks to emphasise local neighbourhood working where practicable within our working practices. As a result, it should negate unnecessary travel and associated mileage and fuel by social care and partner employees/volunteers.

Our proposal similarly makes sure we offer people the right support, at the right time and in the right place. Promoting key services to include, but not limited, to our energy efficiency services will help people to stay warmer and healthier as they regain their independence so that they can go on living well in their own homes.

How will this be addressed or mitigated?

Not Applicable

This page is intentionally left blank

Newcastle City Council

Integrated Impact Assessment

Contents

IIA review checklist

For internal use only

Review or approval required	Officer	Date
Lead officer	Lesley Watson	28/10/2024
Business Management Partner review of IIA overall	Katherine Preston	28/11/2024
Finance Partner review of revenue and capital information	N/A	
Operational HR – Lead Specialist review of workforce implications	N/A	
DLT	CFO	
Director	Mark Nicholson	22/11/ 2024
Cabinet Portfolio Holder	Councillor Frew	

IIA quality assurance checklist

Quality assurance required	Officer	Date
Louise Crosby: Equality and Wellbeing	Louise Crosby	04/11/2024
Geraldine Cunningham: Economic Development	Geraldine Cunningham	05/11/2024
Joan Flood: Community Safety		
Adrian McLoughlin: Climate Change	A.McLoughlin	04/11/2024
Louise Reeve: Consultation	Louise Reeve	07/11/2024
David Forster: Carers		
Rawiyah Ahmad: Public Health	R. Ahmad	04/11/2024

Informing our approach to fairness

Proposal name

Council Tax 2025-26

Date of assessment

October 2024

Lead officer

Lesley Watson, Revenues and Benefits Manager

Assessment team

Carolyn Gibson

Portfolio area

Resources and Performance

Version number

1

Planned review date

January 2025

Section A: Current service

1 What does the service, policy or function do?

In 2024-25, Council Tax represented around 20.5% of our total external income (excluding Dedicated Schools Grant and Housing Benefit Subsidy Grant). Council Tax income is used to fund a wide range of services for the people of Newcastle upon Tyne, as well as police and fire services (which set their own levels of Council Tax).

In 2016-17 the government introduced a separate Council Tax increase for adult social care services, which became known as the adult social care precept. This was introduced in response to the significant cost pressures facing local authorities with adult social care responsibilities and must be used to fund adult social care services.

The total amount of Council Tax we will collect is determined by the Council Tax base as well as the level of Council Tax agreed by the council. The Council Tax base is the total of the weighted number of properties at each Council Tax band (ranging from Band A for the lowest valued properties to Band H for the most expensive properties) adjusted for the estimated long-term collection rate.

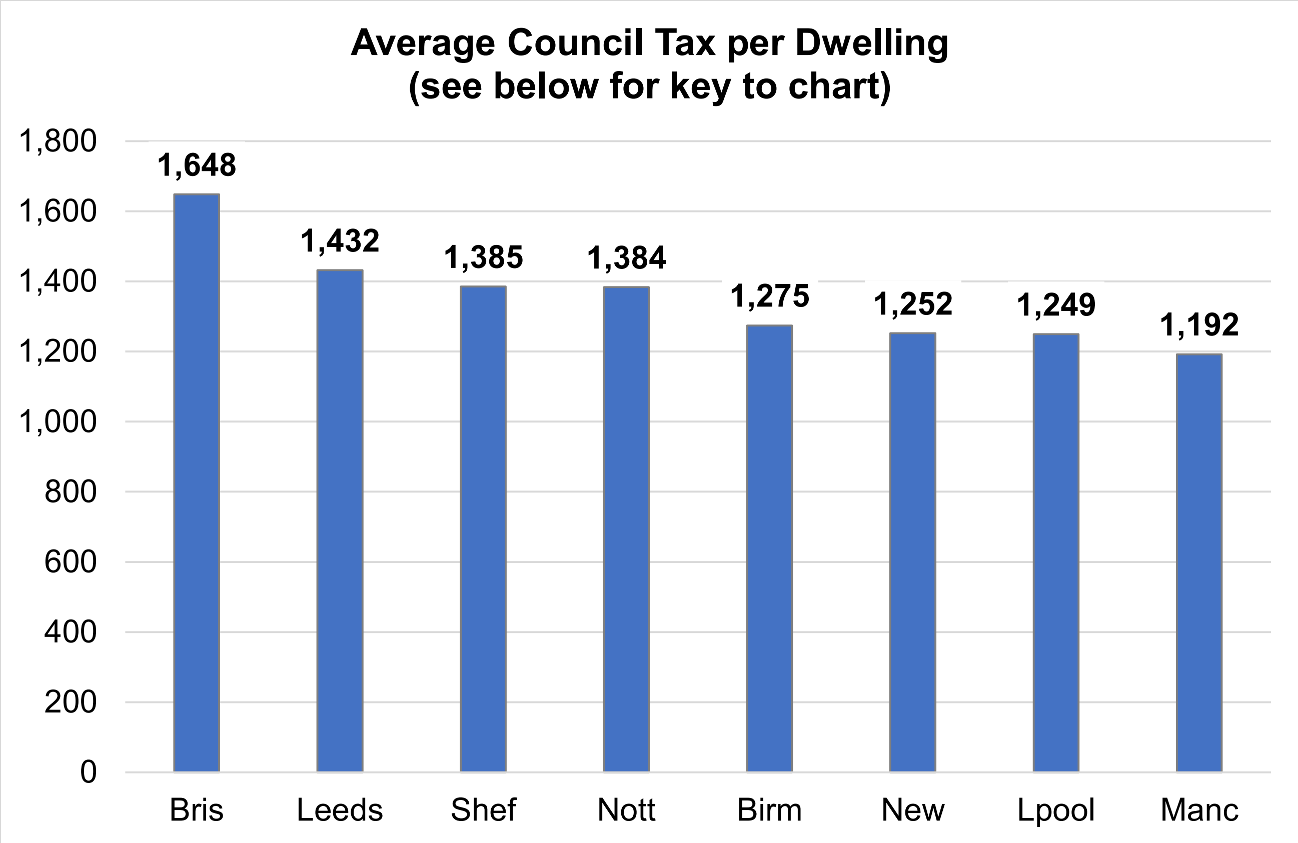
The Council Tax base for 2024-25 was calculated at 69,713 Band D equivalents and the Band D charge was £1,721.12 (excluding adult social care, parish, police, and fire precepts). The Band D adult social care precept for 2023-24 was £293.97.

The Band D charge for 2024-25 including adult social care, police and fire was £2,292.04 (including adult social care precept, police and fire but excluding parish precepts) as shown below:

Table 1 Council Tax charge

Band	Annual charge (£)	Band	Annual charge (£)
A	1,528.03	E	2,801.39
B	1,782.69	F	3,310.72
C	2,037.37	G	3,820.07
D	**2,292.04**	H	4,584.08

Due to the relatively high number of Band A and Band B properties, the average rate of Council Tax paid by residents in Newcastle is low compared with other local authorities (284 out of 296 local authorities). The position when compared with other core cities is set out on the next page.



Key	
Label	**Authority**
Bris	Bristol UA (Unitary Authority)
Leeds	Leeds
Nott	Nottingham UA
Shef	Sheffield
Lpool	Liverpool
New	Newcastle-upon-Tyne
Birm	Birmingham
Manc	Manchester

The amount of Council Tax we will collect in 2025-26 will be impacted by: new properties added and demolished, and the number of discounts, exemptions and reliefs that are awarded or withdrawn.

The long-term collection rate in 2024-25 was set at 98.0%.

We only write off debt after six years or if it becomes uneconomical to collect, but this can be reversed if the debt later becomes collectible.

Council Tax Support

Council Tax Support is available for working age residents who receive legacy benefits, Universal Credit and for those on low income to help with Council Tax payments.

In April 2013, Government abolished Council Tax Benefit for working aged people and local authorities were required to design local council tax reduction schemes.

Since then, Newcastle City Council has designed a scheme which has been regularly reviewed to ensure assistance is maximised for those most vulnerable across our neighbourhoods, as well as responding to the impact of welfare reform and accumulating council tax arrears.

In April 2022 amendments were made to the working age scheme to introduce additional support for the most vulnerable residents in the city who receive a passported legacy benefit or equivalent in Universal Credit. Doing this reduced the number of reminders issued to those in receipt of Council Tax Support by 43%, summonses by 48% and liability orders by 51%, taking a significant number of residents out of the recovery process altogether.

2 Who do we deliver this service, policy or function for?

Council Tax is payable by all residents, although some receive discounts, exemptions and support depending on their personal circumstances.

3 Why do we deliver this service, function or policy?

Council Tax was introduced with effect from 1 April 1993 by the Local Government Finance Act 1992.

The legislation sets out the definition of dwellings to be valued for Council Tax and the procedures for seeking an alteration to the band. The billing authorities for each area have the duty to collect the tax. Current law states that if a council proposes to increase Council Tax by more than the limit prescribed by the Secretary of State (for 2025-26 this is expected to be 3%) then a referendum must be undertaken.

The maximum increase in the adult social care precept is also specified by government each year, and for 2025-26 this is expected to be set at 2%.

4 How much do we spend on the service, function or policy?

Gross expenditure: Not applicable

Gross income: Not applicable

Net budget: Not applicable

Comments: Not applicable

5 How many people do we employ to deliver the service, function or policy?

Number of posts: Not applicable

Number of full-time equivalent officers: Not applicable

Comments: Not applicable

Section B: Proposals for the future service

6 How we are proposing to change the service, function or policy

As in previous years, we are expecting the government will assume in its calculation of core spending power that all local authorities will increase Council Tax by the maximum amount in 2025-26, which is expected to be 3% plus a 2% increase in the adult social care precept.

To set a balanced budget in 2025-26 we need to increase the amount of income raised through Council Tax. We are proposing to increase core Council Tax by 2.99%, which will increase income by £4.2 million (excluding any changes to the Council Tax base). We propose to use this income to avoid the need to make further reductions to service provision beyond those set out in the budget report. We expect this increase will be below the level that is defined as excessive by the Secretary of State for the purpose of the Local Government Finance Act 1992.

The impact of this increase is as follows: (excluding police and fire precepts)

Table 2 - Proposed council tax increase 2.99 percent

Band	Proposed Annual Increase (£)	Proposed Weekly Increase (£)	Band	Proposed Annual Increase (£)	Proposed Weekly Increase (£)
A	40.17	0.77	E	73.64	1.42
B	46.86	0.90	F	87.03	1.67
C	53.56	1.03	G	100.42	1.93
D	60.25	1.16	H	120.50	2.32

In addition, we propose to apply the government's 2% Council Tax precept for adult social care to help fund the increasing demand for and cost of adult social care. This will generate an additional £2.8 million of Council Tax income (excluding any changes to in the Council Tax base). The impact of this increase is as follows: (excluding any increases to police and fire precepts)

Table 3 - Proposed adult social care increase 2 percent

Band	Proposed Annual Increase (£)	Proposed Weekly Increase (£)	Band	Proposed Annual Increase (£)	Proposed Weekly Increase (£)
A	26.87	0.52	E	49.25	0.95
B	31.35	0.60	F	58.21	1.12
C	35.82	0.69	G	67.17	1.29
D	40.30	0.78	H	80.60	1.55

The impact of the combined increase is as follows: (excluding police and fire precepts)

Table 4 - Combined increase 4.99 percent

Band	Current 2024-25 Charge (£)	Proposed 2025-26 Charge (£)	Proposed Annual Increase (£)	Proposed 2025-26 Charge for Single People (£)	Proposed Annual Increase for Single People (£)
A	1,343.39	1,410.43	67.04	1,057.82	50.28
B	1,567.29	1,645.50	78.21	1,234.12	58.65
C	1,791.19	1,880.57	89.38	1,410.43	67.04
D	2,015.09	2,115.64	100.55	1,586.73	75.41
E	2,462.89	2,585.78	122.89	1,939.33	92.16
F	2,910.68	3,055.92	145.24	2,291.94	108.93
G	3,358.48	3,526.07	167.59	2,644.55	125.69
H	4,030.18	4,231.28	201.10	3,173.46	150.83

Council Tax Reduction Scheme

We are not going to make any changes to the working age scheme in 2025-26, other than inflating the income bands used to assess eligibility. We have no discretion over the pension age scheme as this is set by Government.

Second Homes Premium

The Government made changes to Council Tax legislation included in the Levelling Up and Regeneration Act 2023, which amends the Local Government Act 1992.

The change means that a 100% Council Tax premium can be applied in addition to the standard Council Tax liability in respect of ‘Second Home’ dwellings.

From 1 April 2025, unless an exception applies, owners of second homes will be subject to a 200% charge which is up to 2 times the normal Council Tax charge. This will generate an additional £0.25 million of Council Tax income.

7 What evidence did you use to inform this proposal

Previous public consultation

From the comments received in previous public consultations many were supportive of Council Tax increases to support services; however, concerns were also expressed by some members of the public about the impact on Council Tax increases on those with lower incomes.

Financial projections

Increasing Council Tax will generate additional income for the council that will avoid the need to make further reductions to service provision beyond those set out in the budget report. The precept for adult social care will also help fund the increasing demand in adult social care and the impact of COVID-19 on adult social care services.

People in receipt of benefits are struggling to meet rent and Council Tax due to welfare reform changes. The projections we have modelled show that the increase in charges for most residents already receiving a reduction are small and we will continue to provide Council Tax support in 2025-26 for those people.

Budget Announced on 30 October 2024

That local authorities may increase core Council Tax by up to 3% and may increase the adult social care precept by up to 2% in 2025-26.

8 What are the financial impacts of the proposal?

We are proposing to increase core Council Tax by 2.99%, which will increase income by £4.2 million (excluding any changes to the Council Tax base), and the adult social care precept by 2%, which will increase income by a further £2.8 million.

9 What will be the impact of the proposal on employees

There will be no impact on employees as a result of this proposal.

Section C: Consultation

10 Engagement to help develop the proposal

Who we have engaged with to develop this proposal

Residents, landlords, and voluntary sector organisations.

When and how we engaged

Previous year's budget consultation process from November 2023 to January 2024 via council wide Let's Talk budget consultation.

Main issues raised

From the comments received in previous public consultations many were supportive of Council Tax increases to support services; however, concerns were also expressed by some members of the public about the impact on Council Tax increases on those with lower incomes.

Comments included views that the adult social care precept is unfair on people who are self-funding their social care and the council should lobby central government for more funding. When asked about other ways to save or generate income, suggestions included building more houses to increase the Council Tax base.

11 Who will we engage with during the consultation

Who will we engage with during the consultation?

The stakeholders for this consultation are potentially everyone who pays Council Tax, or uses services paid for by Council Tax, within the Newcastle upon Tyne local authority area – essentially, all residents. We also need to consult with landlords, who are responsible for paying Council Tax when the property is rented out to several people and they each have an individual tenancy agreement to occupy only part of the building and are also liable for Council Tax for any period the property is unoccupied, and a tenancy agreement is not in place. Finally, we are aware that many residents are supported by voluntary organisations, and often seek advice from them about financial matters, including Council Tax. Therefore, we intend to engage with the following groups:

- Residents
- Landlords
- Voluntary organisations

When and how we will engage

We will engage between 11 December 2024 to 15 January 2025. We will inform people about the consultation using these channels:

- Online information via our website and social media accounts, including explainer videos (including with BSL interpretation)
- Press release to local media.
- Email invitations via Let's talk Newcastle Online
- Email invitations directly to voluntary organisations such as the Elders Council, Connected Voice, and others within Newcastle
- Email invitations to the Private Rented Service, to ask them to ask landlords to give us their views
- Printed information via a short version of our Citylife magazine, available on request and via Newcastle Libraries

People and organisations can send us their feedback as follows:

- Online surveys via Let's talk Newcastle Online
- Emails
- Letters to our FREEPOST address
- Social media
- Telephone
- If people need information in a particular format to support their taking part, such as large print, printed information, or Easy Read, we will provide this on request.

12 Feedback from the consultation process

Who provided feedback during the consultation

To be completed post consultation

When and how did we engage

To be completed post consultation

Main issues raised

To be completed post consultation

Section D: Impact assessment

In this section you will find details of any actual or potential negative impacts and benefits we have identified for this proposal. You will also find information about actions we will take to mitigate any potential disadvantage.

We have assessed the impact of this proposal for people with characteristics protected by the Equality Act 2010 and other areas where there could be an impact

Age

Type of impact

Potential disadvantage

Impact

There may be a disproportionate impact on families with young children or older people living on low pensions.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services. Also use income from adult social care precept to continue to support the most vulnerable.

Disability

Type of impact

Potential disadvantage

Impact

There may be a disproportionate impact upon households with disabled people. Generally, disabled people are significantly more likely to be in poverty than households where there are no disabled people.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services. Also use income from adult social care precept to continue to support the most vulnerable.

Gender reassignment

Type of impact

No impact

Impact

Not applicable

How we will remove or reduce the impact

Not applicable

Marriage and civil partnerships

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Pregnancy and maternity

Type of impact

Potential disadvantage

Impact

Women who are pregnant or on maternity leave may be impacted more by the increase due to a reduced income or increase in household expenses.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services.

Race and ethnicity

Potential disadvantage

Impact

There may be a disproportionate impact on people from ethnic minority backgrounds due to higher unemployment rates amongst the community

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services.

Religion or belief

Type of impact

No impact

Impact

Not applicable

How we will remove or reduce impact

Not Applicable

Sex

Type of impact

Potential disadvantage

Impact

There may be a disproportionate impact on women. Women are more likely to have lower incomes than men and have children living with them.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services.

Sexual orientation

Type of impact

No impact

Impact

Not applicable

How we will remove or reduce impact

Not Applicable

Other potential impacts

We believe that it is important to consider whether changes to our policies, services or functions could have other impacts on people that are not covered by the Equality Act.

A part of our assessments we also consider whether proposed changes could have actual or potential impacts relating to socio-economic issues, businesses, geography, community cohesion, community safety, the environment and health and wellbeing.

Carers

Type of impact

Potential disadvantage

Impact

There may be a disproportionate impact on unpaid carers or those unable to increase their working hours due to restrictions of carers allowance

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services.

Socio-economic impacts

Type of impact

Potential disadvantage

Impact

There may be a disproportionate impact on people who experience socio-economic disadvantage who are more likely to be affected than the general population.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services.

Businesses

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Geography

Type of impact

Potential disadvantage

Impact

There may be a disproportionate impact on people unable to pay the increase in less affluent areas of the city.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services.

Community cohesion

Type of impact

Potential disadvantage

Impact

People may be resentful of neighbours or others they feel get more benefit from council services for the same level of council tax paid e.g., larger families, pay the same as smaller households.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services. Also use income from the adult social care precept to help fund the increasing demand in adult social care and the long-standing, complex impact of COVID-19 on social care services. Promote the communitarian nature of the tax – supporting the community/each other.

Community safety

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable

Public health

Type of impact

Potential disadvantage

Impact

Some residents may have to cut back on heating or food to pay increased council tax which could impact on health.

How we will remove or reduce the impact

Continue to provide Council Tax Support Scheme and continue to signpost to debt management and advice services. Use income from the adult social care precept to help fund the increasing demand in adult social care and the long-standing, complex impact of COVID-19 on social care services.

Climate change and environment

Type of impact

No impact

Impact

Not Applicable

How we will remove or reduce impact

Not Applicable